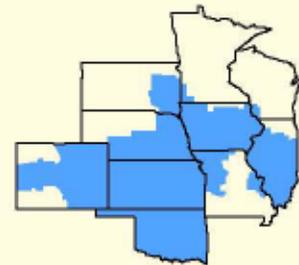


**MARCH 2014**

Marketing Service

# Bulletin

Facilitating the efficient marketing of milk and dairy products.



**CENTRAL MARKETING AREA**



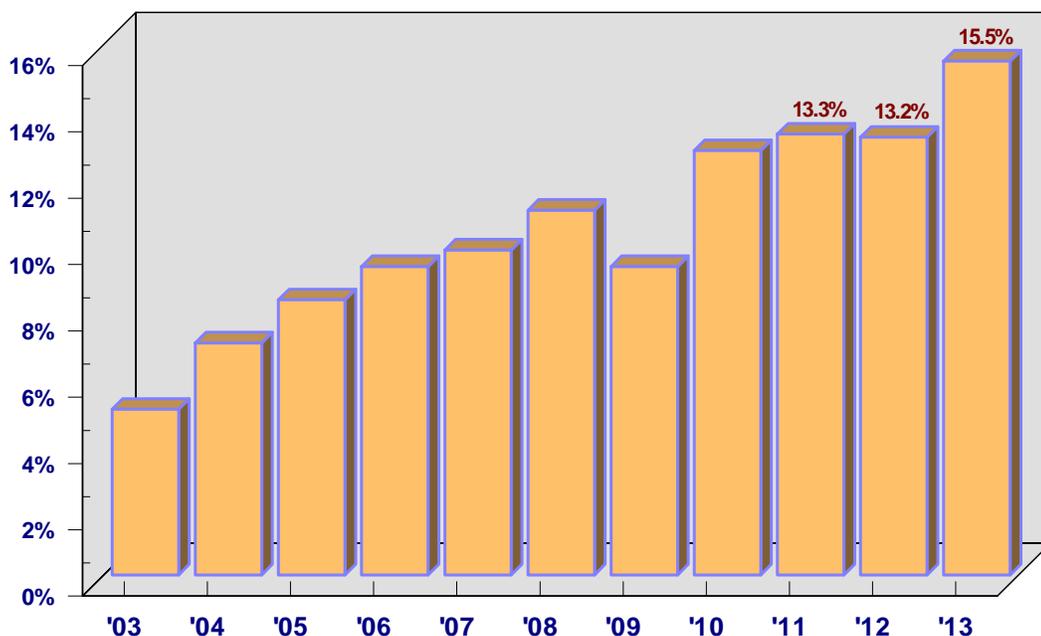
The international marketplace has become increasingly important to U.S. agriculture, as revealed by a cursory examination of foreign trade data. The dollar value of agricultural exports increased in 10 of the last 11 years, and the U.S. has recorded a positive agricultural trade balance every year since 1960\*. The monetary value of 2013 agriculture exports totalled \$144.1 billion, which was the fourth consecutive record amount. Similarly, the \$39.9 billion agricultural trade surplus recorded last year was the third consecutive record high.

The importance and influence of international trade is a relatively recent phenomenon for the U.S. dairy industry. Prior to 2004, dairy product exports represented a small percentage of total U.S. milk production - typically 5% or less. Moreover, the U.S. was often a net importer in terms of monetary value prior to the last few years.

## U.S. Dairy Export Volume

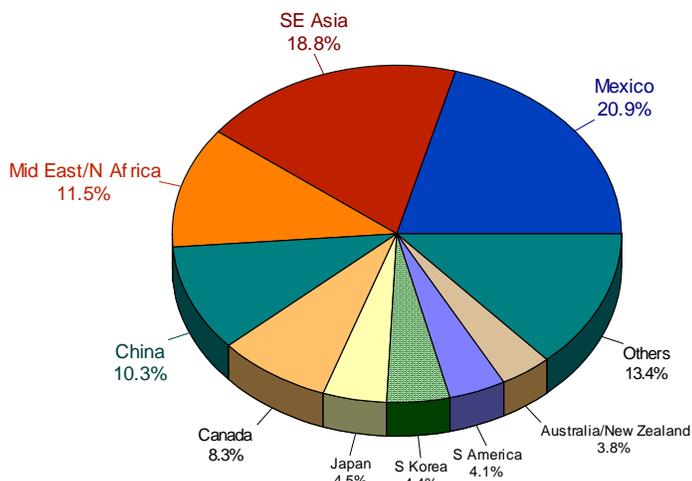
( Total Solids )

