

Overview

Recently reported wholesale and farm-level milk and dairy-product prices continue to be their highest since at least the beginning of 2015. Stockpiles have been down, and use up: The most recently-reported stocks of the key milk price-influencing dairy products declined from the previous month, while domestic commercial use of milk increased at a faster rate than milk and milk solids production during the most recent period. Meanwhile, exports of certain key dairy products are beginning to show increases over year-earlier levels.

Constrained growth in U.S. milk and milk solids production, combined with a recovery in global dairy product markets, are central to this long-overdue period of better milk prices.

Commercial Use of Dairy Products

Domestic commercial use of butter increased over one year ago usage during August–October, leading into the holiday season. American-type cheese continued to show positive growth, as did nonfat dry milk and skim milk powder, but at a much-reduced rate. Exports of these dry skim milk products increased this period, diverting product from the domestic into the international market. All three measures of aggregate commercial use showed stronger growth.

U.S. Dairy Trade

U.S. dairy exports have been relatively static following last year’s strong performance, with volumes continuing below year-ago levels for many of the major product categories, but export prices have remained stronger. Nonfat dry milk

and skim milk powder exports during August–October rose above a year earlier, joining non American-type cheese and total cheese in doing so. Recent increases in the milk solids content of U.S. produced milk has contributed to the difficulty for exports to break above the 15 percent of domestic milk solids mark on a sustainable basis. This has dampened the ability of exports to contribute to stronger milk prices through tightening milk solids supply-and-demand in the domestic market, although world markets have contributed to stronger U.S. milk prices by boosting U.S. nonfat dry milk prices.

U.S. dairy imports have also shown little change. Imports have increased in all major product categories, but total imports still remain below the equivalent of 4 percent of domestic milk solids. The recent growth in the milk solids content of

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Domestic Commercial Use	Aug–Oct 2019	Aug–Oct 2018	2018–2019 Change	Percent Change
	(million pounds)			
Total Fluid Milk Products	11,665	11,859	-194	-1.6%
Yogurt	1,069	1,128	-58	-5.2%
Butter	540	517	23	4.5%
American–type Cheese	1,317	1,296	21	1.6%
All Other Cheese	1,946	1,950	-5	-0.2%
Total Cheese	3,263	3,247	16	0.5%
Nonfat Dry Milk/Skim Milk Powders	193	186	7	3.5%
All Products (milk equiv., milkfat basis)	56,794	55,762	1,032	1.9%
All Products (milk equiv., skim solids basis)	45,579	44,924	655	1.5%
All Products (milk equiv., total solids basis)	48,986	48,206	779	1.6%

U.S. Dairy Trade *from page 1*

U.S. milk has also helped to keep this measure below that mark, which has similarly kept increased product imports from markedly deteriorating the domestic milk solids market balance and thus milk prices.

Milk Production

After remaining below one percent for almost a year, the monthly year-over-year rate of increase in U.S. milk production jumped to 1.3 percent in both September and October, bumping the total gain for the August–October period to almost one percent. The main driver of this increase was a spike in the rate of increase in production-per-cow. While total cow numbers are still below a year ago, the difference has narrowed at a rate that, if continued, will see cow numbers start rising in the first half of 2020. The increased rate of milk production growth during recent months was fairly

widespread among the states. Total milk solids production increased only slightly faster than total milk production during August–October.

Dairy Products

Dairy-product production rose during August–October, generally faster than milk production. Italian-type cheese production continued to rise at a respectable rate while production of Cheddar cheese was below year-ago levels.

Dairy Product Inventories

Stocks of key milk price-influencing dairy products in October ranged between 4 to 18 percent lower than a month earlier. In terms of days of use in stock, the reductions were between 16 and 37 percent. This stock drawdown undoubtedly helped produce the relatively buoyant milk and dairy-product prices during the fall.

U.S. Dairy Exports	Aug–Oct 2019	Aug–Oct 2018	2018–2019 Change	Percent Change
		(metric tons)		
Butter	4,961	6,424	-1,464	-23%
Anhydrous Milk Fat / Butteroil	1,146	7,027	-5,881	-84%
Cheddar Cheese	7,953	10,353	-2,400	-23%
American-type Cheese	8,055	10,467	-2,412	-23%
All Other Cheese	74,389	69,208	5,181	7%
Total Cheese	82,444	79,675	2,769	3%
Nonfat Dry Milk / Skim Milk Powder	187,048	175,297	11,751	7%
Whole Milk Powder	11,345	13,890	-2,545	-18%
Dry Whey	35,884	52,871	-16,987	-32%
Whey Protein Concentrate / Isolate	43,980	45,665	-1,684	-4%
Lactose	93,036	94,620	-1,584	-2%
Percent of U.S. Milk Solids Exported	14.9%	15.7%	-0.8%	-5%

U.S. Dairy Imports	Aug–Oct 2019	Aug–Oct 2018	2018–2019 Change	Percent Change
		(metric tons)		
Butter	12,670	12,016	654	5%
Cheese	54,909	47,717	7,192	15%
Nonfat Dry Milk / Skim Milk Powder	32	340	-308	-91%
MPC (all protein levels)	6,667	5,577	1,091	20%
Casein	13,791	10,931	2,861	26%
Percent of U.S. Milk Solids Imported	3.7%	3.2%	0.6%	18%

Dairy Product and Federal Order Class Prices

In November, numerous wholesale and farm-level milk and dairy product prices reached their highest levels since at least the beginning of 2015. These include the USDA/AMS monthly survey prices of nonfat dry milk and Cheddar cheese, the federal order nonfat solids and protein prices, the federal order Class III and Class IV skim milk prices, and the federal order Class III price. By contrast, the average retail prices the U.S. Bureau of Labor statistics reported that U.S. consumers paid for dairy products in November were down from the highest levels they had reached during

that same period. November retail prices were down from those previous five-year highs by 15 percent for whole milk, 3 percent for natural Cheddar cheese and ice cream, and 21 percent for American processed cheese. The BLS did not report monthly retail prices for lowfat milk, yogurt or butter during most of the previous five years.

