

Overview

Domestic markets are stabilizing following the fall in milk prices in late 2014 and early 2015. The national average all-milk price was \$16.60 per hundredweight in March, down 20 cents from a month earlier. April Federal Order class prices indicate that the April all-milk price will likely be little changed from March. U.S. dairy exports continue below year-ago levels on a quarterly basis, but the rates of annual decline are beginning to slow for several key products. March exports were equivalent to 15.9 percent of U.S. milk solids production, the same as the whole first quarter of 2014. Significant gains in domestic consumption of dairy products, together with moderating increases in U.S. milk production, are keeping dairy stocks in check and supporting milk prices. Steady reductions in feed costs will keep the MPP margin at the top of, or above, the range of insurable margins, at least until there is a significant change in the general dairy situation.

Commercial Use of Dairy Products

The Agriculture Department has not yet released updated data on fluid milk sales. In a positive development, commercial use of dairy products in the domestic market during the three months ending in February was well above the same period a year earlier. This was true for milk in all products as well as for all major product categories except fluid milk. This surge in domestic consumption was large enough to offset continuing declines in exports of the same products and to produce growth in total consumption — domestic plus export — of the major non-fluid

products except butter. Growth in commercial disappearance of milk in all products also exceeded growth in milk production during the period.

U.S. Dairy Trade

Dairy exports continued below year-ago levels during the first quarter of 2015, but the rate of decline is easing for some products. Butter exports were just one-fifth of their levels a year ago, and anhydrous milk fat, cheddar and all American-type cheese exports were each down by approximately 60 percent. Other key export

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Domestic Commercial Disappearance	Dec 2014–Feb 2015	Dec 2013–Feb 2014	2013–2014 Change	Percent Change
	(million pounds)			
Total Fluid Milk Products*	12,946	13,299	-353	-2.7%
Butter	431	407	24	5.8%
American-type Cheese	1,104	1,030	74	7.2%
All Other Cheese	1,609	1,589	19	1.2%
Nonfat Dry Milk/Skim Milk Powders	347	229	118	52%
All Products (milk equiv., milkfat basis)	48,241	45,720	2,521	5.5%
All Products (milk equiv., skim solids basis)	43,601	41,236	2,365	5.7%
*November through January data				

U.S. Dairy Trade *from page 1*

products were down by much smaller percentages. Exports of all cheese were off by approximately five percent in both February and March, and 12 percent for the quarter. Exports of nonfat dry milk/skim milk powder were up almost seven percent over last year in March, and lactose exports were essentially flat during that month. In total, 13.4 percent of U.S. milk solids production was exported during the first quarter.

Dairy imports were again higher during the first quarter on small volumes. Butter imports more than doubled, but the rate of increase moderated throughout the quarter. Casein imports were down by a third on larger volumes. The equivalent of 3.3 percent of U.S. milk solids production was imported during the quarter, resulting in a total dairy trade balance — exports minus imports — equivalent to approximately 10 percent of U.S. milk production.

Milk Production

USDA significantly reduced its estimate of U.S. milk production growth last month. It reported March production up by just 1.2 percent over March 2014. Just two months earlier, the annual rate of increase for January was 2.2 percent. For the first quarter of this year, the average increase was 1.7 percent. The department this month dropped its forecast for all of 2015 to 1.3 percent, down from the 2.4 percent increase it had projected since January. Just two states, California and New Mexico, were largely responsible for the relatively modest rate of production growth in the first quarter. Production was down by three percent or more in those two states, which together produced almost a quarter of the nation's milk. Milk production in the other 48 states rose 3.3 percent during the first quarter. Most states, including those with growing milk production, are showing the same pattern of moderating production growth as USDA is predicting nationally.

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U.S. Dairy Exports	Jan–Mar 2015	Jan–Mar 2014	2014–2015 Change	Percent Change
		(metric tons)		
Butter	5,435	26,519	-21,085	-80%
Anhydrous Milk Fat/Butteroil	2,106	4,897	-2,791	-57%
Cheddar Cheese	10,712	25,837	-15,125	-59%
American-type Cheese	10,976	28,511	-17,535	-62%
Total Cheese	87,647	99,546	-11,898	-12%
Nonfat Dry Milk / Skim Milk Powder	125,580	126,549	-970	-1%
Whole Milk Powder	11,602	14,212	-2,610	-18%
Dry Whey	74,343	91,669	-17,326	-19%
Whey Protein Concentrate/Isolate	30,653	33,542	-2,889	-9%
Lactose	82,385	91,970	-9,586	-10%
Percent of Milk Solids Exported	13.4%	15.9%	-2.6%	-16%

U.S. Dairy Imports	Jan–Mar 2015	Jan–Mar 2014	2014–2015 Change	Percent Change
		(metric tons)		
Butter	3,978	1,567	2,411	154%
Cheese	40,680	32,669	8,011	25%
Nonfat Dry Milk/Skim Milk Powder	278	493	-216	-44%
MPC (all protein levels)	15,192	12,149	3,043	25%
Casein	16,537	25,174	-8,637	-34%
Percent of Milk Solids Imported	3.3%	3.0%	0.3%	11%

Milk Production *from page 2*

Growth in total cow numbers is also pulling back from the one percent annual increases of January and February, with March cow numbers up 0.8 percent over last year.

