2017 dairy exports highest in three years

By CAROL RYAN DUMAS
Capital Press

U.S. dairy exports, 2017

(Metric tons, unless specified)

Product	2016	2017	Percent change
Nonfat dry milk/ skim milk powder*	599,876	608,091	1%
Whole milk powder*	25,534	25,411	-0.5
Cheese	286,658	341,085	19
Butterfat	24,339	27,653	14
Total whey	503,559	549,018	9
Lactose	362,127	360,872	-0.4
Milk protein concentrate	21,560	23,160	7
Aggregate	1.82 million	1.94 million	6
Milk/cream (liters)	117.9 million	106 million	-10
Total value† ($ dollars)	4.82 billion	5.48 billion	14

*USDA data adjusted to reflect shipments to Mexico misclassified as WMP.
†Total value includes fluid milk/cream and additional products to those listed.

Source: USDA, U.S. Dairy Export Council — Capital Press graphic

U.S. dairy exports were up 14 percent in value and 6 percent in volume in 2017 over the previous year.

Sales were $5.48 billion, the highest in three years. Shipments totaled 1.935 million metric tons, breaking the previous record of 1.934 million metric tons in 2014.

Those exports represented 14.7 percent of U.S. milk production in 2017, up from 14.2 percent in 2016 and the highest since the 15.4 percent in 2014, U.S. Dairy Export Council reported earlier this month.

Strong purchases of nonfat dry milk/skim milk powder, whey products and cheese drove the increase, and significant gains were seen across most major markets.

Those three commodities represent more than two-thirds of U.S. dairy exports, and exports accounted for 57 percent of the U.S. production of NDM/SMP, 46 percent of dry sweet whey production and 6 percent of cheese production.

The U.S. had record exports of skim milk powder and whey products in 2017 and a strong gain in cheese, Alan Levitt, USDEC vice president of communications and market analysis, said.

"For most of 2017, our pricing in these categories was favorable relative to our competitors. We had product to sell, and our exporters did a good job of building business," he said.

It probably also helped that the U.S. dollar weakened against the Euro as the year went on, he said.

"On cheese, our gains were very broad-based – higher in all our major markets. That tells me our exporters were out there working around the world, turning over stones," he said.

The U.S. also sold a lot more whey product and milk powder to China, capitalizing on its strong import demand, and opened new markets for products — with record sales of fluid milk to Taiwan, skim milk powder to Japan and lactose to Mexico, he said.

Sales to No. 1 customer Mexico were up 8 percent to $1.3 billion. Nearly half of U.S. powder exports went to Mexico, where sales were down slightly. Lactose exports to the country were up 25 percent, whey was up 19 percent and cheese was up 7 percent. Shipments of butterfat, however, were down 55 percent.

Exports to China, the fourth-largest market for U.S. dairy, increased a whopping 49 percent to $577 million. Nearly 45 percent of U.S. whey went to China, where purchase increased 16 percent. Sales of milk powder were up 90 percent and cheese sales increased 44 percent.

Other notable increases include a 50 percent increase to Oceania at $258 million; a 21 percent increase to South Korea at $280 million; and a 21 percent increase to the Middle East and North Africa at $234 million.

While there were gains and losses within the product mix to Southeast Asia and Canada, the second and third largest markets for U.S. dairy, respectively, the net sum gain was positive. Exports to Southeast Asia at $690 million were 3 percent higher, and exports to Canada at $636 million were 1 percent higher.

Dairy West

Nampa, Idaho, dairy farmer Mike Siegersma leads a tour of his Sunridge Dairy. While Idaho only gets a small piece of the U.S. dairy export pie — 6.9 percent — its share is growing.

Growing global demand boosts prospects for dairy

Capital Press

U.S. dairy exports grew 14 percent in 2017 to $5.48 billion, boosting the outlook for Idaho's dairy industry, the state's economy and farm families throughout the state.

That's according to Dairy West, formerly United Dairymen of Idaho, which put out a press release on Idaho export opportunities on Monday.

"The U.S. dairy industry, in places like Idaho in particular, has a great opportunity to supply an increasing proportion of the growing global demand for dairy products," Daragh Maccabee, CEO of Idaho Milk Products, said in the press release.

"Supported by common-sense trade policy, we can continue to see the immense benefits of dairy exports for our state and the U.S. as a whole," he said.

Idaho vies with New York in the rankings for the third-largest producer of milk in the U.S., and dairy is the state's leading agricultural sector. In 2017, the state's 490 dairies — all family owned — produced 14.6 billion pounds of milk.

Only California and Wisconsin consistently surpass Idaho in milk production.

While Idaho only gets a small piece of the national dairy export pie — 6.9 percent — its share has grown from about 5 percent in 2014 and contributes significantly to the state's overall bottom line, Karianne Fallow, Dairy West CEO, said.

Karianne Fallow, Dairy West CEO

Idaho's $336 million in dairy exports in 2016 generated more than $735 million in economic activity in the state. Dairy exports also created 4,185 Idaho jobs in 2015, the most recent year for which data is available.

"Idaho's dairy farmers not only feed families here in Idaho, they help feed the world," Fallow said.

"As Idaho looks to grow demand for our dairy foods, exports will undoubtedly play an increasingly important role," she said.

Maccabee said the 2017 export numbers are very encouraging.