**As a Percentage of Total Milk Solids Produced**



## U.S. Dairy Export Sales

**Percentage of 2013 Total Sales (Dollars)**



Exports have taken on an increasingly more important role for the U.S. dairy industry over the last decade, as indicated by the top graph on this page. Since 2005, export volume as a percentage of total solids produced has been above 8% each year. Dairy exports were equivalent to 15.5% of all U.S. milk solids produced in 2013, which is the highest proportion ever recorded. The U.S. share of the world market grew significantly last year as well -- among the world's top nine exporters of milk powder, cheese, butterfat and whey, the volume exported by the U.S. grew from 16.1% of the total in 2012 to 19.0% in 2013.

The monetary value of dairy was an all-time record amount for the third consecutive year in 2013, totaling more than \$6.8 billion -- a 31.0% increase compared with the previous

\* Sources for data used in this publication include the Economic Research Service (ERS) and the Foreign Agriculture Service (FAS) of the USDA, along with the U.S. Dairy Export Council (USDEC).

year. The 2013 total is nearly three times greater than the 2009 amount (+194.0%), and is well over five times the annual value reported during 2000-2003 when dairy exports were slightly more than \$1 billion per year.

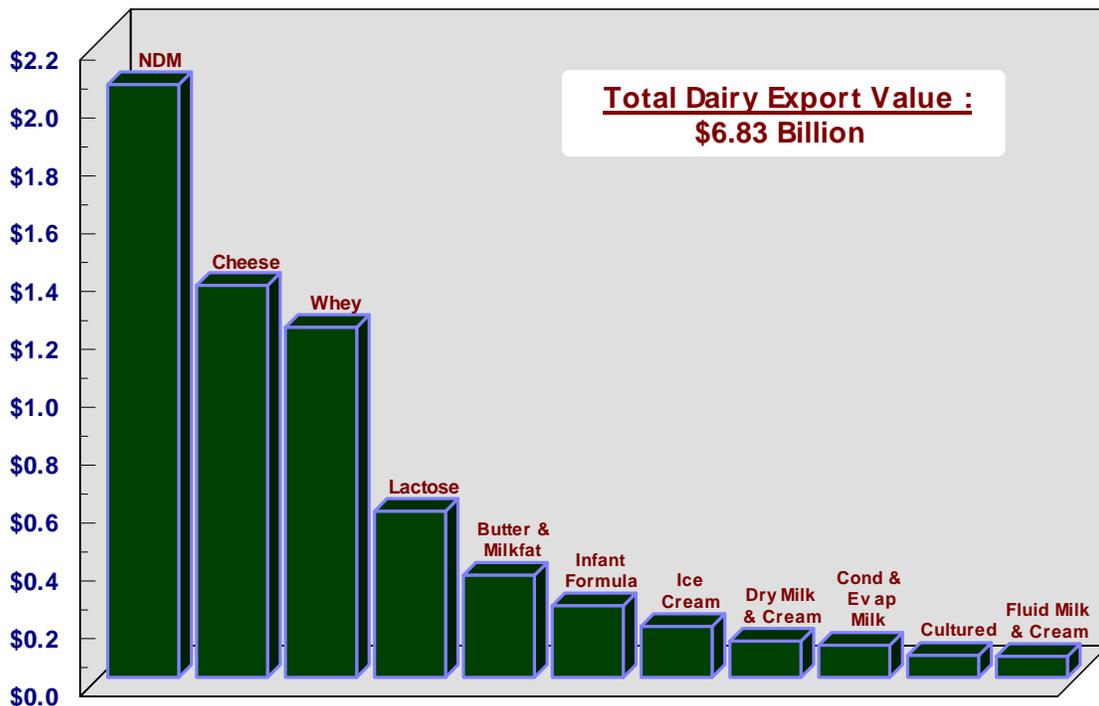
The top graph on this page depicts 2013 export monetary value for selected dairy products. Nonfat dry milk (NDM) exports ranked first with sales of \$2.050 billion, followed by cheese (\$1.355 billion) and whey (\$1.210 billion). Lactose was the only other product to record more than half a billion dollars in 2013 export sales. The graph on the last page depicts annual monetary values for all dairy export sales from 2003 through 2014. U.S. dairy exports posted a 21% compound annual growth rate during this time frame.

