

Overview

The U.S. dairy market outlook improved a bit from a month earlier, as the rate of milk production growth continued to decline in September. At the same time, the all-milk price rose by 80 cents per hundredweight, feed prices declined and the Agriculture Department's monthly margin calculation increased by more than a dollar per hundredweight.

Commercial Use of Dairy Products

Domestic commercial use of dairy products was strong for most major dairy products during the June-August period. Butter use was up almost 8 percent over the same period a year earlier, and use of other-than-American-type cheese grew 3.5 percent. Domestic commercial use of milk in all products was up over last year by almost 4 percent, measured on both a milkfat and a skim solids basis. Compared with a year earlier, sales of all fluid milk products were down just 0.1 percent. Broken down by production method and milkfat content, organic fluid milk sales were down by 2.5 percent, conventional fluid sales were flat, whole milk sales of all types were up 6 percent, all reduced-fat sales were down by 2.9 percent and the total milkfat consumed in all fluid milk products was up by 1.3 percent. Organic sales represented 5 percent of fluid milk sales during the period.

U.S. Dairy Trade

The broad picture of U.S. dairy exports during the July-September period looked much like several previous months. Milkfat exports were down by more than half over the previous year, American-type cheese exports were down by approximately half, total cheese exports were down by approximately one quarter, and most milk powder and whey product exports were either down by smaller percentages or up. The estimated percentage of U.S. milk solids exported in all products during the period declined over a year ago by less than a percentage point, a smaller amount than in previous months.

Dairy imports during July-September also resemble those of recent months, except that imports of milk protein concentrate were below a year ago. This was due to a large drop in MPC

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Domestic Commercial Use	Jun–Aug 2015	Jun–Aug 2014	2014–2015 Change	Percent Change
	(million pounds)			
Total Fluid Milk Products	11,790	11,807	-17	-0.1%
Butter	457	424	33	7.7%
American-type Cheese	1,105	1,086	19	1.7%
All Other Cheese	1,689	1,633	56	3.5%
Nonfat Dry Milk/Skim Milk Powders	297	206	91	44.0%
All Products (milk equiv., milkfat basis)	52,415	50,519	1,896	3.8%
All Products (milk equiv., skim solids basis)	44,526	42,863	1,663	3.9%

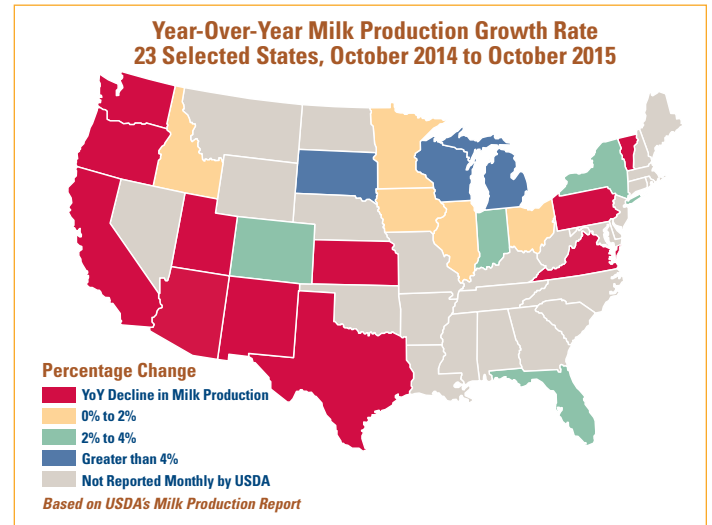
U.S. Dairy Trade *from page 1*

imports during September and a large increase in MPC imports in September 2014. The estimated percentage of U.S. milk solids imported during the period increased over a year ago by less than half a percentage point, also a smaller amount than in previous months.