Dairy Product Production

Cheese production grew at an annual rate of about 2.5 percent during the first quarter, both in total and for most of the major categories. Butter production was down almost four percent, and combined production of nonfat dry milk and skim milk powder was four percent higher. Of the major dairy products, only dry whey showed production gains of more than 10 percent.

Overall, production of dairy products increased at a slower rate than total commercial demand, due to the strong increases in domestic consumption.

Dairy Product Inventories

The mostly positive supply-demand relationships in the dairy markets are so far keeping inventory buildup modest for key products, thus helping to maintain product prices. Butter and American-type cheese stocks were both below their levels of a year earlier at the end of March. Stocks of nonfat dry milk are still being boosted by the decline in exports over the past several months.

Milk & Dairy Products Production	Jan–Mar 2015	Jan–Mar 2014	2014–2015 Change	Percent Change
Milk Production				
Cows (1000 head)	9,303	9,216	87	0.9%
Per Cow (pounds)	5,579	5,536	43	0.8%
Total Milk (million pounds)	51,904	51,020	884	1.7%
Dairy Products Production				
		(million pounds)		
Cheese				
American Types	1,136	1,107	30	2.7%
Cheddar	828	807	21	2.6%
Italian Types	1,252	1,221	32	2.6%
Mozzarella	982	969	13	1.4%
Total Cheese	2,852	2,782	70	2.5%
Butter	498	517	-19	-3.7%
Dry Milk Products				
Nonfat Dry Milk	498	448	50	11%
Skim Milk Powder	113	140	-27	-19%
Dry Whey	236	207	29	14%
Whey Protein Concentrate	129	131	-3	-2%

Dairy Product Inventories	Mar 2015	Feb 2015	Mar 2014	Percent Change
		(million pounds)		
Butter	184	177	192	-3.9%
American Cheese	629	642	639	-1.5%
Other Cheese	433	421	379	14%
Nonfat Dry Milk	254	240	216	18%

Dairy Product and Federal Order Class Prices

According to USDA's Agricultural Marketing Service, butter and cheddar cheese prices both rose by approximately four cents per pound from March to April, while prices for nonfat dry milk and dry whey dropped by about 5.5 cents and two cents per pound, respectively. These price movements resulted in a 25-cent per hundredweight rise in the Federal Order Class III price and a 29-cent per hundredweight drop in the Class IV price over the same time. Together with other Federal Order price changes, this suggests that the April all-milk price, to be announced at the end of May, will change little from March.

Milk and Feed Prices

The average all-milk price for March was \$16.60 per hundredweight, down 20 cents from February and \$8.50 below March 2014. This indicates that, while milk prices continue well below last year's record levels, they are likely now stabilizing. March feed prices are also below year-ago levels but relatively little changed from February. The monthly March feed cost calculated by the 2014 farm bill formula was down seven cents per hundredweight from February but was only \$2.08 per hundredweight below March 2014. Current futures markets indicate that the Margin Protection Program margin for March-April will be lower than the MPP margin of almost eight dollars per hundredweight for

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Dairy Product and Federal Order Prices	Apr 2015	Mar 2015	Apr 2014	2014–2015 Change
AMS Commodity Prices		(per pound)		
Butter	\$1.736	\$1.695	\$1.923	-\$0.187
Cheese	\$1.612	\$1.575	\$2.355	-\$0.743
Nonfat Dry Milk	\$0.968	\$1.022	\$2.019	-\$1.051
Dry Whey	\$0.461	\$0.482	\$0.677	-\$0.216
Class Prices for Milk		(per hundredweight)		
Class I Mover	\$15.50	\$15.56	\$23.65	-\$8.15
Class III	\$15.81	\$15.56	\$24.31	-\$8.50
Class IV	\$13.51	\$13.80	\$23.34	-\$9.83

Milk and Feed Prices	Mar 2015	Feb 2015	Mar 2014	2014–2015 Change
Producer Prices				
All Milk (per cwt.)	\$16.60	\$16.80	\$25.10	-\$8.50
Feed Prices				
Corn (per bushel)	\$3.81	\$3.79	\$4.52	-\$0.71
Soybean Meal (per ton)	\$358	\$370	\$498	-\$140
Alfalfa Hay (per ton)	\$172	\$172	\$193	-\$21
2014 Farm Bill Feed Cost (per cwt.)	\$9.07	\$9.14	\$11.15	-\$2.08
2014 Farm Bill Margin (per cwt.)	\$7.53	\$7.66	\$13.95	-\$6.42
Retail Dairy Product Prices				
Fluid Milk (per gallon)	\$3.463	\$3.496	\$3.669	-\$0.206
Cheddar Cheese (per pound)	\$5.384	\$5.480	\$5.579	-\$0.195

Milk and Feed Prices *from page 4*

January-February. USDA will calculate MPP payment rates rounded to five places after the decimal point.

Average retail prices for both whole milk and cheddar cheese declined in March from a month earlier. March whole milk retail prices were approximately 21 cents per gallon below March 2014, and March cheddar cheese retail prices were down about 20 cents per pound over a year earlier.

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The **National Milk Producers Federation (NMPF)** is a farm commodity organization representing most of the dairy marketing cooperatives serving the U.S.