The proportion of 2013 U.S. dairy export sales by country/region is depicted in the pie chart on page one. The

number one destination for U.S. dairy products in 2013 was Mexico, with year-over-year purchases increasing by 16% to \$1.429 billion. Sales to Southeast Asia also topped the billion-dollar mark for the first time at \$1.284 billion, up 39% from 2012. Middle East/North Africa was the fastest growing export market, with sales increasing 83% to \$788 million. Sales to China totaled \$700 million, which was an increase of 70% compared with 2012. Other major

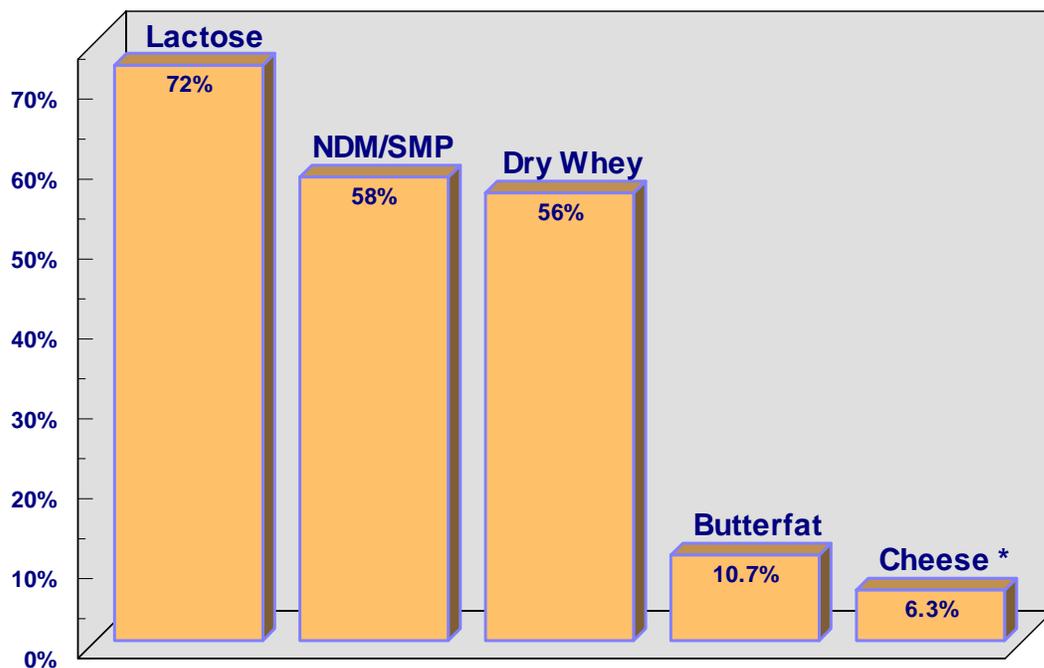
## U.S. 2013 Export Value for Selected Dairy Products

( Billion Dollars )



## U.S. 2013 Export Volume for Selected Dairy Products

As a Percentage of Total Production



U.S. dairy customers included Canada (\$569 million), Japan (\$304 million), South Korea (\$301 million), South America (\$277 million), and Australia/ New Zealand (\$258 million).

