

Overview

The U.S. average all-milk price lost a total of \$2.80/cwt. in three roughly equal drops from November 2017 through this past February. Total U.S. milk production was up by 1.6 percent from a year earlier during the three months of December 2017 through February 2018, while estimated total U.S. production of milk solids rose by 2 percent during the same period. In March, butter and Cheddar cheese prices were both higher than a month earlier, following several months of losses. The monthly margin under the dairy Margin Protection Program (MPP) for February 2018 was \$6.88/cwt. It was the third month in a row during which the MPP margin was down more than \$1.00/cwt. from the previous month.

Commercial Use of Dairy Products

Total fluid milk sales declined more than 2 percent from a year ago during the December 2017–February 2018 period, which is about the same as the average decline during the prior six months. Total estimated milkfat use in all fluid milk products eked out a small gain during the same period. Commercial use of both American and other types of cheese showed strong increases during the period, and total milk use showed positive gains when measured on both a milkfat and a skim solids basis.

U.S. Dairy Trade

The rate of annual increase in U.S. cheese exports has been moderating in recent months, after staying well into two-digit

percentages for most of 2017. From the three-month period of July–September, 2016, which marked the start of the recent growth period, through December 2017–February 2018, U.S. cheese exports grew by almost 24 percent. Meanwhile, dry skim ingredients have recently taken over as the key driver of continued export growth, after generally dropping during several months in the middle of 2017. Total U.S. dairy exports increased from 14.1 to 15.8 percent of U.S. milk solids production over the year between the two most recent December–February periods.

U.S. imports continued to fall below year-ago levels by double-digit percentages for the major import categories of butter, cheese, milk protein concentrate and casein during

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Domestic Commercial Use	Dec 2017–Feb 2018	Dec 2016–Feb 2017	2017–2018 Change	Percent Change
	(million pounds)			
Total Fluid Milk Products	12,099	12,358	-259	-2.1%
Butter	403	398	5	1.4%
American-type Cheese	1,205	1,163	42	3.6%
All Other Cheese	1,800	1,753	47	2.7%
Nonfat Dry Milk / Skim Milk Powders	220	230	-10	-4.3%
All Products (milk equiv., milkfat basis)	49,490	49,189	300	0.6%
All Products (milk equiv., skim solids basis)	43,547	43,492	55	0.1%

U.S. Dairy Trade *from page 1*

December 2017–February 2018. Imports as a percentage of U.S. milk solids production during the period reached their lowest level in three and a half years.

Milk Production

U.S. milk production rose in February by 1.8 percent from the same month in 2017, the same rate of annual increase as in January. This further confirmed that the nation's milk production is springing back from a period of unusually constrained growth of just barely above 1 percent during the last third of 2017. Milk production was up by 1.6 percent from a year earlier during the three months of December 2017–February 2018. Total milk solids production rose by 2 percent from a year ago during the same three months. Total dairy product production in the United States is more closely correlated with milk solids

production than with the fluid volume of raw milk. Fueling the February increase in milk volume were gains in California, Idaho and Washington.

Dairy Products

Annual growth of domestic natural cheese production hit new highs from December 2017–February 2018 for all five categories tracked below. For both American-types and Cheddar in particular, it was the largest three-month period increase in eight months. For Italian-types and mozzarella specifically, it was the largest in 15-16 months. For total cheese, it was more than three years earlier that last witnessed this level of production growth. It is interesting to note that production of skim milk powder, generally an export-focused product, was below year-ago levels during this period, even though exports of dried skim milk powders of all types grew by 20 percent at the same time.

U.S. Dairy Exports	Dec 2017–Feb 2018	Dec 2016–Feb 2017	2017–2018 Change	Percent Change
		(metric tons)		
Butter	5,881	4,844	1,038	21%
Anhydrous Milk Fat/Butteroil	1,398	1,171	228	19%
Cheddar Cheese	11,169	9,061	2,109	23%
American-type Cheese	11,239	9,114	2,125	23%
Total Cheese	82,417	77,593	4,824	6%
Nonfat Dry Milk/Skim Milk Powder	176,350	146,577	29,773	20%
Whole Milk Powder	6,599	7,471	-871	-12%
Dry Whey	96,704	85,009	11,695	14%
Whey Protein Concentrate/Isolate	51,788	46,364	5,424	12%
Lactose	99,792	86,282	13,510	16%
Percent of Milk Solids Exported	15.8%	14.1%	1.7%	12%

U.S. Dairy Imports	Dec 2017–Feb 2018	Dec 2016–Feb 2017	2017–2018 Change	Percent Change
		(metric tons)		
Butter	5,791	6,615	-824	-12%
Cheese	41,773	47,441	-5,667	-12%
Nonfat Dry Milk/Skim Milk Powder	376	20	356	1780%
MPC (all protein levels)	14,560	16,883	-2,322	-14%
Casein	15,427	19,476	-4,049	-21%
Percent of Milk Solids Imported	3.2%	3.8%	-0.6%	-15%

Dairy Product Inventories

Stocks of all four reported products rose from January to February. Based on measurement in terms of days commercial use on hand, the February levels were particularly excessive for butter and nonfat dry milk, but somewhat less so for both American and other cheese.

