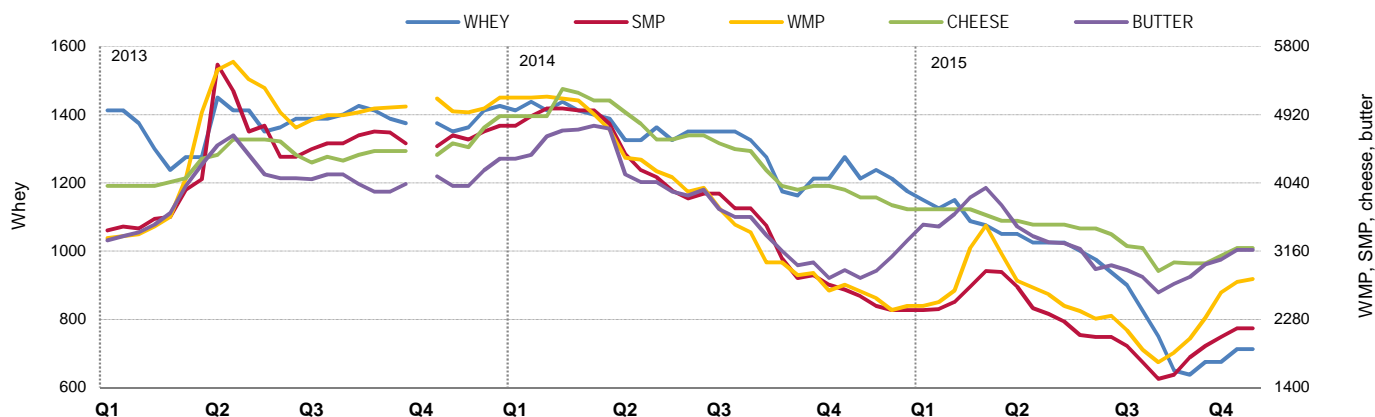


2013-15 PRICE TREND - SMP, WMP, CHEESE, BUTTER, WHEY\*

(\$/MT)



\*Mid-point of range. Milk powder, cheese and butterfat are Oceania; whey is western Europe.

Source: USDA's Dairy Market News.

## As anticipated, rally runs out of steam

By Alan Levitt and Marc Beck

Global markets rallied in August and September, as fears of supply shortages out of New Zealand brought buyers off the sidelines to re-stock their cupboards at bargain-basement prices. After slumping to levels unseen in more than a decade, world benchmark milk powder prices increased 40-60 percent from their summer lows. But as USDEC forecast earlier, the rally has proven to be more of a correction from prices that went too low this summer rather than a sustained recovery. Prices remain well below long-term averages and in recent weeks they've pulled back again in the face of an oversupplied, buyers' market.

The key factors necessary to deliver better market balance – production contraction, inventory reduction, China buying – have yet to materialize.

From April to August, milk production from the top five exporters (EU-28, United States, New Zealand, Australia and Argentina) was up 2.1 percent vs. the prior year – nearly 500,000 tons of additional milk per month. September production, on the other hand, is estimated to be up only fractionally, but it will take many more months of flat or declining output to rebalance the market.

Heavy milk powder stocks throughout the world will continue to be a drag until they're worked through. In Europe, offers to invention have wound down, but industry SMP inventories are estimated to be about 275,000 tons, double the desired level. In addition, more than 100,000 tons of butter and cheese are still sitting in PSA. In the United States, commercial inventories of NDM, cheese and butter this summer were about 100,000 tons more than the usual summer peak. New Zealand suppliers are believed to have inventory scattered in various places: in local warehouses, in markets, with distributors, in subsidiary offices all over the globe. And pipelines are quite full in China and other importing markets.

China imports have leveled off, and were actually above year-ago levels in many categories in September, including record

**Continued on p. 2**

CURRENT PRICE AVERAGES - USDEC sources  
\$/MT, FOB SHIP (with change from early October)

	EUROPE	OCEANIA
SMP	2000 (NC)	2175 (-75)
WMP	2725 (+150)	2750 (-50)
Cheddar	3250 (+25)	3200 (NC)
Butter	3325 (+25)	3075 (-225)
Butteroil	3725 (+25)	3500 (-200)
Dry whey	800 (NC)	725 (+50)
WPC-34%	1375 (-25)	1600 (-75)
Lactose	625 (NC)	550 (NC)

Source: USDEC.

**From p. 1**

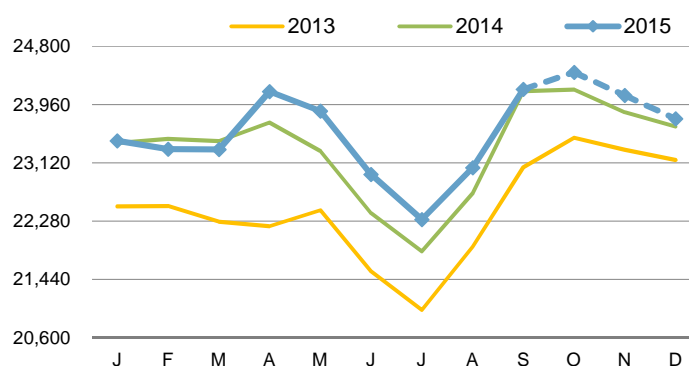
purchases of fluid milk and infant formula. But last year's imports were severely depressed, and critical milk powder purchases are typically the lightest in Q3, so September imports aren't necessarily indicative of a shift in the prevailing trend.

We maintain our view that the global markets, particularly for milk powder and whey-based ingredients, will not move into better balance before the middle of next year. Buyers' pipelines are well filled and they have little urgency to bid prices higher. De-stocking must take place, and we expect that to be a gradual process. We look for prices to pull back further in the months ahead and stay relatively depressed, with some periodic fluctuations reflecting market uncertainty and strategic buying.

## Other Key Indicators...

- In the third quarter, milk deliveries in Ireland and the Netherlands were up 14 percent and 10 percent, respectively. This more than offset a 4 percent decline in production in New Zealand. Australia milk production this year is up 8.3 percent from two years ago, but output was up less than 1 percent in September, as hot, dry weather is impacting productivity. (*See Global Milk Production, p. 7.*)
- We expect production from the Top 5 to be up about 1 percent in Q4 and Q1-2016, then retreat to -1 percent in Q2-2016 as lower farm-gate margins continue to bite.
- In the first half of the year, global dairy trade, excluding China and Russia, was up more than 10 percent. This year key importers including Mexico, Japan, Malaysia, Egypt and the Philippines have all posted double-digit growth. However, most users stocked up on historically low prices and are now well covered

### TOTAL MILK PRODUCTION FROM MAJOR EXPORTERS (000 MT)



Includes EU-28, U.S., New Zealand, Australia and Argentina. EU and Argentina are milk deliveries. 30-day months. September-December are USDEC estimates/forecasts.

Source: USDA, EuroStat, DairyAustralia, DCANZ, Argentina Ministry of Agriculture.

into 2016, limiting buyers' urgency. (*See World Dairy Imports, p. 5.*)

- Among key suppliers, the EU and Australia have been the most aggressive in recent months. In the June-August period, EU exports of milk powder, cheese, butterfat and whey were up 10 percent. Australia exports were up 17 percent, while New Zealand exports were flat and the United States was down 20 percent. (*See World Dairy Exports, p. 3.*)
- Prices decreased at the Nov. 3 GDT auction, the second straight drop after gaining 56 percent in the previous four events. WMP averaged \$2453/ton and SMP averaged \$2018/ton. NZX futures for WMP average \$2400/ton for H1-2016.
- Venezuela hasn't published official import numbers, but WMP exports to Venezuela from major suppliers were up 42 percent in the first three quarters of the year.
- Under the China-New Zealand FTA, China can import about 140,000 mt of WMP under preferential duty (2.5-percent tariff vs. normal 10-percent tariff) in 2016.

