

Overview

The U.S. average all-milk price rose by \$0.20 per hundredweight in May from a month earlier, and the June federal order class prices were all up over May, by between \$0.11-\$1.40 per hundredweight. These are all strong indications that milk prices have rebounded off their early spring lows for the year. The U.S. dairy trade balance continues to improve. An additional 1.3 percent of total U.S. milk solids production was exported during March–May over and above exports a year earlier, while imports were lower by the equivalent of 0.2 percent of domestic milk solids production. The monthly Margin Protection Program (MPP) milk price-feed cost margin for May was \$8.61 per hundredweight, just marginally higher than the April monthly margin.

Commercial Use of Dairy Products

Domestic commercial use of milkfat in all dairy products rebounded during February–April to 1.4 percent more than during the same period in 2016. Butter was the only major dairy product that clearly contributed to this growth, with 5.2 percent increase over a year ago. Fluid milk sales dropped by a relatively large 2.8 percent, which was sufficient to reduce the estimated use during the period of milkfat in all fluid milk sales, which has been on the increase recently. Also unusual for recent years is the year-over-year drop in both American-type and other cheese during the first part of 2017.

U.S. Dairy Trade

U.S. butter exports were up by almost half compared to a year earlier during March–May, despite the ongoing tight domestic milkfat supply-demand situation. But over half of those exports went to Canada, at an average value higher than the corresponding domestic butter price during the period and at more than double the volume of a year ago. Total cheese exports were almost one-third higher during the period, with most of the increase going to Mexico, South Korea, Australia and Japan. Exports in the large-volume dairy ingredient category were up strongly for skim milk powder and dry whey, but down slightly for

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Domestic Commercial Use	Feb–Apr 2017	Feb–Apr 2016	2016–2017 Change	Percent Change*
	(million pounds)			
Total Fluid Milk Products	11,860	12,341	-481	-2.8%
Butter	435	418	17	5.2%
American-type Cheese	1,102	1,134	-32	-1.8%
All Other Cheese	1,717	1,750	-32	-0.7%
Nonfat Dry Milk / Skim Milk Powders	232	303	-71	-22.5%
All Products (milk equiv., milkfat basis)	49,785	49,641	144	1.4%
All Products (milk equiv., skim solids basis)	43,703	45,163	-1,460	-2.1%

*Adjusted for leap year

U.S. Dairy Trade *from page 1*

higher-value whey products and lactose. During March–May, 14.4 percent of U.S. milk solids were exported, compared with 13.1 percent a year earlier.

Imports of dairy products into the United States were down over a year ago in most of the major dairy import categories during March–May, with the exception of butter. Cheese imports have been declining on a year-over-year basis since last summer, while concentrated milk protein imports have generally increased during the same time. Almost three-quarters of total butter imports during the period were from Ireland.

Milk Production

U.S. milk production was 1.9 percent higher in the March–May period than it was during the same months a year before. On a monthly basis, production was 1.8 percent above a year ago

during May, the smallest monthly increase since August 2016 at the beginning of the current milk production buildup. Further indications that production growth is continuing to moderate can be found in state milk production data. The rate of annual growth was significantly higher during May than during April in only four of the 23 largest milk-producing states. The national milking cow herd has been inching up year-over-year quite steadily for more than a year. During May, milking cows in the United States were up by 71,000, or 0.8 percent, over May 2016.

Dairy Products

Growth in production of protein-standardized skim milk powder has significantly outpaced growth in nonfat dry milk production for over a year, during which U.S. exports of dried skim milk in all forms have steadily improved. The combined growth rate of dry whey and whey protein concentrate production has outpaced cheese production growth for much of the past year, until recently.

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U.S. Dairy Exports	Mar–May 2017	Mar–May 2016	2016–2017 Change	Percent Change
		(metric tons)		
Butter	4,054	2,716	1,338	49%
Anhydrous Milk Fat/Butteroil	771	2,459	-1,688	-69%
Cheddar Cheese	9,984	7,220	2,764	38%
American-type Cheese	10,093	7,323	2,770	38%
Total Cheese	93,431	70,573	22,858	32%
Nonfat Dry Milk/Skim Milk Powder	162,643	131,353	31,289	24%
Whole Milk Powder	6,902	6,870	33	0%
Dry Whey	91,255	72,119	19,136	27%
Whey Protein Concentrate/Isolate	40,918	42,156	-1,238	-3%
Lactose	87,922	88,043	-121	0%
Percent of Milk Solids Exported	14.4%	13.1%	1.2%	9%

U.S. Dairy Imports	Mar–May 2017	Mar–May 2016	2016–2017 Change	Percent Change
		(metric tons)		
Butter	6,044	5,610	434	8%
Cheese	46,417	48,732	-2,316	-5%
Nonfat Dry Milk/Skim Milk Powder	122	490	-368	-75%
MPC (all protein levels)	13,172	15,271	-2,099	-14%
Casein	15,199	15,884	-685	-4%
Percent of Milk Solids Imported	3.4%	3.6%	-0.2%	-6%

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Growth in American-type and Cheddar cheese production has exceeded that of other types of cheese since last fall, when these respective growth rates suddenly reversed themselves. This occurred shortly after U.S. milk production began its modest growth acceleration.