"However, continued focus on growing exports across the full dairy portfolio is a critical factor in underpinning long-term, sustainable growth for processors and producers alike," he said.

The industry needs to support positive trade relationships with key partner countries, he said.

"In Idaho, the dairy community understands the importance of moving product beyond its borders," he said.

The recent uptick in U.S. dairy exports is the largest in three years, and exporters enjoyed gains across most major markets in 2017, USDEC reported.

Oversupply to pressure 2018 global exports markets

By CAROL RYAN DUMAS
Capital Press

An abundance of milk and sidelined buyers have set the stage for a challenging year in global dairy markets, according to the latest outlook report from the U.S. Dairy Export Council.

World dairy demand can only support milk production growth of about 1.5 percent annually from the world's major exporters. But milk output from the EU, U.S., New Zealand, Australia and Argentina in the last half of 2017 was about twice that.

The milk surplus hit a speed bump in global dairy import demand in the fall — with China, Southeast Asia, Mexico and South Korea pulling back from the market. Sales into the Middle East/North Africa region also lagged all year.

While U.S. dairy exports were up 14 percent in value and 6 percent in volume in 2017, the world market is going to be competitive in 2018, said Alan Leavitt, USDEC vice president of communications and market analysis.

"U.S. suppliers will have to really hustle for sales," he said.

The biggest challenge is growth in the EU's milk supply, which is projected to be up 2 percent in the first half of 2018. European suppliers are savvy and aggressive about defending their export markets, he said.

"Supply also has become more balanced in South America and Australia, while Canada, Turkey and Iraq have become more prominent exporters on the fringes," he said.

While New Zealand production will be flat to slightly lower in the 2017-2018 season, recent rains and good payout prices should set the stage for decent production ahead, he said.

Another challenge for the U.S. is trade policy, he said.

The U.S. needs to retain its markets in Mexico through North American Free Trade Agreement and hopefully improve market access in Canada, he said.

But in the meantime, the EU is working to finalize its trade deal with Mexico, and it's already completed deals with Canada and Japan. And New Zealand and Australia are concluding the TPP negotiations, while the U.S. sits on the sidelines, he said.

"This may not necessarily have an impact on our export performance in 2018. But as these deals get done, there's a risk that our customers will start to look to other supply sources," he said.

But there are also opportunities for the U.S., he said.

"Global demand continues to grow steadily, and we have our slice of the pie. Over the last eight years we've had about 16 percent of world trade … so as the pie grows, we'll continue to get our share," he said.

Relatively low dairy commodity prices should support demand growth, he said.

"We expect good demand in Mexico, China and Japan in 2018 — three of our top markets — and hopefully a bit of a recovery in the Middle East/North Africa region as oil prices improve a little," he said.

In terms of global demand, the best performing products in 2017 were cheese, skim milk powder and whey products — the three main export categories for the U.S. — and the U.S. has ample supplies, he said.

Dairy price roller coaster ride continues

By LEE MIELKE
For the Capital Press

Dairy Markets
Lee Mielke

The cash cheese market lost ground in the President's Day-holiday shortened week. Cheddar block cheese inched up to $1.55 per pound Wednesday, only to shrink back and close Friday at $1.4950, down 4 1/2-cents on the week and 8 cents below a year ago.

The barrels finished at $1.46, down 2 cents on the week and 5 3/4-cents below a year ago. Only three cars of block were sold last week at the CME and 31 of barrel.

The blocks regained 3 cents Monday and added a half-cent Tuesday, climbing to $1.53. The barrels were up a penny Monday and stayed there Tuesday, at $1.47, 6 cents below the blocks.

Dairy Market News reports that milk continues to flow into Midwest cheese vats and at a discount. Cheese sales are steady to higher.

Western cheese output is in line with current milk volumes but plants are reviewing schedules to avoid further accumulation.

"The U.S. cheese market seems to be competitive compared to the rest of the world," says DMN. Domestic sales are flat but some contacts report interest from the international market has increased some, due to higher cheese prices in the European Union and Oceania.

In another week of heavy trading, cash butter climbed to $2.19 per pound last Wednesday but closed Friday at $2.1725, up 7 1/4-cents on the week and 4 1/4-cents above a year ago. There were 44 cars sold last week, down from 72 the week before.

The butter jumped by 5 1/4-cents Monday, with 10 sales, then dropped 4 1/4-cents Tuesday, to $2.1825, on 27 cars unloaded.

Cream supplies are tightening for butter in the Central region and butter makers suggest increased Class II production is beginning to cut into the recent accessibility of cream.

Western butter makers report that higher prices in some international markets "may offer more export opportunities for U.S. butter, or at least hinder large volumes of imports." Domestic retail orders for the spring holidays are reported to be strong and building but cream supplies are abundant.

Grade A nonfat dry milk saw a Friday close at 67 1/4-cents per pound, down 3 1/4-cents on the week and 15 cents below a year ago.

Monday's powder was up three-quarters but gave it back Tuesday.

January milk up

The Agriculture Department projects U.S. milk output to hit 218.7 billion pounds in 2018 and January output was off to a good start to achieve that. Production hit a higher than expected 17.3 billion pounds in the top 23 states, according to preliminary data, up a bearish 1.8 percent from January 2017 and the 49th consecutive month output exceeded the year before.