### ABOUT THIS ISSUE

**Global Dairy Market Outlook** is written and distributed by the U.S. Dairy Export Council (USDEC), 2101 Wilson Blvd., Suite 400, Arlington, VA 22201, USA, (703) 528-3049, FAX (703) 528-3705, website [www.usdec.org](http://www.usdec.org). Data is compiled and analyzed by Alan Levitt, vice president of communications and market analysis, and Marc Beck, executive vice president of strategy and insights. Analysis is supported by USDEC's network of 10 international offices.

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This issue of Global Dairy Market Outlook covers conditions in early November 2015. **For up-to-date market data and commentary, visit the USDEC website at [www.usdec.org/research-and-data/market-data](http://www.usdec.org/research-and-data/market-data).**

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The U.S. Dairy Export Council, primarily funded by Dairy Management Inc. through the producer checkoff, works closely with its member processors, trading companies and others to build global demand for U.S. dairy products.

## World Dairy Exports

### SMP EXPORTS

	LATEST MONTH		AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
EU-28	32,626	46,917	53,887	+15
U.S.	50,675	45,306	42,880	-5
NZ	17,062	20,181	17,529	-13
Australia	6,216	9,798	13,602	+39
India	10,168	2,453	757	-69
<b>TOTAL OF 5</b>	<b>116,747</b>	<b>124,655</b>	<b>128,655</b>	<b>+3</b>

	YEAR-TO-DATE		JANUARY-AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
EU-28	271,591	430,633	473,109	+10
U.S.	368,171	397,971	373,641	-6
NZ	242,176	222,602	246,189	+11
Australia	69,866	101,258	130,624	+29
India	84,859	53,951	13,948	-74
<b>TOTAL OF 5</b>	<b>1,036,663</b>	<b>1,206,415</b>	<b>1,237,511</b>	<b>+3</b>

### WMP EXPORTS

	LATEST MONTH		AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
NZ	36,663	45,720	54,464	+19
EU-28	33,457	23,355	31,461	+35
Argentina	17,778	16,729	8,589	-49
Australia	5,427	4,108	3,796	-8
U.S.	5,880	3,598	2,894	-20
<b>TOTAL OF 5</b>	<b>99,205</b>	<b>93,510</b>	<b>101,204</b>	<b>+8</b>

	YEAR-TO-DATE		JANUARY-AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
NZ	742,702	889,300	858,489	-3
EU-28	250,348	270,058	265,919	-2
Argentina	101,979	98,889	78,279	-21
Australia	53,145	52,690	43,217	-18
U.S.	23,667	39,642	26,069	-34
<b>TOTAL OF 5</b>	<b>1,171,841</b>	<b>1,350,579</b>	<b>1,271,973</b>	<b>-6</b>

### CHEESE EXPORTS

	LATEST MONTH		AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
EU-28	65,647	46,544	57,492	+24
U.S.	28,177	31,331	22,658	-28
NZ	16,702	20,496	19,791	-3
Australia	10,635	10,524	13,352	+27
Argentina	3,786	4,941	4,837	-2
<b>TOTAL OF 5</b>	<b>124,947</b>	<b>113,836</b>	<b>118,130</b>	<b>+4</b>

	YEAR-TO-DATE		JANUARY-AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
EU-28	518,311	499,752	460,422	-8
U.S.	204,054	262,390	223,219	-15
NZ	188,998	179,186	209,606	+17
Australia	109,599	98,344	109,929	+12
Argentina	31,515	33,017	26,968	-18
<b>TOTAL OF 5</b>	<b>1,052,477</b>	<b>1,072,689</b>	<b>1,030,144</b>	<b>-4</b>

### BUTTERFAT EXPORTS

	LATEST MONTH		AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
NZ	15,261	27,333	30,256	+11
EU-28	8,281	8,909	16,495	+85
Australia	2,580	1,832	1,633	-11
U.S.	8,708	3,549	2,298	-35
Argentina	2,333	1,316	726	-45
<b>TOTAL OF 5</b>	<b>37,163</b>	<b>42,939</b>	<b>51,408</b>	<b>+20</b>

	YEAR-TO-DATE		JANUARY-AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
NZ	281,991	330,509	304,155	-8
EU-28	74,775	92,842	126,006	+36
Australia	27,873	26,008	23,236	-11
U.S.	49,618	60,011	16,996	-72
Argentina	10,992	8,639	6,227	-28
<b>TOTAL OF 5</b>	<b>445,249</b>	<b>518,009</b>	<b>476,620</b>	<b>-8</b>

Source: GTIS and USDA.

# World Dairy Exports

## WHEY PRODUCTS EXPORTS

	LATEST MONTH		AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
EU-28	44,224	40,671	41,827	+3
U.S.	45,897	40,202	32,843	-18
Switzerland	5,370	6,619	6,697	+1
Argentina	4,850	5,539	4,658	-16
Australia	2,410	2,845	1,147	-60
NZ	936	3,591	1,756	-51
<b>TOTAL OF 6</b>	<b>103,687</b>	<b>99,467</b>	<b>88,928</b>	<b>-11</b>

	YEAR-TO-DATE		JANUARY-AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
EU-28	354,495	353,299	371,146	+5
U.S.	337,010	339,330	306,892	-10
Switzerland	47,073	60,365	61,525	+2
Argentina	50,201	42,704	38,920	-9
Australia	25,019	22,687	21,509	-5
NZ	18,282	19,483	18,267	-6
<b>TOTAL OF 6</b>	<b>832,080</b>	<b>837,868</b>	<b>818,259</b>	<b>-2</b>

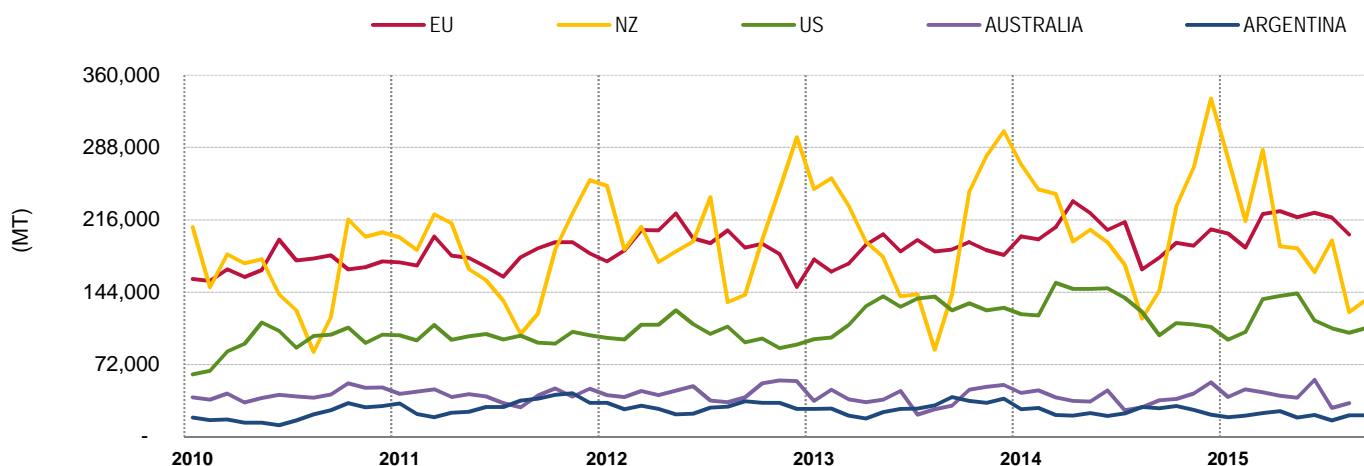
## LACTOSE EXPORTS

	LATEST MONTH		AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
U.S.	30,643	28,343	28,728	+1
EU-28	12,617	14,024	13,379	-5
NZ	2,401	1,618	1,846	+14
<b>TOTAL OF 3</b>	<b>45,661</b>	<b>43,985</b>	<b>43,953</b>	<b>-0</b>

