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Dairy

Dairy exports set record in March

By CAROL RYAN DUMAS
Capital Press

Dairy export numbers for March were so strong analysts at the U.S. Dairy Export Council checked and rechecked their tallies.

Export volume in March hit an all-time monthly high at 215,557 metric tons in milk solids equivalent, representing a 24.2% increase year over year. It was also the highest monthly volume since May 2014 and represented 18.6% of U.S. milk production — the second highest month of all time.

Value of those exports increased 16.2% year over year, the highest monthly values since May 2014.

U.S. dairy exports in March saw robust growth in all the major product categories, according to USDEC analysts.

Nonfat dry milk/skim milk powder and whey were both at all-time monthly highs, with year-over-year increases of 38.8% and 28.8%, respectively.

Cheese exports posted the second-best export

U.S. dairy exports January – March 2021

Product	(Metric Tons)		
	2020	2021	% change
NDM/SMP	186,360	220,985	18.6
Dry whey products	125,304	155,772	24.3
Cheese	92,264	92,327	0.1
Lactose	97,448	87,379	-10.3
WMP	9,524	10,270	7.8
Butterfat	5,405	11,616	114.9
MPC	12,578	9,661	-23.2
Infant formula	8,314	7,318	-12.0
Evap/Cond milk	3,052	2,647	-13.2
Casein	790	635	-19.6
Milk/cream (liters)	28,231	32,488	15.1
Total volume* (metric tons)	498,814	554,534	11.2
Total value (million dollars)	1,675.8	1,759.0	5

*milk solids equivalent

Source: U.S. Dairy Export Council and U.S. Census Bureau

month ever, up 10.7% year over year. Butterfat and lactose also saw strong gains, up 147.9% and 10.8%, respectively, year over year.

Exports rebounded to Mexico, and strong demand continued in Southeast Asia and China, the analysts reported.

“One of the biggest questions heading into 2021

was whether Mexico could bounce back from dual setbacks of recession and pandemic that depressed dairy demand and imports throughout most of 2020,” they said.

“We previously flagged signs of optimism in the ongoing reopening of the nation’s tourist sector, increased vaccinations and

the coattail of the surging U.S. economy,” they said.

U.S. exports of nonfat dry milk/skim milk powder to Mexico grew 29% in March year over year after also having seen a year-over-year increase in February. While powder shipments to Mexico are still trailing pre-pandemic volumes, they were up 16% in the first quarter compared with 2020.

“It is a very positive sign after the 13% decline to, historically, our largest milk powder market in 2020,” the analysts said.

In other exports to Mexico, cheese was up 11% year over year in March. Whey was up 21%, lactose was up 3% and whole milk powder was up 410% off a small base.

As for Asia, demand continues to run hot. Exports to Southeast Asia increased 16% year over year in March. U.S. milk powder exports to the region grew 29% in March and whey exports grew 15%.

Similarly in China, U.S. whey exports were up 110%

in March, milk powder shipments were up a hundredfold and lactose had its best month since 2018.

“This high growth can partially be attributed to a ‘rubber band’ effect where product was purchased potentially months ago and in March was finally able to find its way on a boat,” the analysts said.

But strong demand is also driving the purchases, and the U.S. has been able to capitalize. The U.S. has steadily grown market share in Southeast Asia over the past year, overtaking New Zealand and the European Union.

Ongoing port issues, however, remain a key obstacle for continuing the growth in Southeast Asia and China. Importers could grow tired of not being able to get product when they need it.

“This has the potential to limit further growth in the region if buyers decide that more consistent timing is worth paying a premium to get product from other suppliers,” the analysts said.

Dairy industry looks for improvements in federal orders

By CAROL RYAN DUMAS
Capital Press

The COVID-19 pandemic wreaked havoc with milk markets last year, revealing fault lines in federal milk marketing orders. In the aftermath, the industry is now focused on how federal orders can be improved.

“To consider the change an improvement is a really difficult question, and that answer depends on your perspective,” said Al Zolin, manager of Zolin International, a dairy consulting firm.

Dairy farmers would consider price enhancement an improvement. But that higher price might be problematic for processors

because it could make them uncompetitive in the market place, he said during the latest “DairyLivestream” webinar.

“Certainly, changes to federal orders sometimes have unintended consequences,” he said.

True improvement in the federal order system would be one that increases the overall total revenue in the pool that is available to satisfy dairy farmers, he said.

