NMPF | USDEC DAIRY ECONOMICS

DAIRY MARKET REPORT

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OVERVIEW

Sluggish U.S. milk production is showing up in other key dairy industry statistics, including scant milk solids production growth, flat to declining production of major dairy products and a general drawdown of product inventories. The modest level of stock drawdowns and stagnant milk and dairy product prices indicates that the market is currently broadly balanced, with lower milk production, flat milk solids production and growth in overall domestic use, offset by continued weakness in exports, resulting in flat growth in total use.

Stronger total demand and/or further reductions in milk production will be needed to bring higher milk prices faster.

COMMERCIAL USE OF DAIRY PRODUCTS

Butter is a key driver of aggregate growth in domestic use of fat in all products. Meanwhile, all products of the whey complex, including dry whey, whey protein concentrate, whey protein isolate, and lactose, are key drivers of aggregate growth in domestic use of skim solids in all dairy products.

DOMESTIC COMMERCIAL USE	NOV 2023-JAN 2024	NOV 2022-JAN 2023	2023-2024 CHANGE	PERCENT CHANGE
	(million pounds)			
Total Fluid Milk Products	11,242	11,246	-4	0.0%
Yogurt	1,109	1,108	1	0.1%
Butter	585	529	56	10.6%
American-type Cheese	1,374	1,402	-29	-2.0%
All Other Cheese	2,009	1,999	10	0.5%
Total Cheese	3,382	3,401	-19	-0.5%
Dry Skim Milk	163	195	-31	-16.1%
All Products (milk equiv., milkfat basis)	55,601	54,878	723	1.3%
All Products (milk equiv., skim solids basis)	45,915	45,307	608	1.3%
All Products (milk equiv., total solids basis)	49,030	48,345	685	1.4%

U.S. DAIRY TRADE

The loss of more than one percent of U.S. milk solids in total dairy exports counterbalanced the similar gain in domestic use during November-January, producing virtually no gain in total demand for U.S. milk and milk solids production during the period. Lower exports of the fat-containing products, butter and AMF, as well as for most of the skim ingredient products, were only partly offset by gains in total cheese exports.

New Zealand shipped 94 percent of the lower-protein MPC imported into the United States during November-January, with total volumes of that type of MPC almost the same as during the same period a year ago. By contrast, imports of high protein MPC, 86 percent of which came from Ireland, were only 20 percent of the volume a year earlier, resulting in total MPC imports being down by more than half. Imports of casein and caseinate were less concentrated from a single country, with New Zealand, France, Argentina, and Ireland together shipping 93 percent of the former and New Zealand, Poland, Denmark, and the Netherlands shipping 95 percent of the latter. Ireland shipped just 30 percent of U.S. in-quota imports of butter during the period, which were down by 41 percent from a year earlier, but it supplied 76 percent of U.S. higher, out-of-quota tariff butter imports, which were 37 percent above a year ago.

U.S. DAIRY EXPORTS	NOV 2023-JAN 2024	NOV 2022-JAN 2023	2023-2024 CHANGE	PERCENT CHANGE
		(metric tons)		
Butter	5,782	15,251	-9,469	-62%
Anhydrous Milk Fat/Butteroil	1,699	3,071	-1,371	-45%
American-type Cheese	14,075	21,958	-7,884	-36%
Cheddar Cheese	13,980	21,823	-7,843	-36%
All Other Cheese	99,355	85,339	14,016	16%
Total Cheese	113,430	107,297	6,133	6%
Dry Skim Milk	191,493	201,995	-10,502	-5%
Whole Milk Powder	4,308	7,341	-3,033	-41%
Dry Whey	43,829	50,871	-7,042	-14%
Whey Protein Concentrate/Isolate	56,697	53,330	3,367	6%
Lactose	110,079	114,967	-4,888	-4%
Percent of U.S. Milk Solids Exported	15.7%	16.8%	-1.1%	-7%

U.S. DAIRY IMPORTS	NOV 2023-JAN 2024	NOV 2022-JAN 2023	2023-2024 CHANGE	PERCENT CHANGE
		(metric tons)		
Butter	15,075	12,157	2,918	24%
Cheese	49,536	46,648	2,889	6%
Dry Skim Milk	146	89	57	64%
MPC (all protein levels)	12,197	26,067	-13,870	-53%
Casein	15,595	25,015	-9,420	-38%
Percent of U.S. Milk Solids Imported	3.6%	3.9%	-0.3%	-8%