	YEAR-TO-DATE		JANUARY-AUGUST (VOLUME, MT)	
	2013	2014	2015	% CHG
U.S.	242,905	226,179	239,628	+6
EU-28	92,768	115,850	114,304	-1
NZ	17,402	13,655	14,487	+6
<b>TOTAL OF 3</b>	<b>353,075</b>	<b>355,684</b>	<b>368,419</b>	<b>+4</b>

## AGGREGATE EXPORT VOLUME - MAJOR SUPPLIERS

SMP, WMP, CHEESE, BUTTERFAT, WHEY



Source: GTIS and USDA.

**ACCESS TRADE DATA ONLINE**

Visit [usdec.org/research-and-data/market-data/trade-flows](http://usdec.org/research-and-data/market-data/trade-flows)

## World Dairy Imports

### SMP IMPORTS

(VOLUME, MT)

	LATEST MONTH	Prev Yr	Latest Mo	% CHG
China	Sep 15	16,132	18,769	+16
Mexico	Aug 15	14,680	19,849	+35
Indonesia	Apr 15	15,184	14,572	-4
Algeria	June 15	19,953	13,237	-34
Philippines	July 15	7,501	7,754	+3

	YEAR-TO-DATE	Prev Yr	Latest Yr	% CHG
China	Jan-Sep	208,498	164,818	-21
Mexico	Jan-Aug	132,179	148,393	+12
Indonesia	Jan-Apr	53,256	47,477	-11
Algeria	Jan-Jun	90,370	75,346	-17
Philippines	Jan-Jul	55,305	58,685	+6

### WMP IMPORTS

(VOLUME, MT)

	LATEST MONTH	Prev Yr	Latest Mo	% CHG
China	Sep 15	9,510	13,485	+42
Venezuela	Dec 14	17,217	3,915	-77
Algeria	June 15	26,359	22,438	-15
Singapore	Aug 15	5,646	4,197	-26
Hong Kong	Sep 15	7,097	5,559	-22

	YEAR-TO-DATE	Prev Yr	Latest Yr	% CHG
China	Jan-Sep	605,617	288,168	-52
Venezuela	Jan-Dec 14	169,470	142,864	-16
Algeria	Jan-Jun	111,117	128,594	+16
Singapore	Jan-Aug	56,647	49,956	-12
Hong Kong	Jan-Sep	57,715	55,070	-5

### CHEESE IMPORTS

(VOLUME, MT)

	LATEST MONTH	Prev Yr	Latest Mo	% CHG
Japan	Sep 15	17,985	19,480	+8
U.S.	Aug 15	12,685	16,698	+32
Mexico	Aug 15	8,984	7,490	-17
So. Korea	Sep 15	8,372	8,167	-2
Russia	Aug 15	6,535	3,072	-53

	YEAR-TO-DATE	Prev Yr	Latest Yr	% CHG
Japan	Jan-Sep	171,272	184,312	+8
U.S.	Jan-Aug	94,559	119,933	+27
Mexico	Jan-Aug	66,368	79,813	+20
So. Korea	Jan-Sep	71,309	83,219	+17
Russia	Jan-Aug	164,535	24,201	-85

### BUTTERFAT IMPORTS

(VOLUME, MT)

	LATEST MONTH	Prev Yr	Latest Mo	% CHG
China	Sep 15	4,066	6,030	+48
Iran	Sep 15	1,714	5,103	+198
Mexico	Aug 15	2,897	1,619	-44
Morocco	Aug 15	2,972	1,680	-43
Russia	Aug 15	3,690	1,542	-58

	YEAR-TO-DATE	Prev Yr	Latest Yr	% CHG
China	Jan-Sep	69,072	50,324	-27
Iran	Jan-Sep	32,916	35,291	+7
Mexico	Jan-Aug	17,743	23,374	+32
Morocco	Jan-Aug	23,799	14,813	-38
Russia	Jan-Aug	62,271	11,140	-82

Russia excludes imports from Belarus. Source: GTIS and USDA.

# World Dairy Imports

## WHEY PRODUCTS IMPORTS

(VOLUME, MT)

	LATEST MONTH	Prev Yr	Latest Mo	% CHG
China	Sep 15	37,333	38,279	+3
Indonesia	Apr 15	10,454	10,924	+4
Mexico	Aug 15	4,912	4,248	-14
Thailand	Sep 15	5,795	5,284	-9
Japan	Sep 15	4,613	5,143	+11

	YEAR-TO-DATE	Prev Yr	Latest Yr	% CHG
China	Jan-Sep	320,144	334,524	+4
Indonesia	Jan-Apr	30,429	39,880	+31
Mexico	Jan-Aug	39,659	33,799	-15
Thailand	Jan-Sep	45,576	46,041	+1
Japan	Jan-Sep	43,004	43,817	+2

## LACTOSE IMPORTS

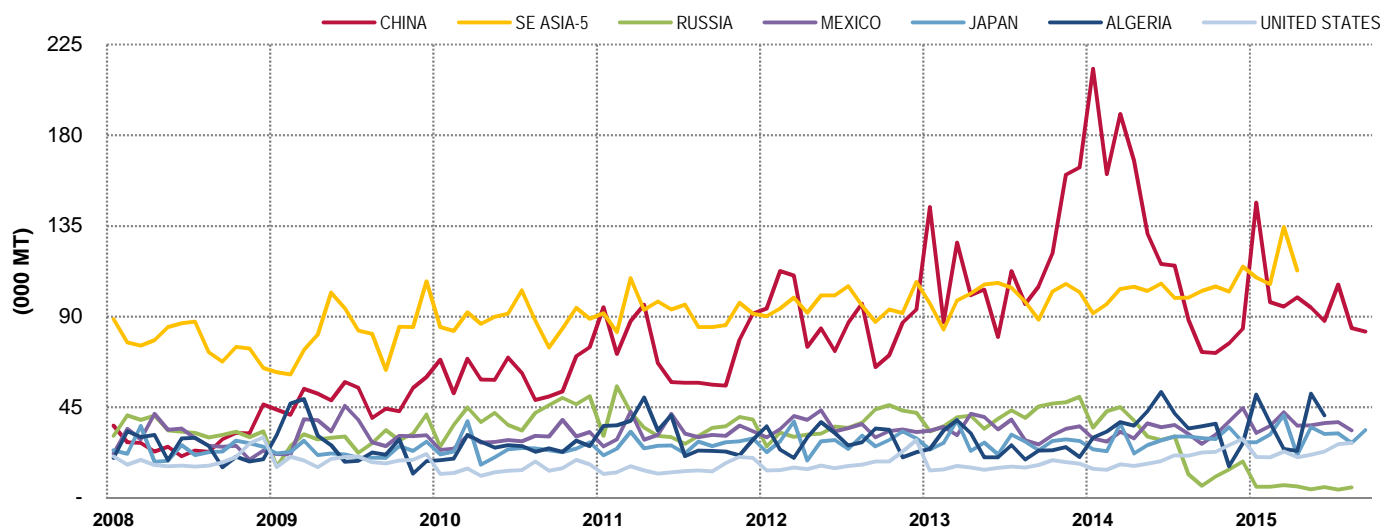
(VOLUME, MT)

	LATEST MONTH	Prev Yr	Latest Mo	% CHG
China	Sep 15	5,501	8,116	+48
NZ	Aug 15	3,636	5,790	+59
Japan	Sep 15	6,688	5,763	-14

	YEAR-TO-DATE	Prev Yr	Latest Yr	% CHG
China	Jan-Sep	65,116	68,908	+6
NZ	Jan-Aug	44,212	47,399	+7
Japan	Jan-Sep	52,700	51,346	-3

## AGGREGATE IMPORT VOLUME - MAJOR BUYERS

SMP, WMP, CHEESE, BUTTERFAT, WHEY



SE Asia-5 includes Indonesia, Malaysia, Philippines, Singapore and Thailand. Russia excludes imports from Belarus.