It also has to keep processors whole and allow them to be competitive in the market place, and it needs to be flexible enough to ensure the high-quality and innovative dairy products consumers want and need, he said.

“I don’t know if that

type of improvement exists, and I know it certainly cannot be made by small tweaks to the system. But if we keep that major idea as a goal, one day I think we will achieve a system that is considered an improvement by all participants,” he said.

There are several issues that have to be part of the overall change matrix to make things work, and they’re all interlinked, he said.

“That’s one thing about federal orders, make one change and it changes something else. So you really, really have to think about the whole ball of wax,” he said.

Areas to focus on include the Class I pricing system and advanced pricing,

which is problematic when it comes to depooling milk and negative producer price differentials, he said.

“There really is no easy answer to solve all these problems. But if you look at them in totality and try to address them as a total solution, I do believe improvements can come about,” he said.

Another area to pay attention to is end-product pricing, which only works if the components of the pricing are updated on a regular basis. Tweaks can be made to the formula, but a better solution would be to go back to a competitive price formula, he said.

When proposing a change, it’s important to have an approach that’s balancing consumers, producers and processors, said Ed Gallagher, president of risk management for the Dairy Farmers of America.

When thinking about changing the pricing structure, it’s important to keep the interface with dairy farmers simpler rather than more complicated, he said.

And it’s important to make sure any changes in pricing are congruous with using milk price risk management, he said.

“Despite what we do with federal order pricing provisions ... we are going to be subject to so much price volatility forever that we need these tools to be able to help dairy farmers manage those programs,” he said.

Dairy Markets

Lee Mielke



Benchmark price leaps by \$1.52

By LEE MIELKE
For the Capital Press

The Agriculture Department announced the April Federal order Class III milk price at \$17.67 per hundredweight, up \$1.52 from March, \$4.60 above March 2020, and the highest Class III since November 2020.

That put the four-month average at \$16.40, up from \$15.84 a year ago and \$14.71 in 2019.

Monday’s Class III futures settlements portended a May price at \$18.86; June, \$18.82; July, \$19.20; August, \$19.36; with the peak at \$19.42 in September.

The Class IV price is \$15.42, up \$1.24 from March, \$4.02 above a year ago, and the highest Class IV since February 2020. Its four-month average is \$14.14, down from \$14.78 in 2020 and \$15.69 in 2019.

Cheese falls

Cash cheese prices started May heading lower. The Cheddar blocks crept to \$1.8025 per pound last Wednesday but closed Friday at \$1.7475, down 5.25 cents on the week, though 44.25 cents above a year ago.

The barrels got to \$1.8450 Wednesday, highest since Nov. 12, 2020, but finished Friday at \$1.7275, 10.75 cents lower on the week, 45.75 cents above a year ago, and at a more typical 2 cents below the blocks; 19 cars of block were sold last week at the CME and 12 of barrel.

Monday’s trading took the blocks up 2 cents and they gained 0.25 cents Tuesday, hitting \$1.77, with 3 cars exchanging hands Monday and 5 on Tuesday.

The barrels dropped 3.25 cents Monday and were down 0.50 cents Tuesday, to \$1.69, on 6 trades Monday and 5 on Tuesday.

Midwest cheesemakers tell Dairy Market News that spot milk offers were lighter last week but mid-week prices were mostly at sub-Class levels. Cheese output is busy as flush season is near its peak and cheesemakers are taking advantage of available spot milk discounts before milk yields begin to decline with warming weather. Generally, orders are steady. Food service acquisitions are beginning to level off but pizza cheese and process producers continue to say loads are moving.

Western retail cheese demand was slightly lighter last week and food service demand has been leveling. Inventories of cheese remain mixed; blocks are available but barrels are noted as somewhat firm though some contacts suggest not as tight as recent weeks.

Cheese production continues strong, reflecting the abundance of milk in the region. Cheese producers report market prices are in a “somewhat healthy position,” says DMN. An increase in interest from Chinese importers aided in some contacts viewing the market tones with a little more bullishness.

Nate Donnay, StoneX director of Dairy Market Insight, reminds us in his May 6 “Udder Intelligence” that “the Food Box program wraps up this month and the amount of U.S. milk moving through government programs will likely drop from 1.7% in May to 0.5% in June.” Those purchases will have to be made elsewhere.

Butter fell to \$1.7350 per pound last Wednesday, lowest since March 24, 2021, but rallied to close Friday at \$1.77, up 1.75 cents on the week and 48 cents above a year ago; 16 carloads found new homes on the week.

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