Milk Production

U.S. milk production grew by just 0.4 percent during September, bringing the annual rate of increase to 0.9 percent for the July-September quarter. The general slowing of U.S. milk production growth has been almost universal among states and regions. While production continues to be down primarily in western and southwestern states, the rates of annual growth or decline show pronounced downward trends in almost all of the 23 states for which USDA reports monthly milk production. This pattern

is robust and suggests that milk production growth will continue to slow nationally and production soon will turn negative. USDA recently reduced its projections for 2015 and 2016 milk production,



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U.S. Dairy Exports	Jul–Sept 2015	Jul–Sept 2014	2014–2015 Change	Percent Change
		(metric tons)		
Butter	4,312	9,536	-5,223	-55%
Anhydrous Milk Fat/Butteroil	497	1,655	-1,158	-70%
Cheddar Cheese	7,920	15,504	-7,583	-49%
American-type Cheese	8,399	16,454	-8,055	-49%
Total Cheese	70,384	91,424	-21,040	-23%
Nonfat Dry Milk/Skim Milk Powder	130,908	129,410	1,498	1%
Whole Milk Powder	7,802	12,698	-4,896	-39%
Dry Whey	69,964	85,983	-16,019	-19%
Whey Protein Concentrate/Isolate	35,610	32,324	3,286	10%
Lactose	96,333	82,425	13,907	17%
Percent of Milk Solids Exported	13.9%	14.7%	-0.8%	-5%

U.S. Dairy Imports	Jul–Sept 2015	Jul–Sept 2014	2014–2015 Change	Percent Change
		(metric tons)		
Butter	6,173	3,148	3,025	96%
Cheese	50,714	41,179	9,535	23%
Nonfat Dry Milk/Skim Milk Powder	1,947	1,356	591	44%
MPC (all protein levels)	9,152	12,247	-3,095	-25%
Casein	18,936	18,303	633	3%
Percent of Milk Solids Imported	3.7%	3.4%	0.3%	8%

Milk Production *from page 2*

after holding them steady for several months while the annual rate of growth steadily declined. The Department currently projects that 2015 production will be 1.3 percent above 2014 and that 2016 production will be 2 percent above this year. This year's growth is more likely to be 1.1 percent, while a 2 percent increase next year will probably require milk prices that are significantly higher than the futures markets indicate.

Dairy Product Production

Production of cheese in the major categories increased over a year ago during the July-September quarter, but the rate of

increase is generally slowing. This reflects slowing milk production growth and production of American-type cheeses that has out-paced commercial use in recent months. By contrast, production of mozzarella cheese has increased in line with demand and production of butter and combined nonfat dry milk and skim milk powder are both lagging behind total commercial use.

Dairy Product Inventories

Cold storage inventories of butter and cheese have stayed ahead of year-ago levels by low double-digit percentages. End-of-September stocks of both American-type cheese and all cheese were particularly high. Manufacturers' stocks of

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Milk & Dairy Products Production	Jul–Sept 2015	Jul–Sept 2014	2014–2015 Change	Percent Change
Milk Production				
Cows (1000 head)	9,313	9,270	43	0.5%
Per Cow (pounds)	5,545	5,520	25	0.5%
Total Milk (million pounds)	51,642	51,173	469	0.9%
Dairy Products Production				
		(million pounds)		
Cheese				
American Types	1,157	1,121	35	3.2%
Cheddar	824	793	31	3.9%
Italian Types	1,238	1,211	26	2.2%
Mozzarella	975	962	13	1.3%
Total Cheese	2,921	2,834	87	3.1%
Butter	396	401	-5	-1.2%
Dry Milk Products				
Nonfat Dry Milk	400	395	5	1%
Skim Milk Powder	100	124	-23	-19%
Dry Whey	243	214	29	13.4%
Whey Protein Concentrate	119	131	-12	-9.2%

Dairy Product Inventories	Sept 2015	Aug 2015	Sept 2014	2014–2015 Change
		(million pounds)		
Butter	187	212	152	23%
American Cheese	699	709	631	10.7%
Other Cheese	450	458	383	18%
Nonfat Dry Milk	212	231	170	25%

Dairy Product Inventories *from page 3*

nonfat dry milk were up over a year earlier by 25 percent at the end of September, but the level was well below the record stock levels of this past spring and summer.

