

MARCH 2015

Marketing Service

Bulletin

Facilitating the efficient marketing of milk and dairy products.



CENTRAL MARKETING AREA



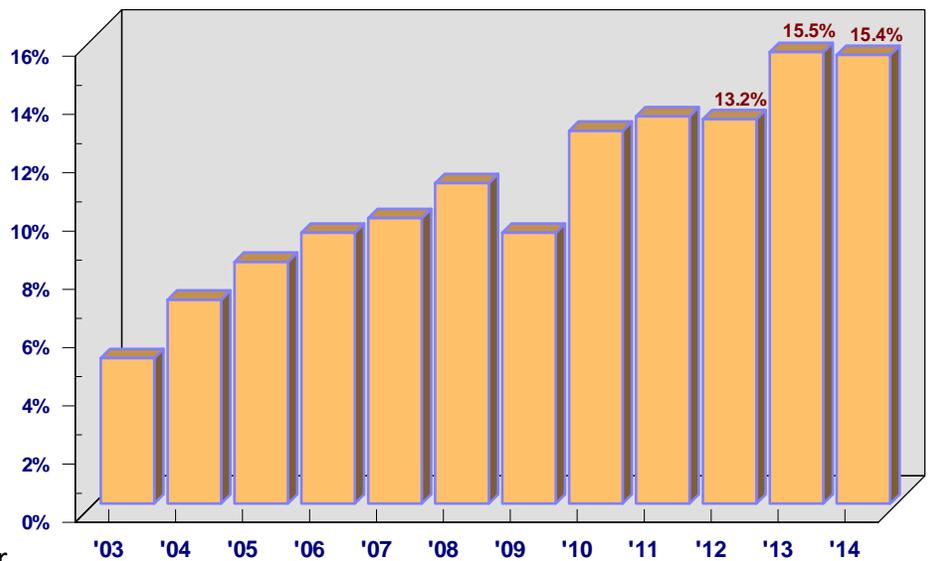
The international marketplace has become increasingly important to U.S. agriculture, as revealed by a cursory examination of foreign trade data. The dollar value of agricultural exports has increased in 11 of the last 12 years, and the U.S. has recorded a positive agricultural trade balance every year since 1960*. The monetary value of agriculture exports totalled \$150.5 billion last year, and 2014 was the fifth consecutive year with record high dollar export levels. The \$38.7 billion agricultural trade surplus recorded last year was the second largest on record, surpassed only by the previous year's \$40.2 billion surplus.

The importance and influence of international trade is a relatively recent phenomenon for the U.S. dairy industry. Prior to 2004, the percentage of total U.S. milk production represented by dairy product exports was small, 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

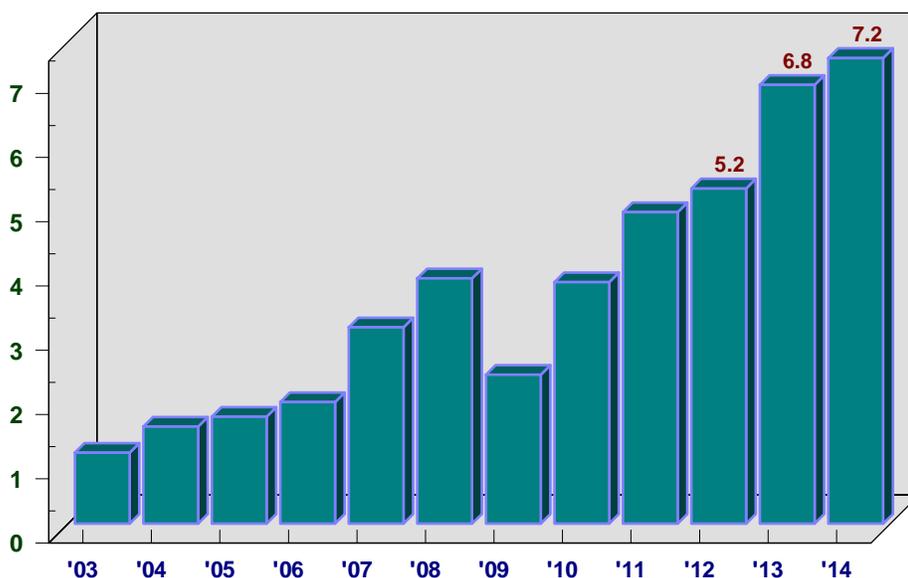
(Total Solids)