Dairy Product Inventories

American-type cheese stocks rose higher in May to the fourth-highest ever month-ending level. However, those stocks have remained at about nine days of total commercial use in excess of a current average stock level, which is just under 55 days of use. Excessive

stocks of American-type cheese have been as high as 18 days in the past. End-of-May butter stocks were equivalent to 66 days of total commercial use, about 10 days higher than average for May. May-ending stocks of other than American-type cheese and nonfat dry milk were close to average trends.

Dairy Product and Federal Order Class Prices

The monthly dairy product prices reported for June by USDA's Agricultural Marketing Service were up sharply from May for butter and Cheddar cheese and up modestly for nonfat dry milk, confirming that April was the basic low point for dairy prices this year. Whey prices again defied this trend by dropping

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Milk and Dairy Products Production	Mar–May 2017	Mar–May 2016	2016–2017 Change	Percent Change
Milk Production				
Cows (1,000 head)	9,390	9,322	68	0.7%
Per Cow (pounds)	5,966	5,896	70	1.2%
Total Milk (million pounds)	56,021	54,961	1,060	1.9%
Dairy Products Production				
		(million pounds)		
Cheese				
American Types	1,265	1,202	63	5.2%
Cheddar	941	879	63	7.1%
Italian Types	1,367	1,342	25	1.9%
Mozzarella	1,058	1,045	13	1.2%
Total Cheese	3,156	3,042	114	3.7%
Butter	502	512	-10	-2.0%
Dry Milk Products				
Nonfat Dry Milk	500	509	-9	-1.9%
Skim Milk Powder	154	135	19	14.3%
Dry Whey	254	247	7	2.9%
Whey Protein Concentrate	127	120	7	5.6%

Dairy Product Inventories	May 2017	Apr 2017	May 2016	2016–2017 Change
		(million pounds)		
Butter	314	292	325	-3%
American Cheese	847	834	758	12%
Other Cheese	493	499	492	0%
Nonfat Dry Milk	282	267	232	22%

Dairy Product and Federal Order Class Prices *from page 3*

roughly another \$0.02 a pound. However, the June whey price was still almost twice what it had been just over a year earlier, an impressive feat for any skim milk-based dairy product in the current market environment. The June Class IV price rose \$1.40 per hundredweight from a month earlier, driven by increases in both the butter and nonfat dry milk prices. The June Class III price was up by a more modest \$0.87 per hundredweight, since the Class III price at 3.5 percent milkfat is basically invariant with respect to changes in the butter price, and the slightly lower whey price counteracted some of the higher cheese price. Even the lagged Class I price mover rose due modestly on a rise in the advanced butterfat and Class III skim milk prices.

Milk and Feed Prices

The May U.S. average all-milk price rose by \$0.20 per hundredweight from April, reflecting the modest, combined increase in class prices that month from April, which will likely be the low price point for the year. The monthly MPP feed cost increased by \$0.14 per hundredweight from a month earlier in May on slightly higher corn and soybean meal prices and a more significant, further increase in the USDA/NASS reported average price of alfalfa hay. The monthly MPP margin was up by \$0.06 per hundredweight, the amount by which the price increase outpaced the MPP feed cost increase during the month.

The U.S. average retail prices of both whole milk and natural Cheddar cheese continued their recent slow decline in May, as reported by the U.S. Bureau of Labor Statistics.

Dairy Product and Federal Order Prices	Jun 2017	May 2017	Jun 2016	2016–2017 Change
AMS Commodity Prices		(per pound)		
Butter	\$2.407	\$2.164	\$2.162	\$0.244
Cheese	\$1.629	\$1.539	\$1.448	\$0.182
Nonfat Dry Milk	\$0.914	\$0.870	\$0.789	\$0.125
Dry Whey	\$0.492	\$0.509	\$0.260	\$0.232
Class Prices for Milk		(per hundredweight)		
Class I Mover	\$15.31	\$15.20	\$13.14	\$2.17
Class III	\$16.44	\$15.57	\$13.22	\$3.22
Class IV	\$15.89	\$14.49	\$13.77	\$2.12

Milk and Feed Prices	May 2017	Apr 2017	May 2016	2016–2017 Change
Producer Prices				
All Milk (per cwt.)	\$16.70	\$16.50	\$14.50	\$2.20
Feed Prices				
Corn (per bushel)	\$3.45	\$3.43	\$3.68	-\$0.23
Soybean Meal (per ton)	\$308	\$306	\$376	-\$69
Alfalfa Hay (per ton)	\$155	\$148	\$147	\$8
2014 Farm Bill Feed Cost (per cwt.)	\$8.09	\$7.95	\$8.73	-\$0.64
2014 Farm Bill Margin (per cwt.)	\$8.61	\$8.55	\$5.77	\$2.84
Retail Dairy Product Prices				
Fluid Milk (per gallon)	\$3.242	\$3.259	\$3.157	\$0.085
Cheddar Cheese (per pound)	\$4.748	\$4.794	\$5.365	-\$0.617

Looking Ahead

The June federal order class prices indicate that the U.S. average all-milk price for June will be up by about \$0.40 per hundredweight over its May value. The CME dairy futures currently indicate that the milk price will continue to rise in a series of roughly

half-dollar steps into October and top out at around \$19 per hundredweight by year's end. USDA's MPP decision tool continues to show very little likelihood of payments under the program at any coverage level in 2017, but the probabilities it indicates for margins under \$8 per hundredweight at the end of the year are rising going into July.

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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.