

U.S. Exports

Slumping powder exports drag U.S. performance

Weak sales of nonfat dry milk/skim milk powder (NDM/SMP), particularly to Southeast Asia, depressed overall U.S. export totals in the third quarter. U.S. suppliers shipped 460,204 tons of milk powder, cheese, butterfat, whey and lactose during the July-September period, down 2% from last year. U.S. exports were valued at \$1.3 billion in Q3, up 9%.

Exports of **NDM/SMP** in Q3 were 131,988 tons, down 18% vs. a year ago. Sales to Southeast Asia were just 34,536 tons, a 35% decline, with significant lost volume to Indonesia (-60%) and Vietnam (-76%). Shipments to Mexico also were lower, falling 19% short of last year's pace.

(Official USDA data continues to show an increase in WMP exports to Mexico. However, Mexican import data and trade sources don't corroborate this, and we believe this volume represents SMP sales that were misclassified at the port. Therefore, we've adjusted NDM/SMP and WMP trade data for June 2016 to September 2017 to account for this misclassification.)

With declining powder exports, U.S. inventories of NDM increased in Q3 for the first time since 2008. At the end of September, stocks were a record-high 146,000 tons, nearly 50% more than last year. Lagging U.S. exports reflect strong competition from European suppliers, as well as a

slowdown in global buying activity. Oversupply in the world market has led SMP prices to fall to their lowest level since spring 2016.

Southeast Asian countries also took less U.S. whey in Q3. Exports were 22,072 tons, down 11%. Sales of whey protein concentrate (WPC) and modified whey were off 23%. Meanwhile, lactose shipments to the region were down 26%.

Overall U.S. exports to Southeast Asia in September alone were just \$40 million (-29%), the worst month since February 2010.

Total **whey** exports in Q3 were up slightly from a year ago. In addition to lost Southeast Asia business, shipments to China were a little lower, while exports to Mexico and Japan improved. However, this wasn't enough to arrest falling global prices, or prevent a build-up of U.S. dry whey stocks to record levels at the end of September.

In contrast, U.S. **cheese** exports were up 24%, to 84,485 tons in Q3. Rising sales to Australia (9,265 tons, +140%) and Japan (9,329 tons, +78%), drove the gains. In addition, cheese exports to the Middle East/North Africa region are beginning to recover, with September volume the highest in more than three years.

U.S. Exports

	LATEST MONTH				SEPTEMBER (VOLUME, MT)					YEAR-TO-DATE				JANUARY - SEPTEMBER (VOLUME, MT)			
	2015	2016	2017	% CHG	2015	2016	2017	% CHG		2015	2016	2017	% CHG	2015	2016	2017	% CHG
NDM/SMP*	47,340	58,776	40,710	-31	NDM/SMP*	419,525	418,995	441,164	+5								
WMP*	2,974	1,297	2,972	+129	WMP*	29,064	19,123	18,299	-4								
Cheese	22,190	21,914	26,862	+23	Cheese	245,842	208,297	257,475	+24								
Butterfat	692	1,642	1,382	-16	Butterfat	17,702	16,552	18,072	+9								
Total Whey	34,353	42,064	43,955	+4	Total Whey	342,180	364,568	394,256	+8								
-Dry whey	11,206	14,688	18,355	+25	-Dry whey	142,373	135,446	153,620	+13								
-WPC	13,151	13,542	9,885	-27	-WPC	76,956	106,391	103,526	-3								
-Modified whey	8,017	11,450	13,187	+15	-Modified whey	93,875	98,283	111,393	+13								
-WPI	1,980	2,383	2,528	+6	-WPI	28,976	24,447	25,717	+5								
Lactose	33,568	29,810	30,900	+4	Lactose	272,782	267,626	263,396	-2								
MPC	2,641	1,897	1,725	-9	MPC	23,717	15,796	17,832	+13								
Aggregate volume**	143,758	157,400	148,505	-6	Aggregate volume**	1,350,812	1,310,958	1,410,494	+8								
milk/cream (000 liters)	8,396	10,571	9,000	-15	milk/cream (000 liters)	81,060	79,301	80,245	+1								
Total Value (millions)**	\$ 411.3	\$ 417.7	\$ 415.6	-0	Total Value (millions)**	\$ 4,165.9	\$ 3,452.2	\$ 4,070.8	+18								

* USDA data for NDM/SMP and WMP for June 2016-September 2017 adjusted to reflect shipments to Mexico misclassified as WMP.