Source: GTIS and USDA.

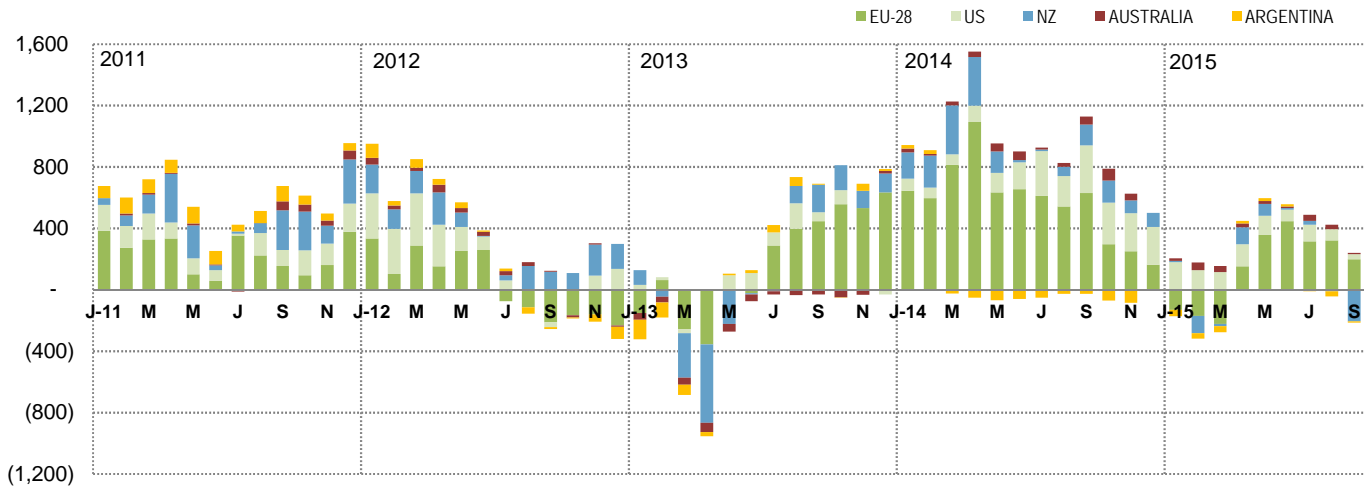
### ACCESS TRADE DATA ONLINE

Visit [usdec.org/research-and-data/market-data/trade-flows](http://usdec.org/research-and-data/market-data/trade-flows)

# Global Milk Production

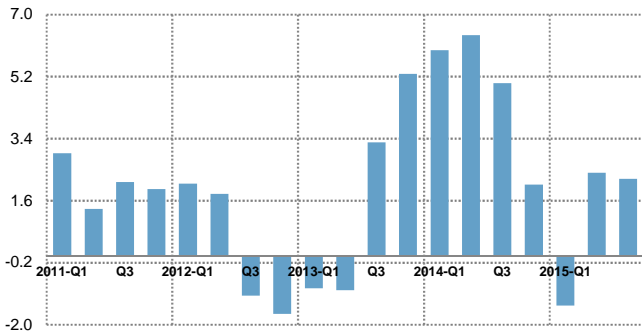
## MILK PRODUCTION - CHANGE FROM PRIOR YEAR

(000 MT)

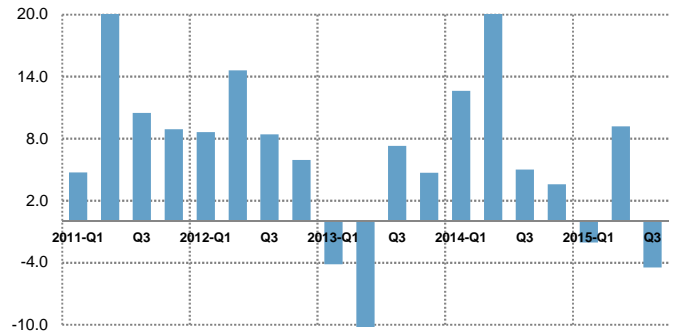


\* Feb 2012 adjusted for leap day.

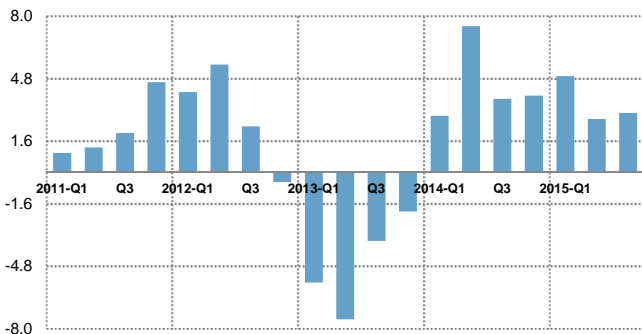
### EUROPEAN UNION MILK DELIVERIES (% CHG VS. PRIOR YEAR)



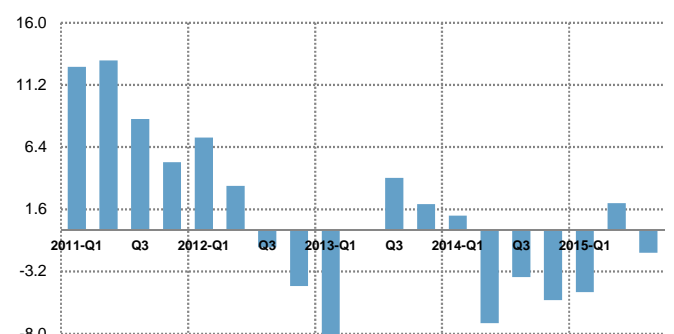
### NEW ZEALAND MILK PRODUCTION (% CHG VS. PRIOR YEAR)



### AUSTRALIA MILK PRODUCTION (% CHG VS. PRIOR YEAR)



### ARGENTINA MILK DELIVERIES (% CHG VS. PRIOR YEAR)



### ACCESS MILK PRODUCTION DATA ONLINE

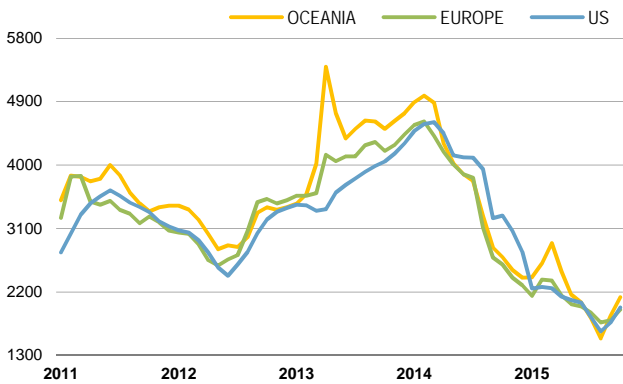
Visit [usdec.org/research-and-data/market-data/milk-production](http://usdec.org/research-and-data/market-data/milk-production)

Q1-2012 adjusted for leap day.