As a Percentage of Total Milk Solids Produced



U.S. Dairy Export Value

(Billion Dollars)



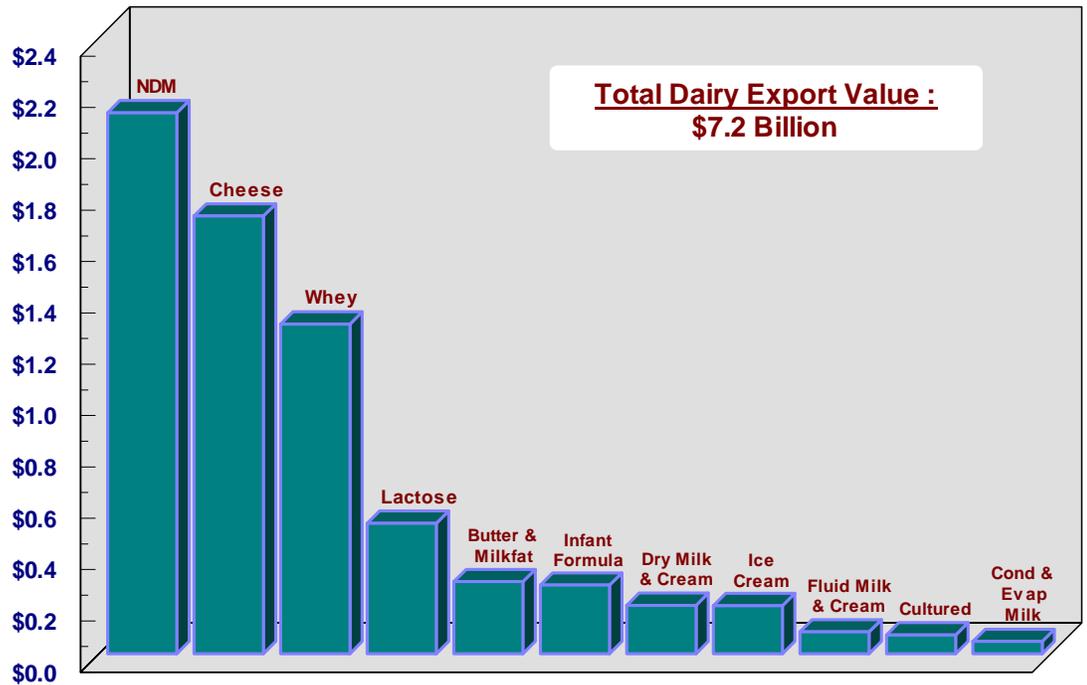
Exports have taken on an increasingly more important role for the U.S. dairy industry over the last decade, as indicated by the top graph on this page. Since 2005, export volume as a percentage of total solids produced has been above 8% each year, and has been greater than 11% in six of the last seven years. Dairy exports were equivalent to 15.4% of all U.S. milk solids produced in 2014, down slightly from the record high 15.5% recorded in 2013. Over the most recent five years, dairy exports have average approximately 14% of total production on a total solids basis.

* Data sources include the Economic Research Service (ERS) and the Foreign Agriculture Service (FAS) of USDA, along with the U.S. Dairy Export Council (USDEC).

Despite a significant slowdown during the second half of the year, 2014 U.S. dairy exports reached record levels in volume and monetary value. The monetary value of dairy exports was an all-time record amount for the fourth consecutive year in 2014, totaling more than \$7.2 billion -- an increase of more than 6.0% compared with the previous year. The 2014 total is over three times greater than the 2009 amount, 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 bottom graph on the first page depicts annual monetary values of all dairy export sales from 2003 through 2014. The dollar value of U.S. dairy exports posted a compound annual growth rate of approximately 21% during this time frame.

