NMPF | USDEC DAIRY ECONOMICS

DAIRY MARKET REPORT

Dairy Management Inc. NMPF NATIONAL MILK PRODUCERS FEDERATION

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OVERVIEW

Fluid milk, yogurt, butter and non-American-type cheese posted positive annual growth in domestic commercial use during the second quarter this year. Significant export growth was posted by all types of cheese and by whey protein concentrate and isolate, with dry whey showing a smaller increase. Overall, however, aggregate domestic use was flat during the period.

U.S. milk production was below year-ago levels during each of the 12 months from July 2023 through June 2024, with a average drop during those months of 0.8 percent from production during the prior 12 months. Total milk solids production increased by 0.4 percent and milkfat production was up by 1.7 percent during this period.

Dairy product and farm-level prices, as well as margins over feed costs, have continued to rise in recent months as supply has kept pace with demand.

COMMERCIAL USE OF DAIRY PRODUCTS

Total commercial use of all U.S. dairy products, on a milk equivalent, total milk solids basis, was 0.8 percent lower during the first half of 2024 than a year earlier, adjusting for the leap year February month. It is not common for total use over a six-month period to be less than a year earlier, especially to that extent, since this usually happens only when domestic use and exports are both weak. By contrast, for example, strong growth in domestic use during 2023 more than offset unually large export losses following the surge in overseas sales a year earlier. But while exports have shown smaller losses this year, domestic use has also experienced a period of weakness, likely due to the cumulative effects of food price inflation.

DOMESTIC COMMERCIAL USE	APR-JUN 2024	APR-JUN 2023	2023-2024 CHANGE	PERCENT CHANGE
		(million pounds)		
Total Fluid Milk Products	10,381	10,268	113	1.1%
Yogurt	1,216	1,149	67	5.8%
Butter	544	529	14	2.7%
American-type Cheese	1,383	1,419	-36	-2.5%
All Other Cheese	1,990	1,918	72	3.8%
Total Cheese	3,373	3,337	36	1.1%
Dry Skim Milk	159	251	-92	-36.7%
All Products (milk equiv., milkfat basis)	54,728	54,928	-201	-0.4%
All Products (milk equiv., skim solids basis)	46,198	46,142	55	0.1%
All Products (milk equiv., total solids basis)	48,890	48,873	17	0.0%

U.S. DAIRY TRADE

During the first six months of 2024, the United States exported the equivalent of 2.1 percent less total milk solids than it did during the first half of 2023, adjusting for the leap year February month. These same percentages for the three main U.S. export product categories, which account for more than 90 percent of total milk solids exports, are -12 percent for dry milk products, -1.2 percent for dry whey products and +23 percent for cheese.

High domestic dairy product prices relative to prices during the prior year attracted 6.4 percent more dairy imports into the United States during the first half of 2022, measured by total milk solids. The same price situation is repeating itself this year, although to a lesser extent, yet imports during the first half are already up by 10.9 percent over last year.

U.S. DAIRY EXPORTS	APR-JUN 2024	APR-JUN 2023	2023-2024 CHANGE	PERCENT CHANGE
		(metric tons)		
Butter	7,907	7,237	671	9%
Anhydrous Milk Fat/Butteroil	3,024	1,398	1,626	116%
American-type Cheese	20,900	16,905	3,994	24%
Cheddar Cheese	20,742	16,764	3,978	24%
All Other Cheese	112,276	88,509	23,767	27%
Total Cheese	133,176	105,414	27,762	26%
Dry Skim Milk	186,665	215,317	-28,652	-13%
Whole Milk Powder	7,252	8,170	-918	-11%
Dry Whey	45,664	43,940	1,724	4%
Whey Protein Concentrate/Isolate	64,436	56,647	7,789	14%
Lactose	105,683	120,862	-15,179	-13%
Percent of U.S. Milk Solids Exported	16.5%	16.7%	-0.2%	-1%

U.S. DAIRY IMPORTS	APR-JUN 2024	APR-JUN 2023	2023-2024 CHANGE	PERCENT CHANGE
		(metric tons)		
Butter	16,454	12,409	4,045	33%
Cheese	50,610	44,306	6,305	14%
Dry Skim Milk	200	301	-101	-33%
MPC (all protein levels)	16,210	10,590	5,620	53%
Casein	15,124	11,902	3,222	27%
Percent of U.S. Milk Solids Imported	3.7%	3.0%	0.7%	24%

MILK PRODUCTION

USDA preliminarily reported June U.S. milk production at 1.0 percent below June 2023 production and revised its reported production for several earlier months of this year. The numbers show 12 straight months of below year-ago levels of milk production, averaging 0.8 percent less for that period compared to the previous 12 consecutive months, adjusting for leap year. Over those same 12 months, total milk solids production increased by 0.4 percent and milkfat production increased by 1.7 percent.