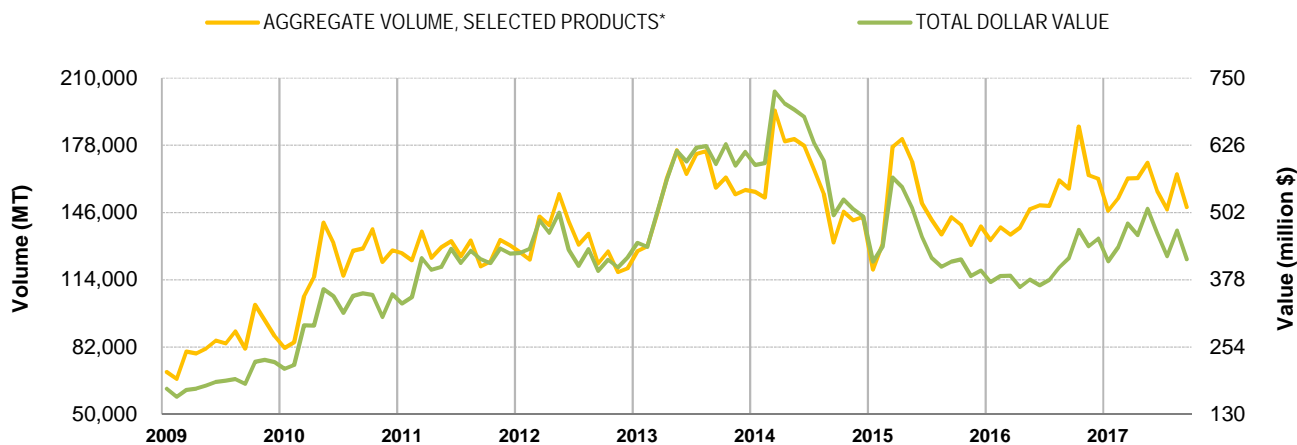
** Aggregate volume includes the products listed above, except fluid milk. Total value includes other products in addition to the ones listed here.

Source: USDA, USDEC.

U.S. Exports

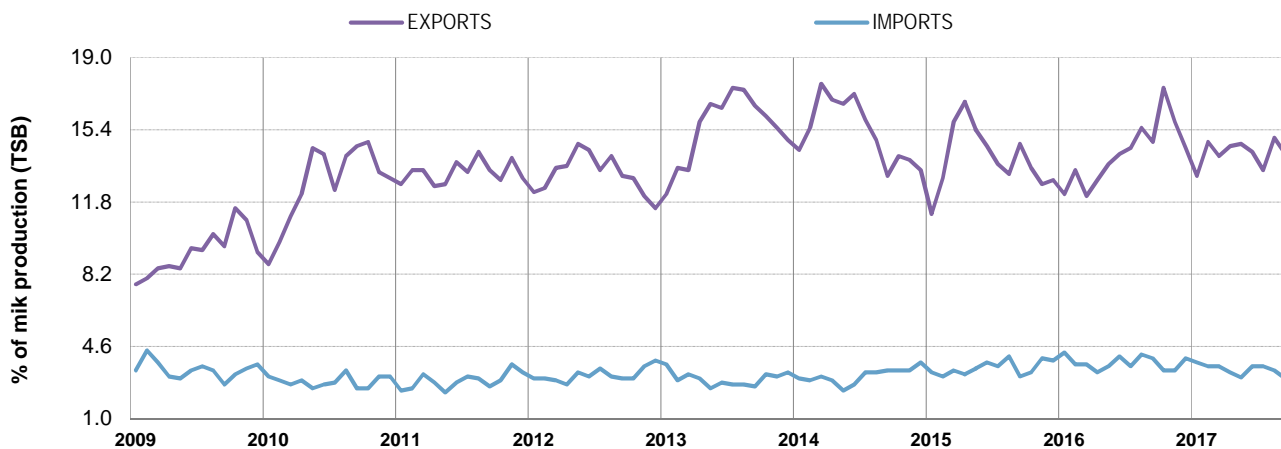
U.S. EXPORTS

VOLUME AND VALUE



* Volume includes SMP, WMP, MPC, whey, cheese, butterfat, lactose

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



U.S. DAIRY EXPORTS, TOP 10 MARKETS

(million \$)	September 17	vs. yr ago
Mexico	\$ 98.3	-15%
Canada	50.3	-8%
China	46.7	+63%
Southeast Asia	39.9	-29%
Japan	26.8	+74%
Oceania	23.8	+54%
South America	19.5	-13%
So. Korea	18.9	-8%
Middle East/North Africa	18.8	+21%
Caribbean	16.7	-10%

U.S. EXPORTS AS % OF PRODUCTION

	September	yr ago	Jan-Sep 17	yr ago
NDM/SMP	54%	76%	54%	53%
Total cheese	5.8%	4.9%	6.1%	5.1%
Butterfat	2.3%	2.7%	2.9%	2.6%
Dry sweet whey	44%	43%	43%	41%
Lactose	72%	69%	68%	71%
Total milk solids	14.2%	14.8%	14.2%	13.7%