Dairy Product and Federal Order Class Prices

The USDA monthly survey price for butter was above the year-earlier level for the first time this year in October. The price was 13 cents per pound higher than a month earlier and approximately 5 cents above a year earlier. The October price for nonfat dry

milk was 9 cents a pound higher than September, 15 cents a pound above the record low price two months earlier and approximately 60 cents a pound below a year earlier. The monthly survey price for cheese dropped 4 cents in October from the previous month and was more than 60 cents below a year ago. The October survey price for dry whey was down more than 40 cents a pound from October 2014, to scarcely more than a third of its value a year ago.

The October announced Class III price was 36 cents a hundredweight below the September Class III price and \$8.36 below the October 2014 Class III price. By contrast, the Class IV price rose by \$1.35 per hundredweight in October from a month earlier

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Dairy Product and Federal Order Prices	Oct 2015	Sept 2015	Oct 2014	2014–2015 Change
AMS Commodity Prices		(per pound)		
Butter	\$2.573	\$2.445	\$2.526	\$0.048
Cheese	\$1.679	\$1.715	\$2.291	-\$0.612
Nonfat Dry Milk	\$0.895	\$0.801	\$1.490	-\$0.595
Dry Whey	\$0.231	\$0.244	\$0.653	-\$0.422
Class Prices for Milk		(per hundredweight)		
Class I Mover	\$15.84	\$16.34	\$24.19	-\$8.35
Class III	\$15.46	\$15.82	\$23.82	-\$8.36
Class IV	\$16.43	\$15.08	\$21.35	-\$4.92

Milk and Feed Prices	Sept 2015	Aug 2015	Sept 2014	2014–2015 Change
Producer Prices				
All Milk (per cwt.)	\$17.50	\$16.70	\$25.70	-\$8.20
Feed Prices				
Corn (per bushel)	\$3.68	\$3.68	\$3.49	\$0.19
Soybean Meal (per ton)	\$334	\$358	\$526	-\$192
Alfalfa Hay (per ton)	\$157	\$159	\$197	-\$40
2014 Farm Bill Feed Cost (per cwt.)	\$8.55	\$8.76	\$10.31	-\$1.76
2014 Farm Bill Margin (per cwt.)	\$8.95	\$7.94	\$15.39	-\$6.44
Retail Dairy Product Prices				
Fluid Milk (per gallon)	\$3.392	\$3.389	\$3.732	-\$0.340
Cheddar Cheese (per pound)	\$5.382	\$5.336	\$5.565	-\$0.183

Dairy Product and Federal Order Class Prices *from page 4*

and was less than \$5.00 a hundredweight below a year earlier. October also marked the first time in more than a year that the Class IV price was almost \$1.00 higher than the Class III price.

Milk and Feed Prices

The September all-milk price reported by USDA's National Agricultural Statistics Service was 80 cents a hundredweight higher than the August all-milk price. Federal order class prices for September had indicated that the September all-milk price would be reported at approximately \$17.30 per hundredweight, which was 20 cents less than it was subsequently reported. The October Federal order class prices indicate that the all-milk price for October will likely average \$17.50 per hundredweight. The Margin Protection Program monthly feed cost formula

dropped by more than 20 cents from August to September, primarily due to lower prices for soybean meal. Feed prices are likely to remain flat to weaker until acreage decisions and crop growing conditions become known in early 2016. These monthly milk price and feed cost changes resulted in an MPP margin calculation of nearly \$9.00 per hundredweight in September, approximately \$1.00 higher than in August. Given current expectations, MPP margins are unlikely to test \$8 per hundredweight until the spring flush and crop growing season in early 2016.

The Bureau of Labor Statistics' average retail whole milk price for September was basically unchanged from August but 34 cents a gallon below a year earlier. The average retail price for cheddar cheese in September was almost 5 cents a pound higher than in August but approximately 18 cents a pound below 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.