MILK PRODUCTION	APR-JUN 2024	APR-JUN 2023	2023-2024 CHANGE	PERCENT CHANGE
Milk Production				
Cows (1,000 head)	9,334	9,410	-75	-0.8%
Per Cow (pounds)	6,162	6,164	-2	0.0%
Total Milk (million pounds)	57,517	58,004	-487	-0.8%
Total Milk Solids (million pounds)	7,596	7,576	21	0.3%
Total Skim Milk Solids (million pounds)	5,198	5,220	-23	-0.4%
Total Milkfat (million pounds)	2,399	2,355	44	1.9%
Milk Solids Composition of Milk (percent)	13.2%	13.1%	0.1%	1.1%
Skim Solids Composition of Milk (percent)	9.0%	9.0%	0.0%	0.4%
Milkfat Composition of Milk (percent)	4.2%	4.1%	0.1%	2.7%

DAIRY PRODUCTS

Total cheese production was essentially stable from a year ago during the second quarter this year, while production of American-type and other types continue to widen their divergent rates of change, with American types falling faster and other types rising faster. Dry product production was all lower for the major types, especially for dry skim milk products, while butter production continued to grow.

DAIRY PRODUCTS PRODUCTION	APR-JUN 2024	APR-JUN 2023	2023-2024 CHANGE	PERCENT CHANGE
Cheese		(million pounds)		
American Types	1,412	1,490	-78	-5.2%
Cheddar	958	1,060	-102	-9.6%
Italian Types	1,496	1,445	52	3.6%
Mozzarella	1,199	1,140	59	5.2%
All Other Types	651	613	38	6.2%
Total Cheese	3,560	3,548	12	0.3%
Butter	581	558	23	4.1%

DAIRY PRODUCTS PRODUCTION	APR-JUN 2024	APR-JUN 2023	2023-2024 CHANGE	PERCENT CHANGE
Dry Milk Products				
Nonfat Dry Milk	471	578	-107	-18.5%
Skim Milk Powder	138	142	-4	-2.8%
Dry Whey	239	250	-10	-4.1%
Whey Protein Concentrate	122	129	-7	-5.5%

DAIRY PRODUCT INVENTORIES

Monthly inventories of most major dairy products, including cheese and butter, have exhibited declines over the past few years in the number of days of total commercial use in their monthly stock levels. At the end of July, stocks of both American-type cheese and other cheese were just slightly below their trend lines since 2020 for this measure. July-ending cold storage stocks of butter, whose monthly stock levels exhibit the most pronounced seasonality of any dairy product, were above its trend, having receded only slightly from its likely seasonal peak of days of use in stock in April this year.

DAIRY PRODUCT INVENTORIES	JUN 2024	MAY 2024	JUN 2023	2023-2024 CHANGE
		(million pounds)		
Butter	374	380	350	7%
American Cheese	805	816	853	-6%
Other Cheese	618	618	657	-6%
Dry Skim Milk	282	290	298	-5%
Dry Whey	68	64	83	-18%
Whey Protein Concentrate	53	57	84	-37%

DAIRY PRODUCT AND FEDERAL ORDER CLASS PRICES

Block cheddar cheese survey prices rose from June to July, but barrel prices fell, leaving the weighted-average cheese price down slightly for the month. The other three survey prices all rose moderately, as did the Federal Order class prices they collectively determine.

Following the inflationary price runup during 2022, retail prices of natural cheddar cheese have fairly consistently receded from their peak level; prices of fluid milk and butter initially did so, but are now beginning to increase again, especially for butter; but prices of processed cheese, ice cream and yogurt have continued to rise, at rates that increase in that order. The Consumer Price Index (CPI) for all items rose 2.9 percent from a year earlier in July, which is the measure widely reported in the media as the overall rate of inflation. At the same time, the CPI for all food and beverges rose by 2.2 percent and the CPI for dairy and related products dropped by 0.2 percent.