Dairy Product and Federal Order Class Prices

Butter prices reported by the U.S. Department of Agriculture's Agriculture Marketing Service (AMS) broke a six-month losing streak in March by posting the first gain over the prior month

since August of last year. But the two dry skim ingredient prices also reported by AMS continued an even longer decline, with nonfat dry milk dropping almost continuously by more than \$0.20 a pound since last June and dry whey prices down steadily by more than half since last April. The March upturn in butter and Cheddar cheese allowed both Class III and Class IV prices to end their own rather steady slides over the past several months with gains in March.

Milk and Feed Prices

The all-milk price fell by \$0.80/cwt. from January to February, to \$15.30/cwt. This was \$2.80/cwt. below its most recent peak
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Milk and Dairy Products Production	Dec 2017–Feb 2018	Dec 2016–Feb 2017	2017–2018 Change	Percent Change
Milk Production				
Cows (1,000 head)	9,405	9,358	48	0.5%
Per Cow (pounds)	5,690	5,629	61	1.1%
Total Milk (million pounds)	53,517	52,675	842	1.6%
Total Milk Solids (million pounds)	6,920	6,785	135	2.0%
Dairy Products Production				
		(million pounds)		
Cheese				
American Types	1,263	1,212	52	4.3%
Cheddar	927	895	32	3.6%
Italian Types	1,366	1,323	43	3.2%
Mozzarella	1,056	1,025	31	3.0%
Total Cheese	3,170	3,049	121	4.0%
Butter	521	502	19	3.7%
Dry Milk Products				
Nonfat Dry Milk	482	450	33	7.3%
Skim Milk Powder	132	150	-18	-11.9%
Dry Whey	263	239	25	10.3%
Whey Protein Concentrate	126	115	11	9.4%

Dairy Product Inventories	Feb 2018	Jan 2018	Feb 2017	2017–2018 Change
		(million pounds)		
Butter	277	227	270	3%
American Cheese	763	742	745	2%
Other Cheese	551	537	482	14%
Nonfat Dry Milk	324	307	262	24%

Milk and Feed Prices *from page 3*

just three months earlier in November 2017. The monthly margin under the MPP for February 2018 was \$6.88/cwt., \$1.23/cwt. less than the margin a month earlier. This was the third-straight monthly drop in the MPP margin of more than \$1.00/cwt. The two previous ones, from November to January, were driven mostly by lower milk prices. The further drop from January to February was split a bit more evenly between a lower all-milk price and an increase in the formula-determined feed cost. Most of the feed cost increase for February, on a per-hundredweight-of-milk basis, was due to higher soybean meal prices. All three components of the MPP feed cost formula were higher in February than in January.

Bureau of Labor Statistics data shows the average retail price of whole milk in the United States declined slightly from January to February, following a drop of almost \$0.20 a gallon a month earlier. By contrast, the U.S. average retail price of Cheddar cheese rose modestly in February, to its highest level since November 2016.

Looking Ahead

In its monthly forecast update for April, USDA did not change its forecast for total milk production during 2018 from its March report. It also left unchanged the midpoint of its forecast for 2018 average cheese prices and dropped its midpoint 2018 price forecasts for butter, nonfat dry milk and dry whey. Accordingly,

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Dairy Product and Federal Order Prices	Mar 2018	Feb 2018	Mar 2017	2017–2018 Change
AMS Commodity Prices		(per pound)		
Butter	\$2.176	\$2.111	\$2.168	\$0.008
Cheese	\$1.554	\$1.473	\$1.555	-\$0.001
Nonfat Dry Milk	\$0.696	\$0.708	\$0.849	-\$0.153
Dry Whey	\$0.253	\$0.253	\$0.524	-\$0.271
Class Prices for Milk		(per hundredweight)		
Class I Mover	\$13.36	\$14.25	\$16.90	-\$3.54
Class III	\$14.22	\$13.40	\$15.81	-\$1.59
Class IV	\$13.04	\$12.87	\$14.32	-\$1.28

Milk and Feed Prices	Feb 2018	Jan 2018	Feb 2017	2017–2018 Change
Producer Prices				
All Milk (per cwt.)	\$15.30	\$16.10	\$18.50	-\$3.20
Feed Prices				
Corn (per bushel)	\$3.38	\$3.29	\$3.44	-\$0.06
Soybean Meal (per ton)	\$363	\$323	\$334	\$28
Alfalfa Hay (per ton)	\$155	\$152	\$129	\$26
2014 Farm Bill Feed Cost (per cwt.)	\$8.42	\$7.98	\$7.92	\$0.50
2014 Farm Bill Margin (per cwt.)	\$6.88	\$8.12	\$10.58	-\$3.70
Retail Dairy Product Prices				
Fluid Milk (per gallon)	\$2.923	\$2.961	\$3.300	-\$0.377
Cheddar Cheese (per pound)	\$5.082	\$5.021	\$4.967	\$0.115

Looking Ahead *from page 4*

the department lowered its midpoint forecast for the 2018 average all-milk price by \$0.20/cwt. to \$15.85/cwt. Over the same month, however, the CME dairy futures for butter and cheese improved, increasing the futures-based forecast for the 2018 all-milk prices by about \$0.50/cwt. to \$16.55/cwt. USDA's online MPP Decision Tool has been converted to project monthly margins, reflecting

the improvements made by Congress to the MPP earlier this year. At the time the department's April dairy forecast was released, the tool was projecting that the MPP margins would be below \$8.00/cwt. from February through August this year, and would average \$7.63/cwt. for all of 2018. Producers have until June 1 to sign up for coverage under the MPP for calendar year 2018.

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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.