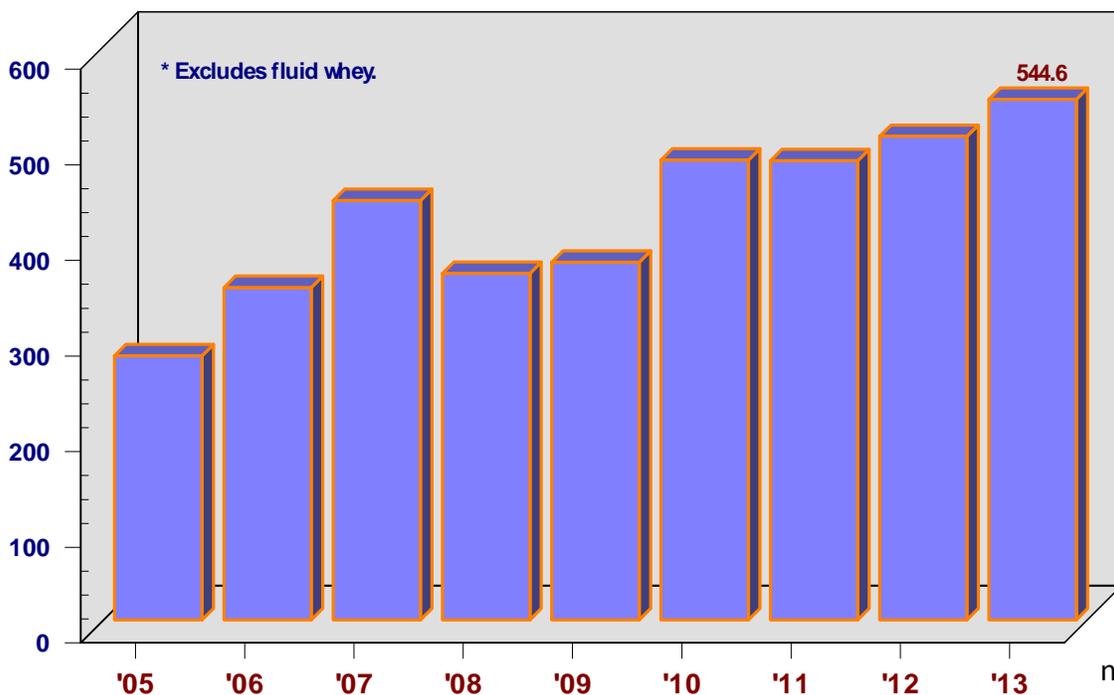
The bottom graph on this page details the proportion of total 2013 production represented by exports for several dairy products. Exports accounted for more than half of total production for three product categories - lactose, nonfat dry milk/skim milk powder (NDM/ SMP) and dry whey. Lactose export volumes were nearly three-fourths of total production, while they accounted for 58% of the NDM/ SMP total and 56% of dry whey

production. Butterfat exports represented 10.7% of total 2013 production, which was nearly double the proportion recorded in 2012. Exports of cheese as a percentage of total production were up one percentage point in 2013 to

6.3%, which was the second consecutive record high for this product category.

## Whey Export Volume\*

( Thousand Metric Tons )



The six graphs on pages 3 through 5 of this bulletin depict 2005 through 2013 export volumes for various dairy products. Volumes represented are in thousand metric tons, with the largest yearly export total during this time period noted in each graph. Eight of the ten dairy products represented in these graphs posted record exports in 2013, while only one product registered a decrease compared with 2012.

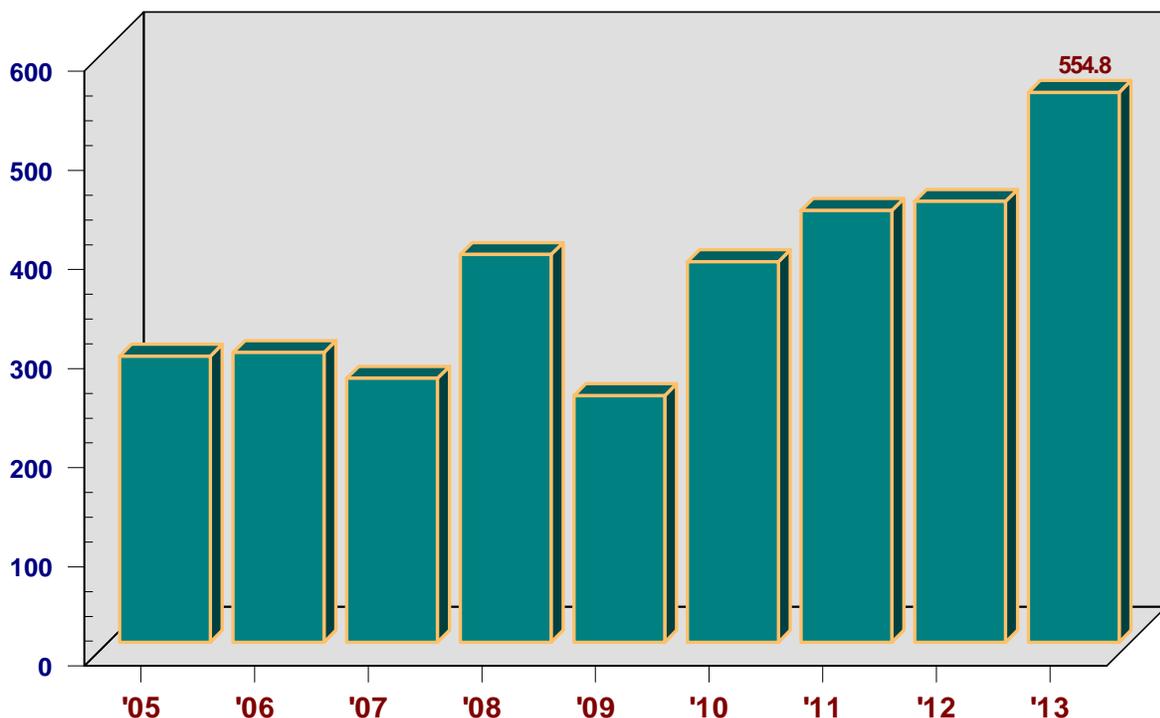
**Whey** exports, which have nearly doubled in volume since 2005, are depicted in the top