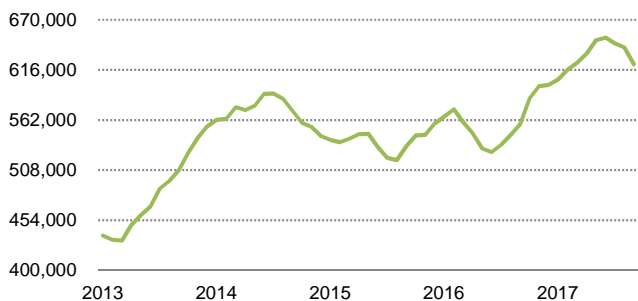
ACCESS U.S. EXPORT DATA ONLINE

Visit usdec.org/research-and-data/market-data/us-export-data

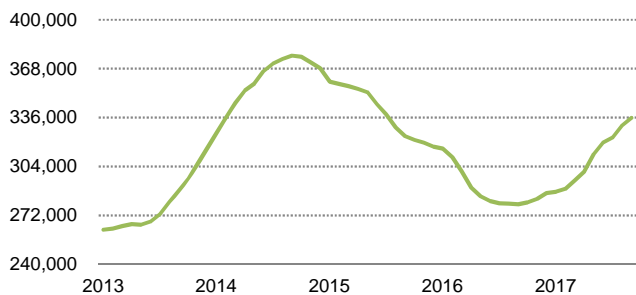
Source: USDA, USDEC, National Milk Producers Federation.

U.S. Exports: Rolling 12-Month Volume

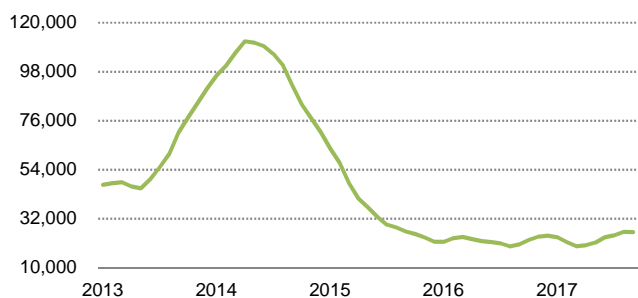
U.S. NDM/SMP EXPORTS (MT)



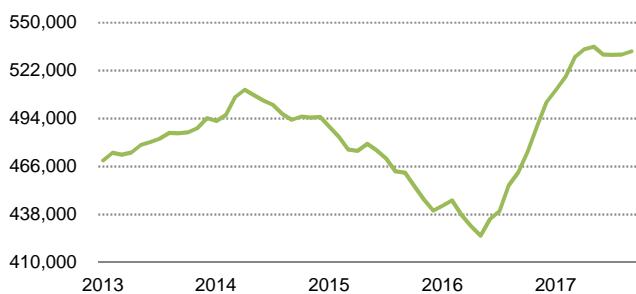
U.S. CHEESE EXPORTS (MT)



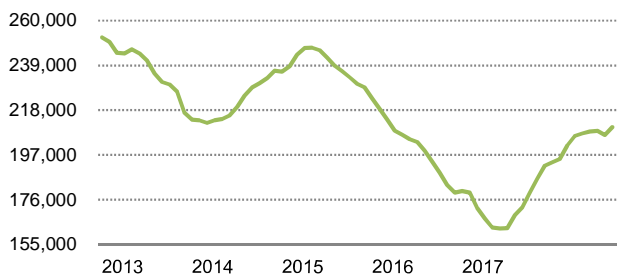
U.S. BUTTERFAT EXPORTS (MT)



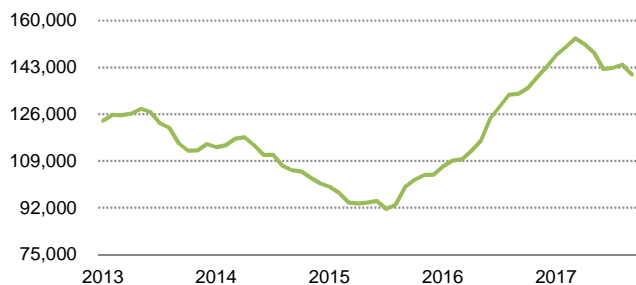
U.S. TOTAL WHEY* EXPORTS (MT)



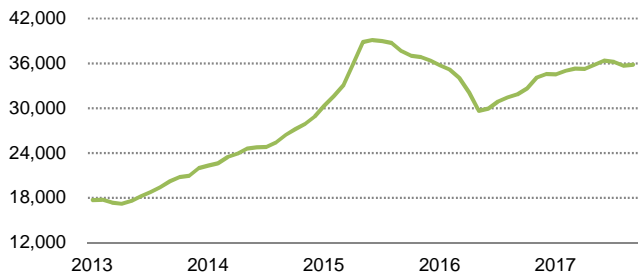
U.S. DRY WHEY EXPORTS (MT)



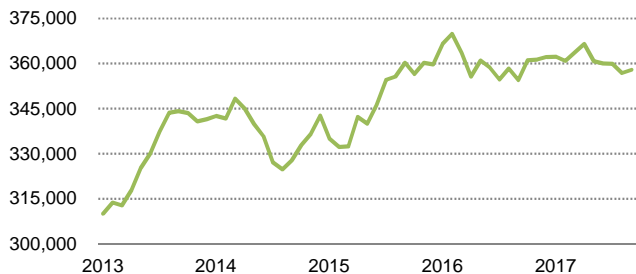
U.S. WPC EXPORTS (MT)



U.S. WPI EXPORTS (MT)



U.S. LACTOSE EXPORTS (MT)



* Total whey includes dry whey, WPC, modified whey products and WPI.

Source: USDA, USDEC.