Source: USDA, EuroStat, DairyAustralia, DCANZ, Argentina Ministry of Agriculture.

# World Prices

## SMP PRICES (\$/MT)



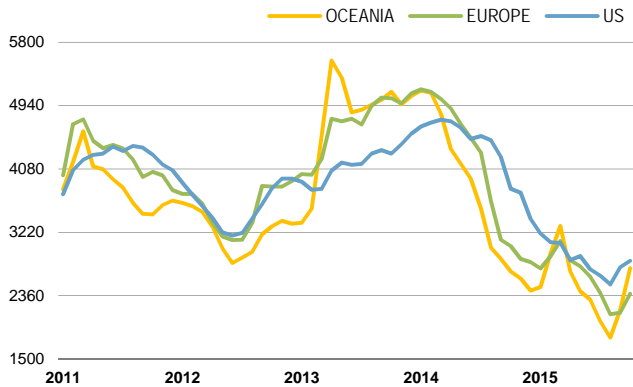
## Prices vs. a year ago

	Oceania	Europe	U.S.
SMP	-21%	-25%	-40%
WMP	+2%	-21%	-26%
Cheddar	-20%		-27%
Butter	+9%	-18%	+2%
Whey		-44%	-65%

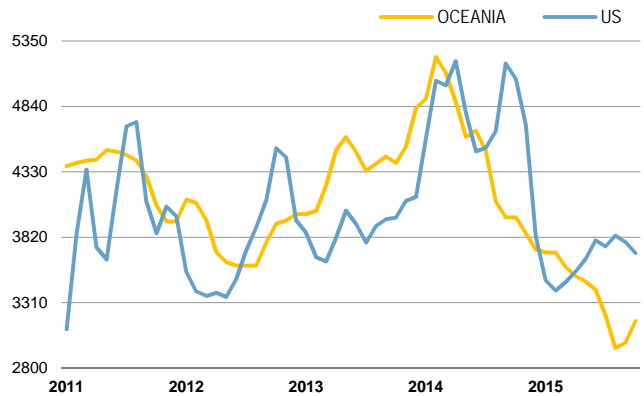
### ACCESS PRICING DATA ONLINE

Visit [usdec.org/research-and-data/market-data/prices](http://usdec.org/research-and-data/market-data/prices)

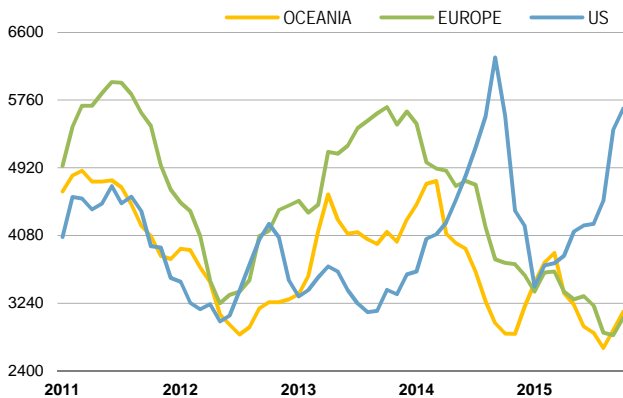
## WMP PRICES (\$/MT)



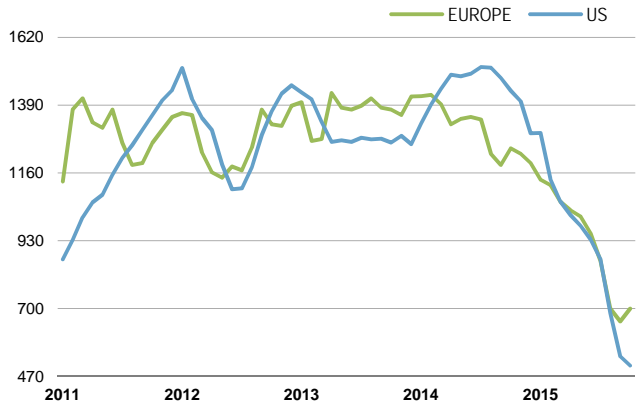
## CHEDDAR PRICES (\$/MT)



## BUTTER PRICES (\$/MT)



## DRY WHEY PRICES (\$/MT)



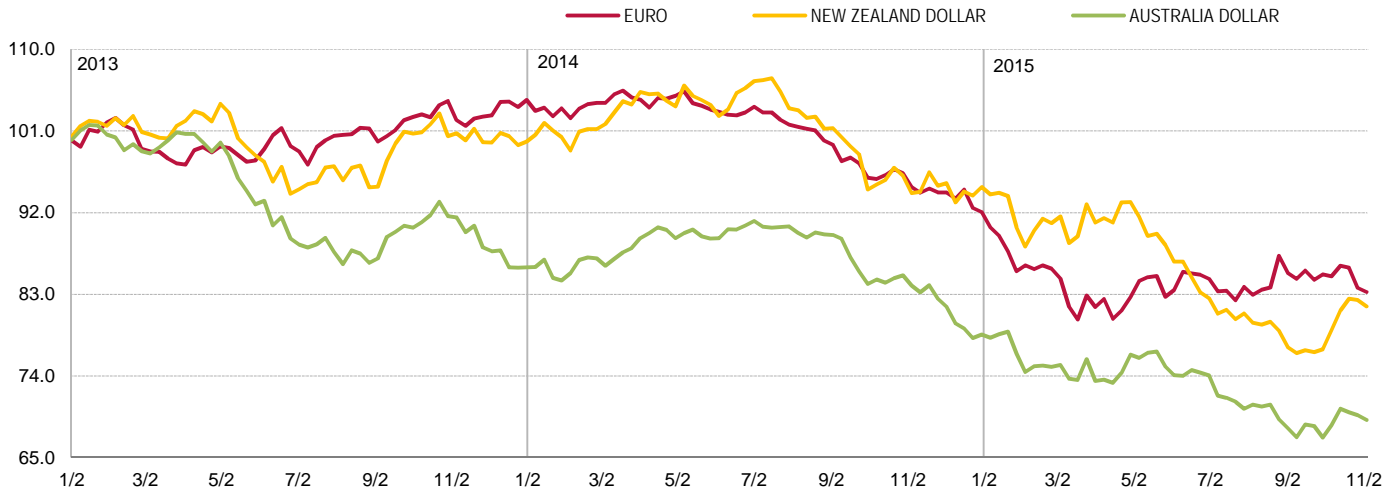
Source: USDA's Dairy Market News.