graph on this page. Exports of dry whey have surpassed 480 thousand metric tons during each of the last four years, and the 2013 volume of 544.6 thousand metric tons is the highest total on record. Whey exports ranked second among all dairy products by volume during 2013, and were third in monetary value.

## Nonfat Dry Milk Export Volume

( Thousand Metric Tons )

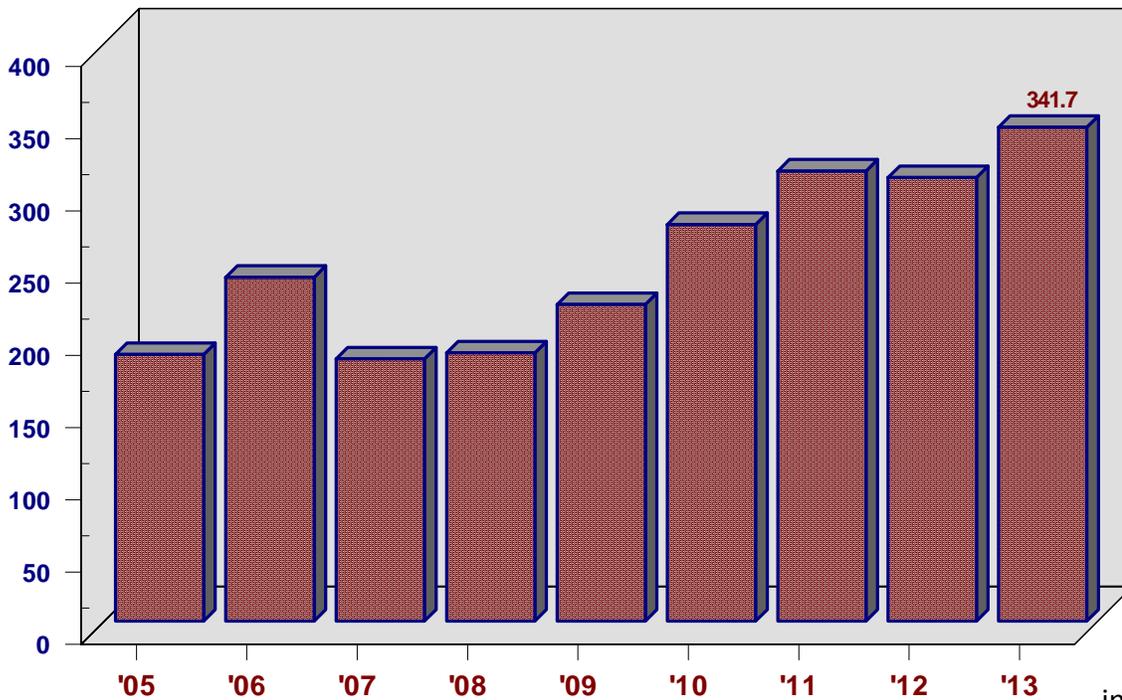
**Nonfat Dry Milk** exports, represented by the bottom graph on this page, totaled 554.8 thousand metric tons during 2013. This volume was the largest recorded during this time period, and represents an increase of over 90 percent compared with 2005. Nonfat dry milk surpassed whey in 2013 as the number one exported dairy product by volume, and was also first in terms of total dollar value.