U.S. 2014 Export Value for Selected Dairy Products

(Billion Dollars)

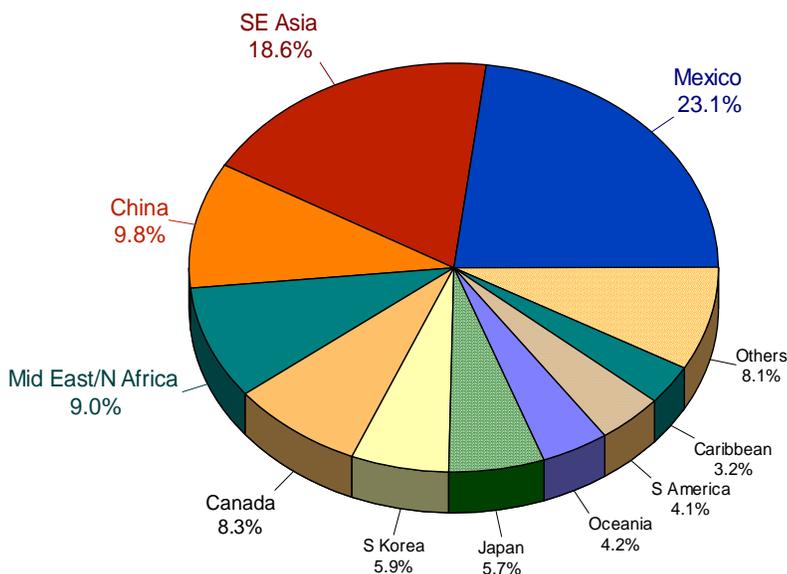


The top graph on this page depicts the 2014 monetary value for selected dairy product exports. Nonfat dry milk (NDM) exports ranked first with sales of \$2.107 billion, followed by cheese (\$1.705 billion) and whey (\$1.284 billion). Lactose (\$0.508 billion) was the only other product to record more than half a billion dollars in 2014 export sales. The monetary value of the butter and milkfat export category was the largest among the remaining products at \$0.281 billion.

The proportion of 2014 U.S. dairy export sales by country/region is depicted in the pie chart on this page. The number one destination for U.S. dairy products in 2014 was Mexico, with year-over-year purchases increasing by 15% to \$1.644 billion. Sales to Southeast Asia also topped the billion dollar mark for the second consecutive year, totaling \$1.322 billion, which was up 3% compared with 2013. China was the third largest export market with \$697 million in 2014 dairy product exports from the U.S., but this total was down 1% compared with the previous year. After increasing by 83% in 2013, sales to the Middle East/North Africa region declined by 18% in 2014, falling to \$643 million. Other major U.S. dairy customers included Canada (\$592 million), South Korea (\$417 million), Japan (\$407 million), Oceania (\$298 million), South America (\$292 million), and the Caribbean (\$225 million). South Korea and Japan were the fastest growing markets in 2014 with sales increasing by 39% and 34%, respectively.

U.S. Dairy Export Sales

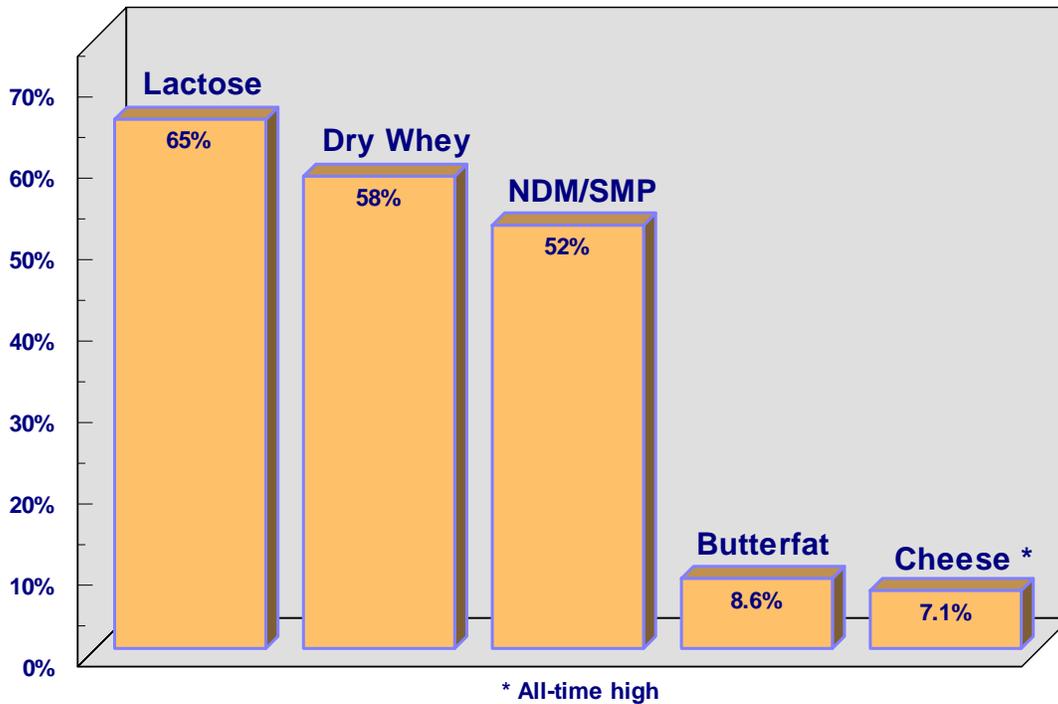
Percentage of 2014 Total Sales (Dollars)