# Currency Exchange Rates

## EXCHANGE RATES RELATIVE TO U.S. DOLLAR, EXPORTING COUNTRIES

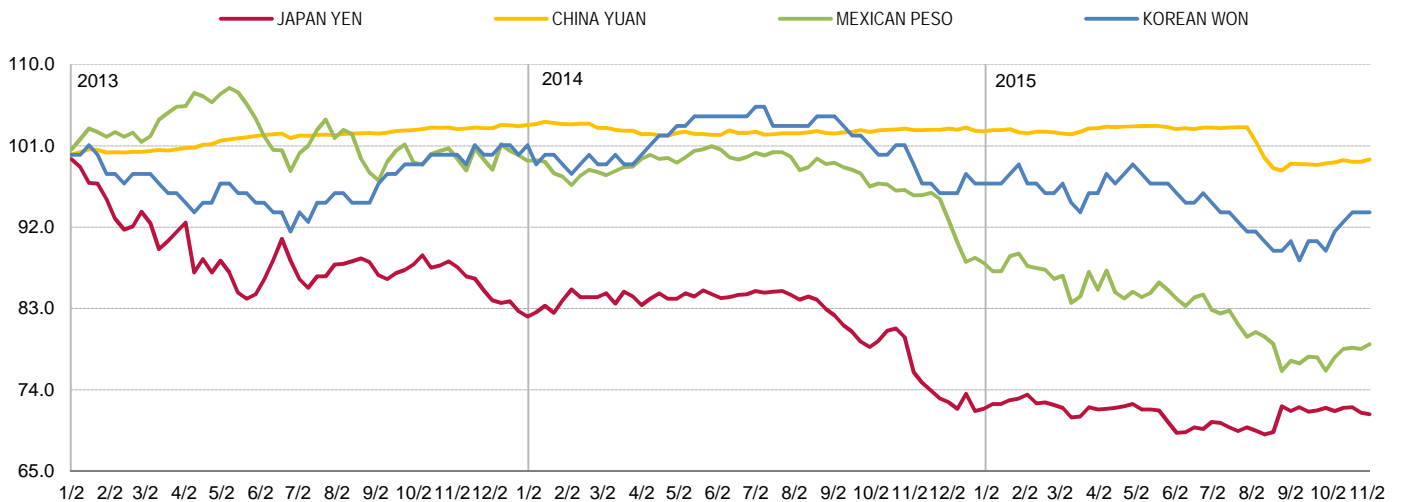
INDEXED TO JAN. 1, 2013



**Top chart:** If line is trending up, currency is strengthening vs. U.S. dollar (U.S. dollar is weakening). This is favorable for U.S. competitiveness. If line is trending down, currency is weakening vs. U.S. dollar (U.S. dollar is strengthening). This is unfavorable for U.S. competitiveness.

## EXCHANGE RATES RELATIVE TO U.S. DOLLAR, IMPORTING COUNTRIES

INDEXED TO JAN. 1, 2013



**Bottom chart:** If line is trending up, currency is strengthening vs. U.S. dollar (U.S. dollar is weakening). This is favorable for exports, because it increases import purchasing power. If line is trending down, currency is weakening vs. U.S. dollar (U.S. dollar is strengthening). This is unfavorable for exports, because it decreases import purchasing power.

Source: Oanda.com.

## U.S. Exports

# Powder sales headline September export results

U.S. suppliers aggressively moved milk powder in September, drawing down inventories and boosting overall export volume after falling in each of the previous four months.

Suppliers shipped 149,451 tons of milk powders, cheese, butterfat, whey and lactose in September, up 9 percent from a year ago, and up 11 percent from August (on a daily-average basis). Total overseas sales were valued at \$399 million, down 18 percent from last year, but up 6 percent from August (daily average).

Exports of nonfat dry milk/skim milk powder (NDM/SMP) were 47,482 tons in September, the most since May, and 47 percent more than a year ago. Gains were driven by record shipments to Mexico – 27,440 tons, more than double last year's sales. Suppliers also moved 2,519 tons of NDM/SMP to Pakistan, making it the third-largest customer for the month. In the first three quarters of the year, exports to Mexico and Pakistan were up 19 percent and 584 percent, respectively.

Two other product categories also posted noteworthy increases over prior-year levels. Whey protein concentrate exports were 21,531 tons, up 38 percent from a year ago, led by a big jump in sales to China.

Lactose exports were 33,398 tons, up 15 percent, paced by a large increase in shipments to New Zealand.

Other categories, however, continue to lag. Cheese exports were 22,192 tons, down 20 percent from last year. Volume has now trailed year-ago levels for 12 straight months. Shipments to South Korea (-51 percent), Japan (-46 percent) and the Middle East/North Africa region (-43 percent) were down significantly.

Exports of dry, sweet whey were just 11,269 tons, the lowest figure in 11 years. Sales to almost every major customer were down, led by a 64 percent fall-off in sales to China. Whey protein isolate exports were just 1,980 tons, down 35 percent, and here, too, sales to China were just a fraction of prior-year levels.

Butterfat exports were just 665 tons, the smallest figure since July 2009.

U.S. exports (on a total milk solids basis) were equivalent to 14.8 percent of U.S. milk solids production in September, bringing the year-to-date percentage to 14.3 percent. Imports were equivalent to 3.3 percent of production for the month, the lowest figure since April.

### U.S. Exports

	LATEST MONTH		SEPTEMBER (VOLUME, MT)			YEAR-TO-DATE		JANUARY-SEPTEMBER (VOLUME, MT)	
	2013	2014	2015	% CHG		2013	2014	2015	% CHG
NDM/SMP	45,325	32,200	47,482	+47	NDM/SMP	413,496	430,171	421,123	-2
WMP	4,734	3,196	2,974	-7	WMP	28,401	42,838	29,043	-32
Cheese	25,659	27,860	22,192	-20	Cheese	229,712	290,250	245,411	-15
Butterfat	11,222	2,344	665	-72	Butterfat	60,840	62,354	17,661	-72
Total Whey	38,733	35,267	34,780	-1	Total Whey	375,743	374,596	341,671	-9
-Dry whey	19,172	16,588	11,269	-32	-Dry whey	177,789	177,325	142,397	-20
-WPC	17,559	15,609	21,531	+38	-WPC	182,247	177,083	170,409	-4
-WPI	2,002	3,069	1,980	-35	-WPI	15,707	20,189	28,865	+43
Lactose	26,107	29,014	33,398	+15	Lactose	269,011	255,193	273,027	+7
MPC	6,031	2,073	2,661	+28	MPC	34,491	39,774	23,836	-40
Food preps (blends)	5,270	5,153	5,299	+3	Food preps (blends)	61,813	49,051	46,721	-5
<b>Aggregate volume*</b>	<b>163,080</b>	<b>137,106</b>	<b>149,451</b>	<b>+9</b>	<b>Aggregate volume*</b>	<b>1,473,507</b>	<b>1,544,228</b>	<b>1,398,493</b>	<b>-9</b>
Fluid milk (000 liters)	5,884	6,919	6,877	-1	Fluid milk (000 liters)	57,736	67,641	67,628	-0
<b>Total Value (millions) *</b>	<b>\$ 581.9</b>	<b>\$ 485.4</b>	<b>\$ 399.0</b>	<b>-18</b>	<b>Total Value (millions) *</b>	<b>\$ 4,918.6</b>	<b>\$ 5,610.9</b>	<b>\$ 4,072.3</b>	<b>-27</b>