DAIRY PRODUCT AND FEDERAL ORDER PRICES	JUL 2024	JUN 2024	JUL 2023	2023-2024 CHANGE
NDPSR Dairy Product Prices		(per pound)		
Butter	$3.121	$3.098	$2.483	$0.639
Cheddar Cheese	$1.972	$1.996	$1.487	$0.485
40-Pound Blocks	$1.946	$1.915	$1.461	$0.484
500-Pound Barrels	$1.964	$2.035	$1.479	$0.485
Nonfat Dry Milk	$1.193	$1.177	$1.152	$0.041
Dry Whey	$0.449	$0.425	$0.266	$0.183
Federal Order Class Prices for Milk		(per hundredweight)		
Class I Base	$21.11	$20.08	$17.32	$3.79
Class II	$21.82	$21.60	$19.12	$2.70
Class III	$19.79	$19.87	$13.77	$6.02
Class IV	$21.31	$21.08	$18.26	$3.05
Retail Dairy Product Prices				
Fluid Whole Milk (per gallon)	$3.983	$3.956	$3.971	$0.012
Lowfat Fluid Milk (per gallon)	$3.748	$3.703	$3.633	$0.115
Cheddar Cheese (per pound)	$5.599	$5.537	$5.911	-$0.312
Butter (per pound)	$4.897	$4.696	$4.465	$0.432

MILK AND FEED PRICES

The June Dairy Margin Coverage (DMC) margin added $2.06/cwt over the past two months, to reach $11.66/cwt, as the all-milk price added $2.30/cwt while the DMC feed cost increased by a net of only $0.24/cwt over those two months. The June all-milk price was $22.80/cwt, up $0.80/cwt from May, and the DMC feed cost dropped by $0.34 for the month, mostly on a lower premium alfalfa hay price.

MILK AND FEED PRICES	MAY 2024	APR 2024	MAY 2023	2023-2024 CHANGE
Producer Prices				
All Milk (per cwt.)	$22.80	$22.00	$17.90	$4.90
Feed Prices				
Corn (per bushel)	$4.48	$4.51	$6.49	-$2.01
Soybean Meal (per ton)	$384	$389	$413	-$29
Premium Alfalfa Hay (per ton)	$256	$276	$310	-$54

MILK AND FEED PRICES	JUN 2024	MAY 2024	JUN 2023	2023-2024 CHANGE
Feed Prices (per cwt of milk)				
Corn	$4.81	$4.84	$6.96	-$2.16
Soybean Meal	$2.82	$2.86	$3.04	-$0.22
Premium Alfalfa Hay	$3.51	$3.78	$4.25	-$0.74
DMC Feed Cost* (per cwt.)	$11.14	$11.48	$14.25	-$3.11
DMC Margin* (per cwt.)	$11.66	$10.52	$3.65	$8.01

*DMC calculations are not revised

LOOKING AHEAD

In its World Agricultural Supply and Demand Estimates (WASDE) report for August, USDA lowered its monthly forecasts of U.S. milk production during both 2024 and 2025 calendar years from a month earlier, on both lower cow numbers and less production per cow. It currently projects 2024 production at just 100 million pounds more than 2021 production. USDA is also beginning to temper its milk production growth forecast for 2025, currently 0.8 percent over 2024, at 228.2 billion pounds.

The August WASDE also raised its forecasts for all but one of the dairy-related prices it reports, which comprise the four National Dairy Products Sales Report product prices, the Class III, Class IV and all milk prices, for both 2024 and 2025 calendar years. From July's WASDE, USDA raised its 2024 price forecasts by an average of 1.5 percent and its 2025 forcasts by an average of 2.1 percent. It dropped only its 2024 butter forecast by 0.5 percent. The WASDE all milk price forecasts rose by $0.05/cwt to $22.30/cwt for 2024 and for 2025 by $0.25/cwt to $22.75/cwt. At the same time as the report, the Chicago Mercantile Exchange dairy futures were indicating average all milk prices for 2024 at $22.50/cwt and $22.25/cwt for 2025. These are all significantly higher than the 2023 average all milk price, which was $20.30/cwt.

Available forecasts in mid-August indicate the DMC margin will average between $11.85/cwt and $12.20/cwt during 2024. This would be highest average margin for a calendar year under the DMC program as well as the highest since margin protection became the basic federal safety net program for dairy in 2015. The average DMC margin in 2023 was $6.70/cwt.

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