**Lactose** export volumes for the last nine years are displayed in the top graph on this page. During 2013, lactose exports ranked third in volume among all dairy products and were fourth in terms of dollar value, with sales of \$0.574 billion. Exports

## Lactose Export Volume

( Thousand Metric Tons )



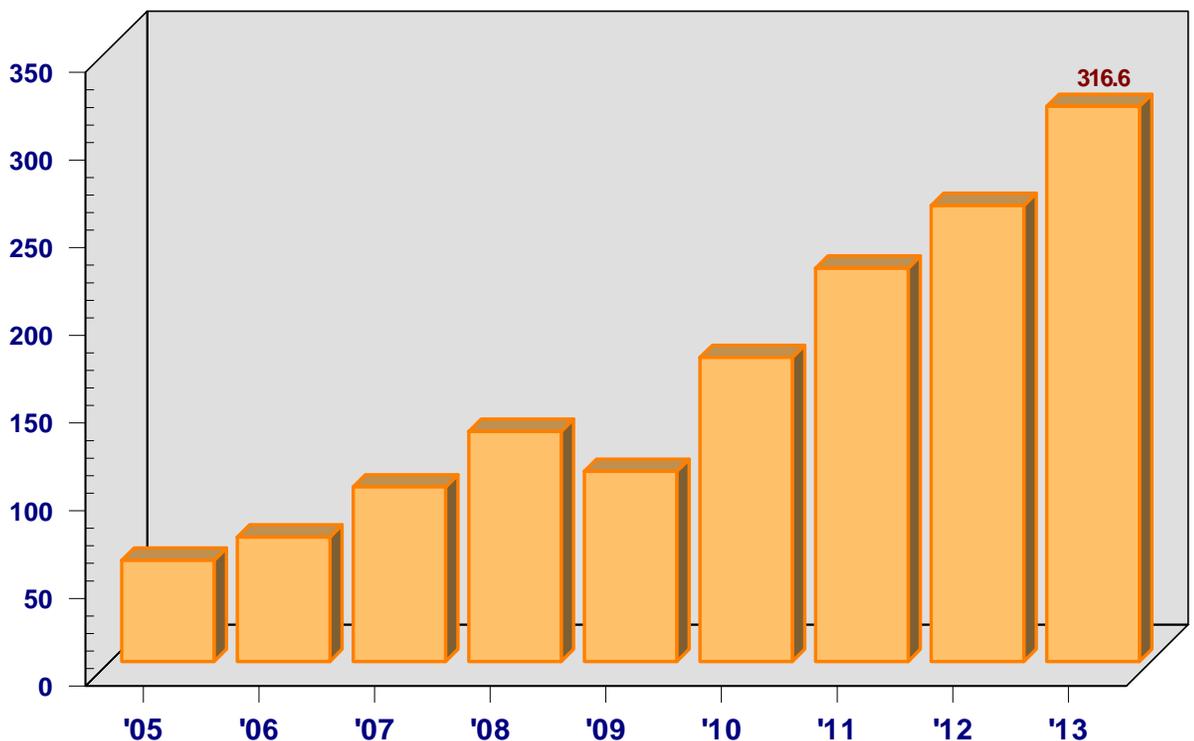
accounted for 72% of the total amount of lactose produced in the U.S. in 2013, and the 341.7 thousand metric ton total represents the peak level of exports during the period of time depicted by this graph. Lactose exports were approximately 85% greater than the amount recorded in 2005 and, with the exception of 2012, lactose exports have increased in volume each year since 2007.

**Cheese** exports have risen dramatically during the last nine years, increasing from less than 58

thousand metric tons in 2005 to 316.6 thousand in 2013. This change represents an increase of nearly 450%, and year-over-year export volumes during this period registered increases every year except 2009. Since 2009, cheese exports have nearly tripled in volume, increasing by 192%. Cheese export volume data is depicted in the bottom graph on this page.

## Cheese Export Volume

( Thousand Metric Tons )



Although cheese exports ranked fourth in volume during 2013, it was the second highest dairy product export category in terms of monetary value with sales of \$1.355 billion. Export volumes accounted for 6.3% of all U.S. cheese production in 2013, which was the largest

proportion ever recorded for this product.