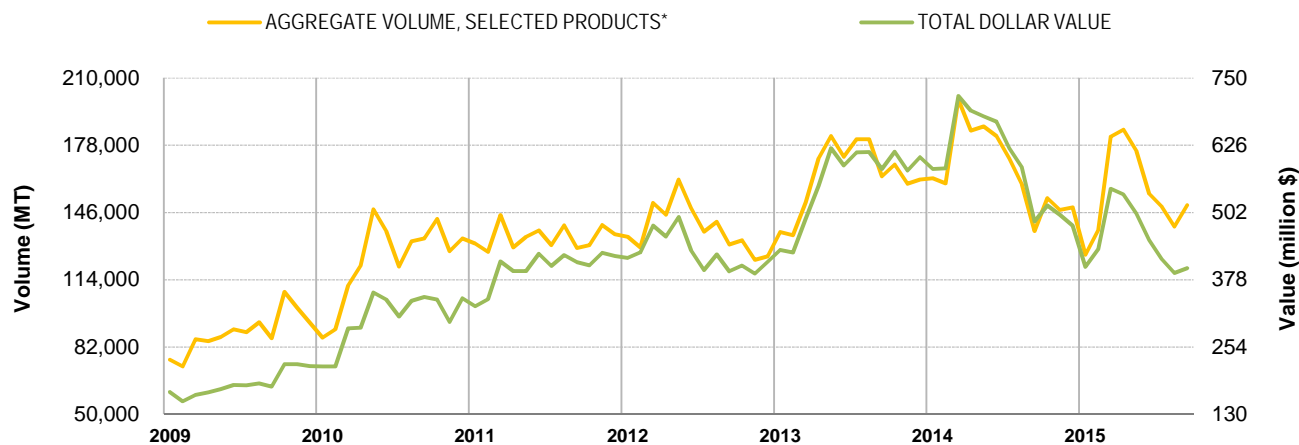
\* Aggregate volume includes the products listed above, except fluid milk. Total value includes other products in addition to the ones listed here.

Source: USDA, USDEC.

# U.S. Exports

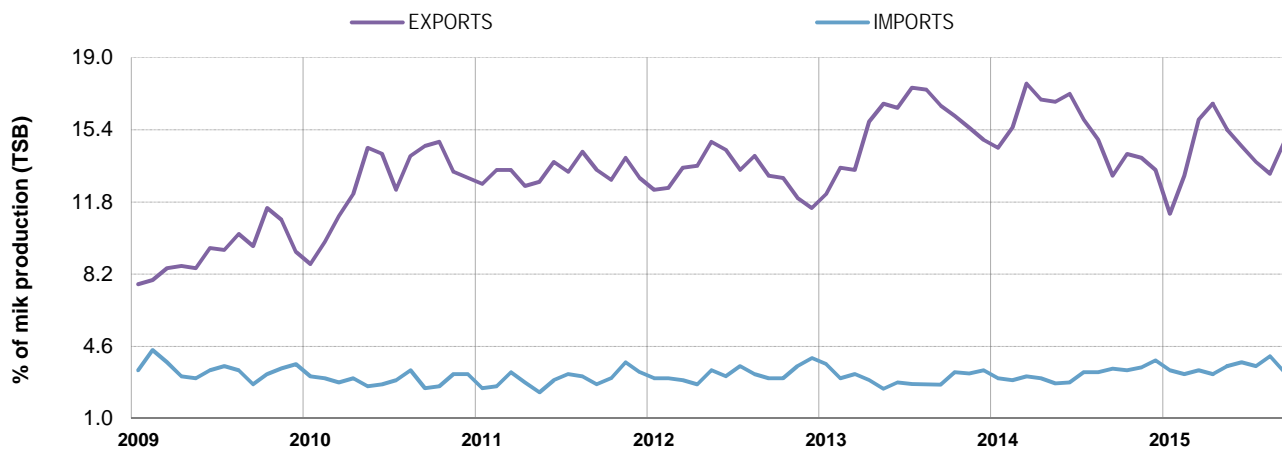
## U.S. EXPORTS

## VOLUME AND VALUE



\* Volume includes SMP, WMP, food preps, MPC, whey, cheese, butterfat, lactose

## U.S. EXPORTS AND IMPORTS AS A PERCENT OF MILK PRODUCTION



### U.S. DAIRY EXPORTS, TOP 10 MARKETS

(million \$)	Jan-Sep 15	vs. yr ago
Mexico	\$ 960.7	-24%
Southeast Asia	698.2	-34%
Canada	414.3	-8%
China	356.8	-37%
So. Korea	252.8	-22%
Middle East/North Africa	216.0	-63%
Japan	213.9	-34%
South America	201.4	-3%
Oceania	174.2	-25%
Caribbean	157.4	-3%

### U.S. EXPORTS AS % OF PRODUCTION

	September	yr ago	Jan-Sep 15	yr ago
NDM/SMP	71%	46%	53%	54%
Total cheese	5.1%	6.6%	6.2%	7.5%
Butterfat	1.1%	3.9%	2.8%	9.9%
Dry sweet whey	32%	52%	43%	60%
Lactose	85%	70%	75%	65%
Total milk solids	14.8%	13.1%	14.3%	15.7%

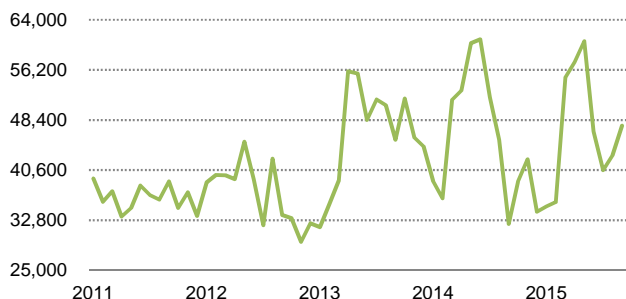
#### ACCESS U.S. EXPORT DATA ONLINE

Visit [usdec.org/research-and-data/market-data/us-export-data](http://usdec.org/research-and-data/market-data/us-export-data)

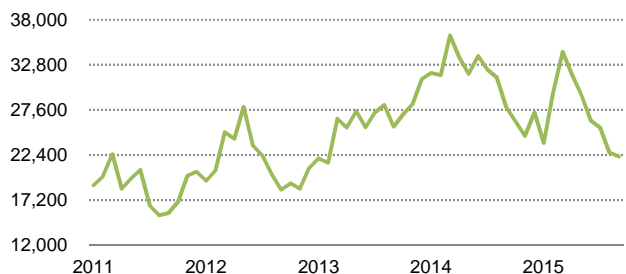
Source: USDA, USDEC, National Milk Producers Federation.