Milk and Feed Prices

The U.S. average all-milk price was \$19.90 per cwt. in October, \$2.50 per cwt. higher than it was a year earlier. Over those 12 months, the price of Cheddar cheese surveyed by USDA's Agricultural Marketing Service rose by \$0.40 a pound, the

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Milk and Dairy Products Production	Aug–Oct 2019	Aug–Oct 2018	2018–2019 Change	Percent Change
Milk Production				
Cows (1,000 head)	9,322	9,375	-53	-0.6%
Per Cow (pounds)	5,794	5,708	86	1.5%
Total Milk (million pounds)	54,018	53,513	505	0.9%
Total Milk Solids (million pounds)	6,896	6,826	70	1.0%
Dairy Products Production		(million pounds)		
Cheese				
American Types	1,316	1,317	0	0.0%
Cheddar	918	933	-15	-1.6%
Italian Types	1,420	1,388	32	2.3%
Mozzarella	1,131	1,097	34	3.1%
Total Cheese	3,333	3,300	33	1.0%
Butter	432	418	15	3.5%
Dry Milk Products				
Nonfat Dry Milk	389	365	24	6.7%
Skim Milk Powder	148	143	6	3.9%
Dry Whey	265	233	33	14.0%
Whey Protein Concentrate	120	127	-8	-6.1%

Dairy Product Inventories	Oct 2019	Sept 2019	Oct 2018	2018–2019 Change
		(million pounds)		
Butter	238	291	231	3%
American Cheese	743	775	812	-8%
Other Cheese	599	599	564	6%
Nonfat Dry Milk	220	251	253	-13%
Dry Whey	78	83	74	5%

Milk and Feed Prices *from page 3*

nonfat dry milk survey price was up by \$0.22 a pound, while the survey prices of butter and dry whey were lower by \$0.13 and \$0.11 a pound, respectively. The October all-milk price was the highest since the beginning of 2015. Over the same period, the DMC margin increased by \$1.92 per cwt. over year-ago levels. The DMC feed cost calculation was up by \$0.58 per cwt. of milk, of which \$0.18 per cwt. was due to the inclusion this year of dairy-quality hay in the formula. Corn was the only formula constituent whose market price rose during those twelve months.

Looking Ahead

The improved milk price situation in late 2019 has provided some long-overdue relief for the nation's dairy farmers. However, it is uncertain how long prices will stay that high. The mid-December dairy futures showed Cheddar cheese prices receding from November's high of \$2.17 a pound to below \$1.80 a pound by March next year, and remaining below that level for the rest of the year. The futures also indicated that butter would drop to \$2.00 a pound in December before recovering but remaining below \$2.20 a

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Dairy Product and Federal Order Prices	Nov 2019	Oct 2019	Nov 2018	2018–2019 Change
AMS Commodity Prices		(per pound)		
Butter	\$2.087	\$2.156	\$2.268	-\$0.181
Cheddar Cheese	\$2.172	\$1.969	\$1.446	\$0.726
40-Pound Blocks	\$2.099	\$2.057	\$1.525	\$0.574
500-Pound Barrels	\$2.228	\$1.838	\$1.343	\$0.885
Nonfat Dry Milk	\$1.154	\$1.096	\$0.886	\$0.268
Dry Whey	\$0.307	\$0.340	\$0.463	-\$0.156
Class Prices for Milk		(per hundredweight)		
Class I Mover	\$18.14	\$17.84	\$15.52	\$2.62
Class III	\$20.45	\$18.72	\$14.44	\$6.01
Class IV	\$16.60	\$16.39	\$15.06	\$1.54
Retail Dairy Product Prices				
Fluid Whole Milk (per gallon)	\$3.189	\$3.119	\$2.877	\$0.312
Lowfat Fluid Milk (per gallon)	\$2.818	\$2.818	\$2.648	\$0.170
Cheddar Cheese (per pound)	\$5.309	\$5.277	\$5.229	\$0.080
Butter (per pound)	\$3.713	\$3.979	\$3.953	-\$0.240

Milk and Feed Prices	Oct 2019	Sept 2019	Oct 2018	2018–2019 Change
Producer Prices				
All Milk (per cwt.)	\$19.90	\$19.30	\$17.40	\$2.50
Feed Prices				
Corn (per bushel)	\$3.84	\$3.80	\$3.41	\$0.43
Soybean Meal (per ton)	\$309	\$296	\$319	-\$10
Alfalfa Hay (per ton)	\$192	\$193	\$178	\$14
DMC Feed Cost (per cwt.)	\$9.02	\$8.89	\$8.44	\$0.58
DMC Margin (per cwt.)	\$10.88	\$10.41	\$8.96	\$1.92

Looking Ahead *from page 4*

pound all year. Only nonfat dry milk and, to a lesser extent, dry whey showed sustained increases from late 2019 levels. The futures-based milk price outlook was also weakening during the first half of December, dropping by about \$0.25 per cwt. during that period. The strength of the rebound in milk production has undoubtedly weighed on the markets. Ironically, USDA raised its 2020 average milk price outlook

significantly during this period, from \$18.85 per cwt. in November to \$19.40 per cwt. in the second week of December. However, much of this could be seen as catch-up, since the Department's November milk price forecast was far below where the futures were indicating at the time, while the updated December projection was very close to the futures outlook. But both were well below where milk prices will be during the last quarter of 2019.

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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.