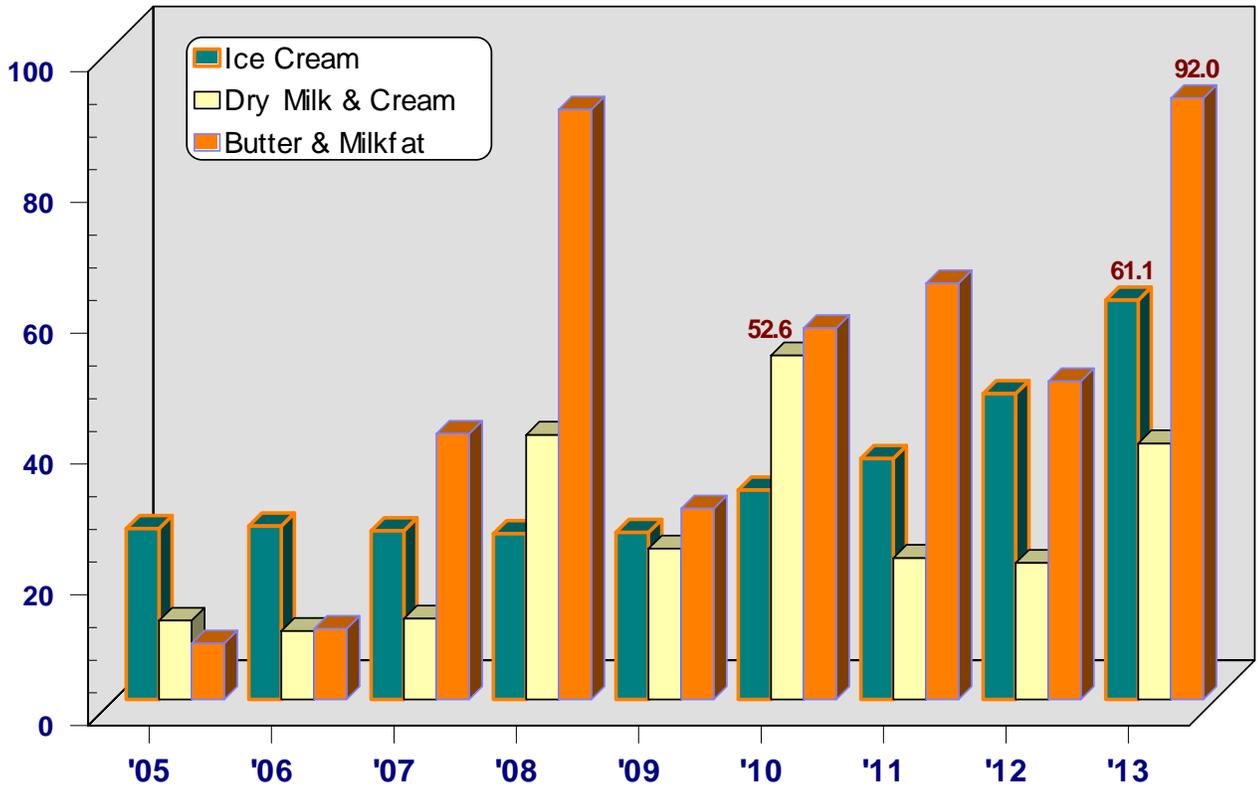
The graphs on this page depict export sales volume over the last nine years for a selected group of dairy products.

The top graph details export volumes for three product categories: ice cream; dry milk & cream; and butter & milkfat. The bottom graph depicts export sale volumes for three additional product categories: cultured dairy products, condensed and evaporated milk; and infant formula.

Overall, the export volumes for these products have increased substantially during the time period depicted. During the past year, exports of butter and milkfat, ice cream, cultured products, and condensed and evaporated milk all reached their peaks during this time frame.