After increasing by 83% in 2013, sales to the Middle East/North Africa region declined by 18% in 2014, falling to \$643 million. Other major U.S. dairy customers included Canada (\$592 million), South Korea (\$417 million), Japan (\$407 million), Oceania (\$298 million), South America (\$292 million), and the Caribbean (\$225 million). South Korea and Japan were the fastest growing markets in 2014 with sales increasing by 39% and 34%, respectively.

U.S. 2014 Export Volume for Selected Dairy Products

As a Percentage of Total Production



The top graph on this page details the proportion of total 2014 production represented by exports for several dairy products. Exports accounted for more than half of total production for three product categories - lactose, dry whey, and nonfat dry milk/skim milk powder (NDM/SMP). Lactose export volumes were nearly two-thirds of total production, while exports accounted for 58% of dry whey production, and 52% of the NDM/SMP total. Lactose and NDM/SMP exports as a proportion of total production were both down a few percentage points from 2013, while dry whey's proportion increased by two percentage points. Butterfat exports

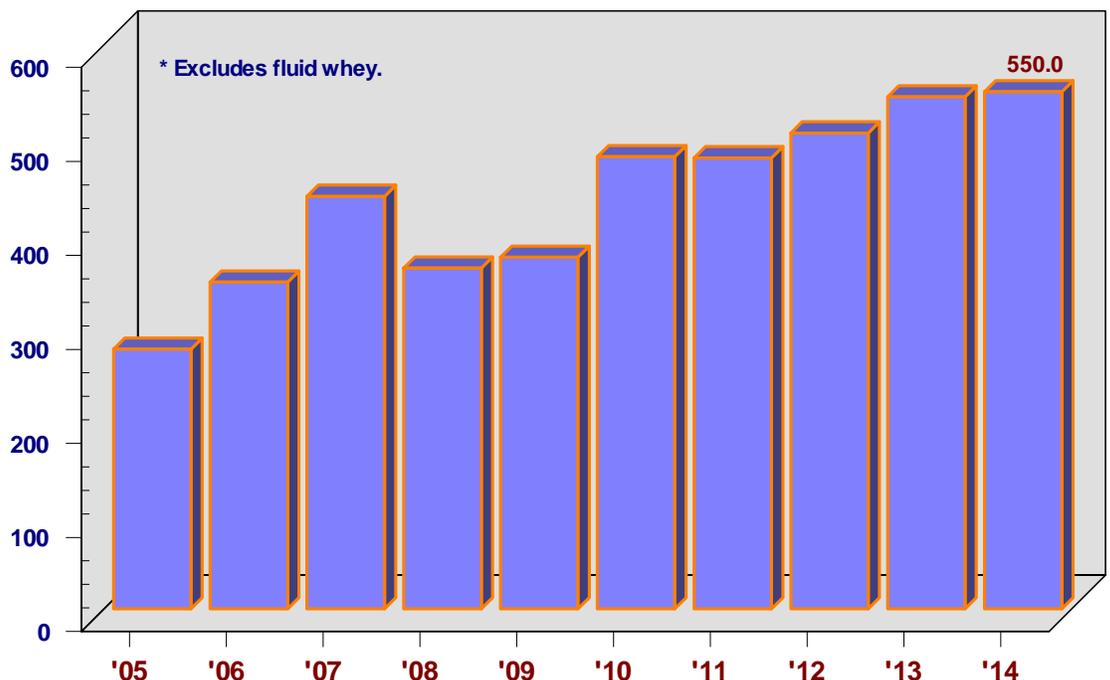
represented 8.6% of total 2014 production, which was down from 10.7% in 2013, but still more than 50% greater than the proportion recorded in 2012. Exports of cheese as a percentage of total production were up 0.8 percentage points in 2014 to 7.1%, which was the third consecutive record high for this product category.