MILK PRODUCTION

January U.S. milk production was 1.1 percent lower than the previous January. This was the largest drop in the current seven-month period of annually lower production. Total production during those months was down from a year earlier by 0.8 percent, while production per cow was 0.2 percent lower and total milk solids production was 0.04 percent higher. There were 76,000 fewer milking cows in the national herd in January than there were a year earlier. The ratio of milking replacement heifers to milking cows on Jan. 1 has dropped steadily, from 50 percent in 2019 to 43 percent this year.

MILK PRODUCTION	NOV 2023-JAN 2024	NOV 2022-JAN 2023	2023-2024 CHANGE	PERCENT CHANGE
Cows (1,000 head)	9,339	9,402	-62	-0.7%
Per Cow (pounds)	5,994	5,998	-4	-0.1%
Total Milk (million pounds)	55,974	56,394	-420	-0.7%
Total Milk Solids (million pounds)	7,549	7,534	15	0.2%
Milk Solids Composition of Milk (percent)	13.5%	13.4%	0.1%	1.0%

DAIRY PRODUCTS

Mirroring the constrained U.S. milk and milk solids production, production of the major dairy product categories was mostly stable or moderately lower year-over-year during November-January. Butter and skim milk powder showed modest production gains.

DAIRY PRODUCTS PRODUCTION	NOV 2023-JAN 2024	NOV 2022-JAN 2023	2023-2024 CHANGE	PERCENT CHANGE
Cheese		(million pounds)		
American Types	1,412	1,451	-38	-2.6%
Cheddar	971	1,021	-50	-4.9%
Italian Types	1,498	1,497	2	0.1%
Mozzarella	1,176	1,177	0	0.0%
Total Cheese	3,548	3,560	-12	-0.4%
Butter	574	561	13	2.3%
Dry Milk Products				
Nonfat Dry Milk	403	503	-101	-20.0%
Skim Milk Powder	168	157	11	6.8%
Dry Whey	218	224	-6	-2.6%
Whey Protein Concentrate	127	123	4	3.0%

DAIRY PRODUCT INVENTORIES

Seasonal stocks of butter rose from December to January, as the highly seasonal product always does. This year's rise was 50 million pounds, slightly more than the 46-million pound average for the prior years since 2000. Stocks of the major cheese categories, as well as those for the various dry skim ingredient products, are either treading water or else moderately dropping month-to-month in recent months, with none showing signs of significant and systematic buildup.

DAIRY PRODUCT INVENTORIES	JAN 2024	DEC 2023	JAN 2023	2023-2024 CHANGE
		(million pounds)		
Butter	249	200	264	-6%
American Cheese	836	838	823	2%
Other Cheese	618	605	623	-1%
Dry Skim Milk	216	210	278	-22%
Dry Whey	68	69	68	-1%

DAIRY PRODUCT AND FEDERAL ORDER CLASS PRICES

The February NDPSR cheese prices reversed a series of drops that began last fall to join the other three NDPSR products in all posting gains over the month before. The Class II, III, and IV prices followed suit.

Retail prices for most dairy products tracked by the Bureau of Labor Statistics dropped or were stable from January to February, except for yogurt, which increased by six cents per 8 ounces. Selected Consumer Price Indices (CPIs) for February illustrate how dairy continues to offer consumers excellent value despite its recently ended bout of retail price inflation. With bases of 1982-84=100, the February CPI for all items, or standard measure of inflation and also the cost of living, was 310.3. For all food and beverages it was 325.2, and for dairy and related products it was 267.3.