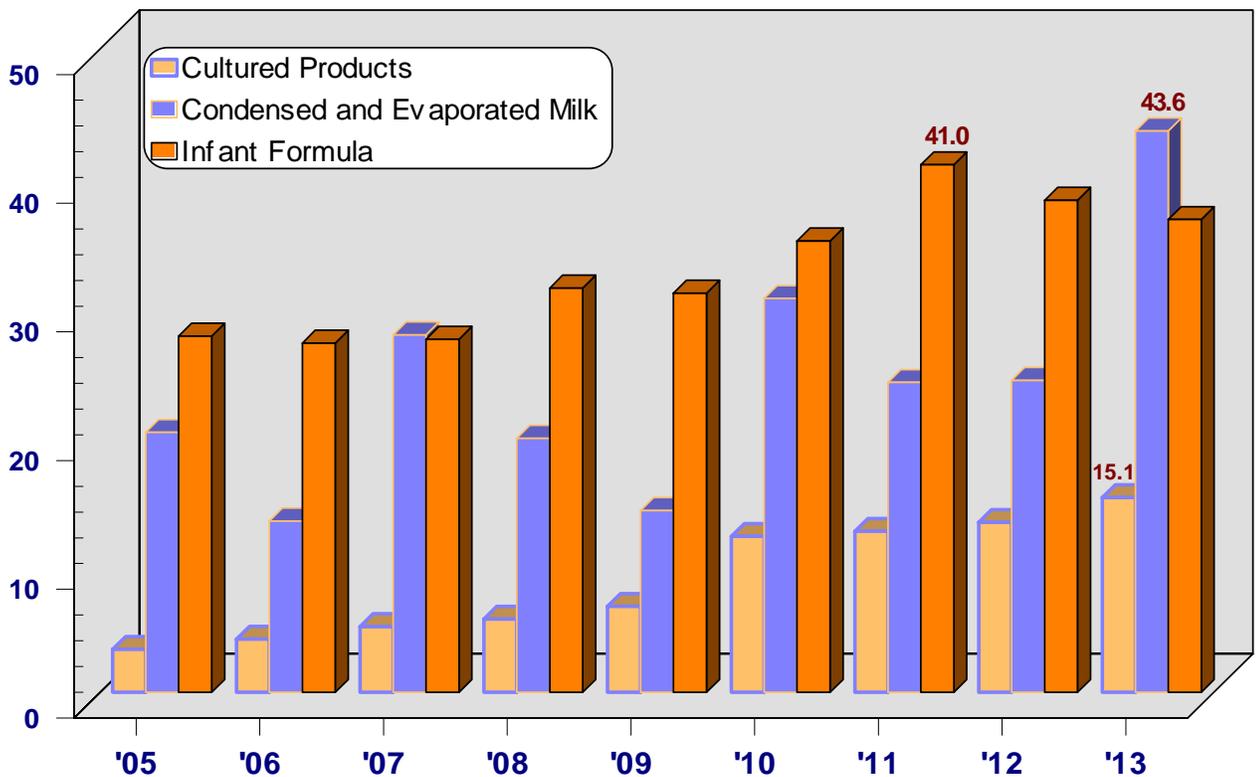
## Ice Cream, Dry Milk, & Butter Export Volumes

( Thousand Metric Tons )



## Selected Other Products Export Volume

( Thousand Metric Tons )





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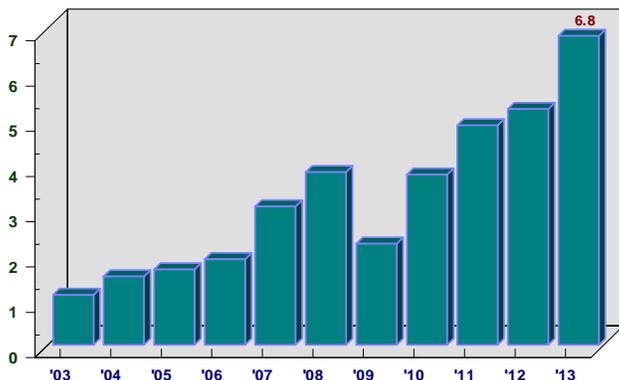
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	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	Feb '14	Jan '14	Feb '14	Jan '14	Feb '14	Jan '14
Northeast	24.42	22.93	1.07	1.78	36.94	37.35
Appalachian	25.38	24.28	-----	-----	69.51	72.88
Florida	27.24	26.18	-----	-----	84.39	84.99
Southeast	25.81	24.77	-----	-----	73.77	78.12
Upper Midwest	23.42	21.35	0.07	0.20	12.62	11.34
<b>Central</b>	<b>23.21</b>	<b>21.55</b>	<b>-0.14</b>	<b>0.40</b>	<b>34.73</b>	<b>32.80</b>
Mideast	23.37	21.90	0.02	0.75	38.68	42.83
Pacific Northwest	23.22	21.73	-0.13	0.58	36.52	25.12
Southwest	24.02	22.40	0.67	1.25	54.90	36.18
Arizona	23.84	22.46	-----	-----	25.89	28.96

**U.S. Dairy Export Value**

( Billion Dollars )



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