# U.S. Exports: Monthly Volume

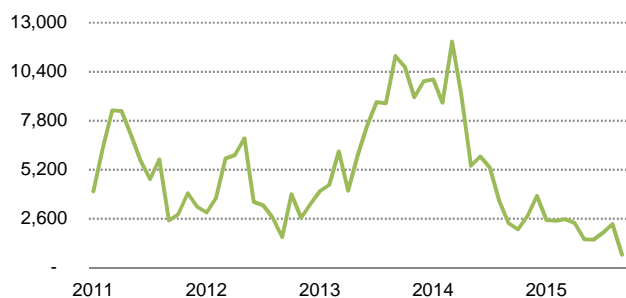
**U.S. NDM/SMP EXPORTS (MT)**



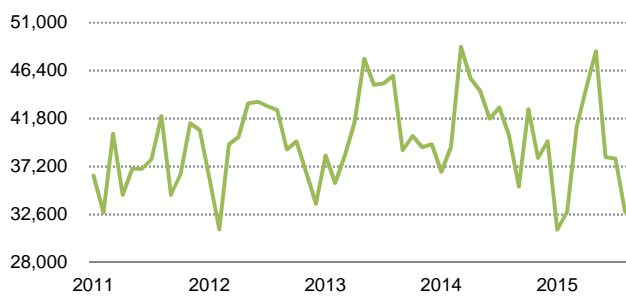
**U.S. CHEESE EXPORTS (MT)**



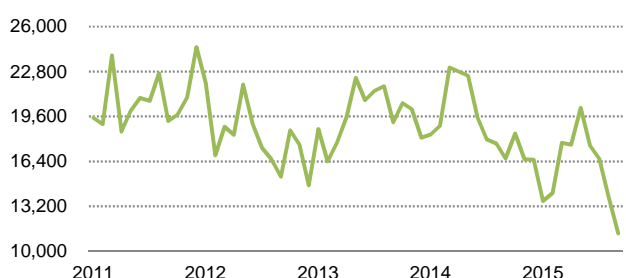
**U.S. BUTTERFAT EXPORTS (MT)**



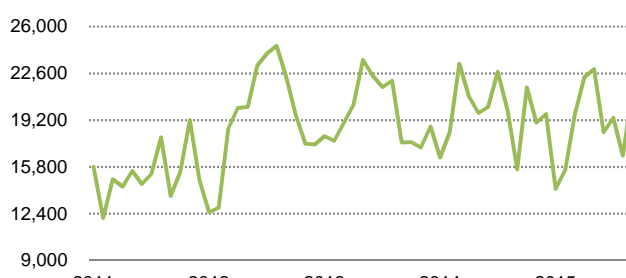
**U.S. TOTAL WHEY EXPORTS (MT)**



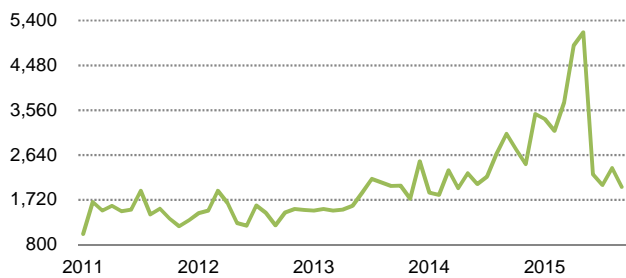
**U.S. DRY WHEY EXPORTS (MT)**



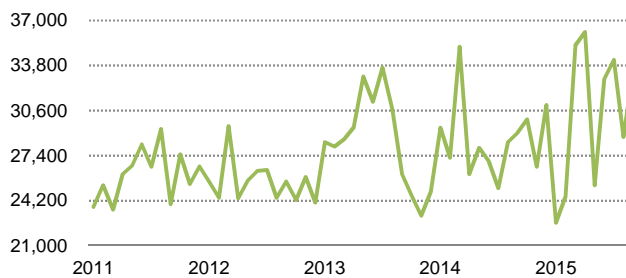
**U.S. WPC EXPORTS (MT)**



**U.S. WPI EXPORTS (MT)**



**U.S. LACTOSE EXPORTS (MT)**



Source: USDA, USDEC.

## U.S. Market Situation

### Butter markets squeezed on holiday buy-in

U.S. butter prices remain at historic highs on the strength of very good holiday demand, while the cheese market is steady and dry ingredients are weak.

On Nov. 4 at the CME, benchmark butter prices closed at \$6328/ton, twice the prevailing world price. As a result, U.S. butterfat exports are negligible, while imports this year are the highest since 2004.

Lower production has contributed to the tightness. Output in the first nine months of the year was down 1.4 percent from 2014, the second straight year of declines. Inventories are declining seasonally, though they remain well above a year ago.

The block cheddar market has traded within a range of \$3500-\$4000/ton since April – right around the long-term average. Cheese production in the first three quarters of the year was up 2.5 percent vs. prior year, while domestic consumption is up about 3 percent. But due to slowing exports and rising imports, cheese stocks have continued to grow. At the end September, total cheese inventories were up 13 percent from a year ago.

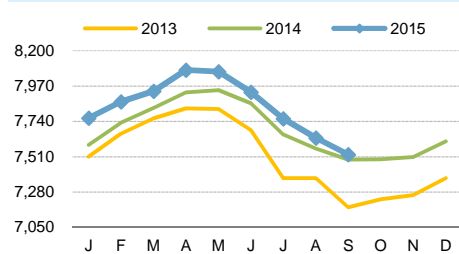
Grade A NDM settled at \$1775/ton, down \$650 from a month earlier. Overall NDM/SMP production is even with

last year, but NDM production was up 8 percent and SMP was down 25 percent in the first nine months of the year. NDM inventories were reduced in August and September, but holdings at the end of September (96,000 tons) were 25 percent higher than a year ago.

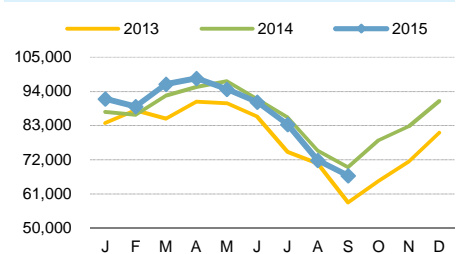
After dry whey prices fell to a six-year low in early October, prices have stabilized. Manufacturers have been able to clear stocks significantly in recent weeks. Current pricing is \$440-525/ton, down nearly \$900 in the last year. WPC and lactose remain weak as well, with heavy stocks and prices just half what they were earlier this year.

U.S. milk production is at its seasonal low point, and just slightly ahead of last year's pace. Production in September was 7.52 million tons, up 0.4 percent from the prior year. In the first nine months of the year, production in California was down 3.0 percent as farmers struggled against a severe drought. In the rest of the country, however, production was up 2.7 percent, thanks to milk-to-feed margins still above the long-term average. In September, cow numbers nationwide were still 36,000 head higher than the year before.

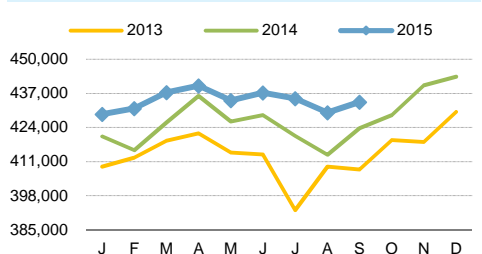
**U.S. MILK PRODUCTION** (000 MT; 30-DAY MOS.)



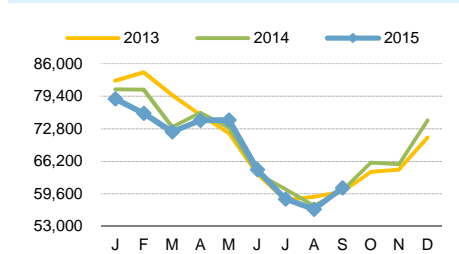
**U.S. NDM/SMP PROD.** (MT; 30-DAY MOS.)



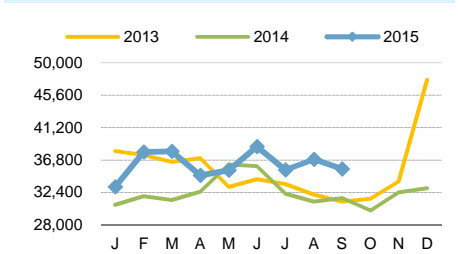
**U.S. CHEESE PRODUCTION** (MT; 30-DAY MOS.)



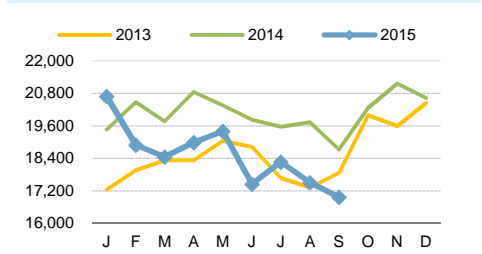
**U.S. BUTTER PRODUCTION** (MT; 30-DAY MOS.)



**U.S. DRY WHEY PROD.** (MT; 30-DAY MOS.)



**U.S. WPC PRODUCTION** (MT; 30-DAY MOS.)



Source: USDA, USDEC.