DAIRY PRODUCT AND FEDERAL ORDER PRICES	FEB 2024	JAN 2024	FEB 2023	2023-2024 CHANGE
NDPSR Dairy Product Prices		(per pound)		
Butter	$2.734	$2.629	$2.416	$0.318
Cheddar Cheese	$1.595	$1.523	$1.822	-$0.228
40-Pound Blocks	$1.602	$1.526	$1.987	-$0.385
500-Pound Barrels	$1.559	$1.490	$1.660	-$0.102
Nonfat Dry Milk	$1.213	$1.211	$1.255	-$0.043
Dry Whey	$0.465	$0.434	$0.403	$0.062

DAIRY PRODUCT AND FEDERAL ORDER PRICES	FEB 2024	JAN 2024	FEB 2023	2023-2024 CHANGE
Federal Order Class Prices for Milk		(per hundredweight)		
Class I Base	$17.99	$18.48	$20.78	-$2.79
Class II	$20.53	$20.04	$20.83	-$0.30
Class III	$16.08	$15.17	$17.78	-$1.70
Class IV	$19.85	$19.39	$18.86	$0.99
Retail Dairy Product Prices				
Fluid Whole Milk (per gallon)	$3.940	$3.958	$4.163	-$0.223
Lowfat Fluid Milk (per gallon)	$3.634	$3.650	$3.819	-$0.185
Cheddar Cheese (per pound)	$5.726	$5.724	$5.850	-$0.124
Butter (per pound)	$4.634	$4.659	$4.869	-$0.235

MILK AND FEED PRICES

The January margin under the Dairy Margin Coverage (DMC) program remained mired below the $9.50/cwt maximum Tier 1 coverage level, gaining just 4 cents over December's to come in at $8.48/cwt, generating a payment of $1.02/cwt for this maximum coverage level. Continued weakness in the national average All-milk price, which dropped $0.50/cwt from December's to $20.10/cwt, kept the margin depressed. The price drop was offset by a slightly larger, $0.54/cwt, drop in the DMC feed cost calculation, driven mostly by a drop in the soybean meal price, assisted by slightly lower corn and premium alfalfa hay prices.

MILK AND FEED PRICES	JAN 2024	DEC 2023	JAN 2023	2022-2023 CHANGE
Producer Prices				
All Milk (per cwt.)	$20.10	$20.60	$23.10	-$3.00
Feed Prices				
Corn (per bushel)	$4.74	$4.80	$6.64	-$1.90
Soybean Meal (per ton)	$378	$441	$482	-$104
Premium Alfalfa Hay (per ton)	$274	$275	$328	-$54
Feed Prices (per cwt of milk)				
Corn	$5.09	$5.15	$7.12	-$2.04
Soybean Meal	$2.78	$3.24	$3.55	-$0.76
Premium Alfalfa Hay	$3.75	$3.77	$4.49	-$0.74
DMC Feed Cost* (per cwt.)	$11.62	$12.16	$15.16	-$3.54
DMC Margin* (per cwt.)	$8.48	$8.44	$7.94	$0.54

*DMC calculations are not revised

LOOKING AHEAD

USDA has not increased its forecast of calendar-year 2024 milk production since it began reporting and updating it last May in its monthly World Agricultural Supply and Demand (WASDE) reports. Instead, the agency has routinely cut its forecast, lowering its initial expectation of 2 percent more than its current 2023 estimate to 0.4 percent growth over last year in its March update. The current 2024 forecast, 227.3 billion pounds, would represent the lowest leap-year adjusted milk production growth over a contiguous span of three years – a gain of only 0.2 percent from 2021 – since 1975.

By contrast, with the exception of fairly consistent increases in its butter and Class IV price forecasts, the department has varied widely in raising and lowering its calendar-year 2024 WASDE forecasts of product and Class prices and the all-milk price. Even so, as of mid-March, WASDE, the DMC Decision Tool on the USDA DMC website, and the CME futures were all forecasting somewhat less than a $1 per cwt increase in the 2024 U.S. average all-milk price from last year's average.

Mid-March CME futures indicated the DMC margin would average at least $4/cwt higher in 2024 than last year's average of $6.70/cwt.

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NMPF
NATIONAL MILK PRODUCERS FEDERATION

Dairy Management Inc.™ and state, regional, and international organizations work together to drive demand for dairy products on behalf of America's dairy farmers, through the programs of the American Dairy Association®, the National Dairy Council®, and the U.S. Dairy Export Council®.

The **National Milk Producers Federation** (NMPF) develops and carries out policies that advance dairy producers and the cooperatives they own. NMPF's member cooperatives produce more than two-thirds of U.S. milk, making NMPF dairy's voice on Capitol Hill and with government agencies.