The remaining graphs on pages 3 through 5 of this bulletin depict 2005 through 2014 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, along with the total for the most recent year.

Whey Export Volume*

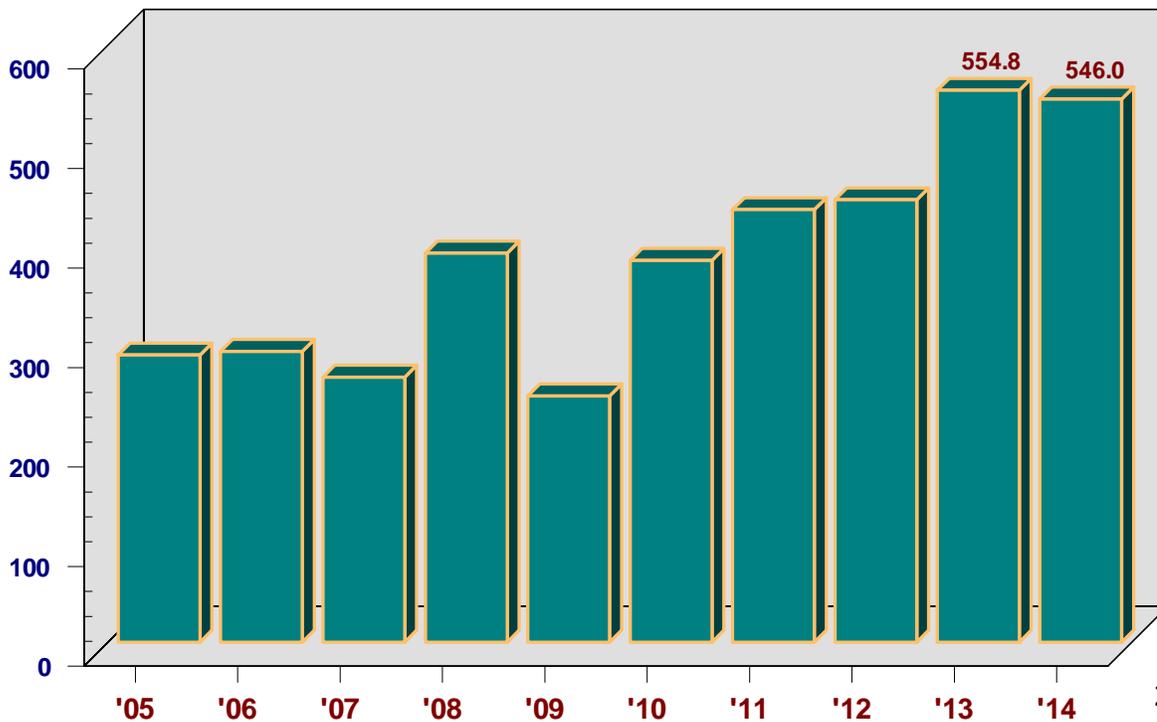
(Thousand Metric Tons)

Whey exports, which have nearly doubled in volume since 2005, are depicted in the bottom graph on this page. Exports of dry whey have surpassed 475 thousand metric tons during each of the last five years, and the 2014 volume of 550.0 thousand metric tons is the highest total on record for the third consecutive year. Whey exports ranked first among all dairy products by volume during 2014, and were third in term of monetary value.



Nonfat Dry Milk Export Volume

(Thousand Metric Tons)



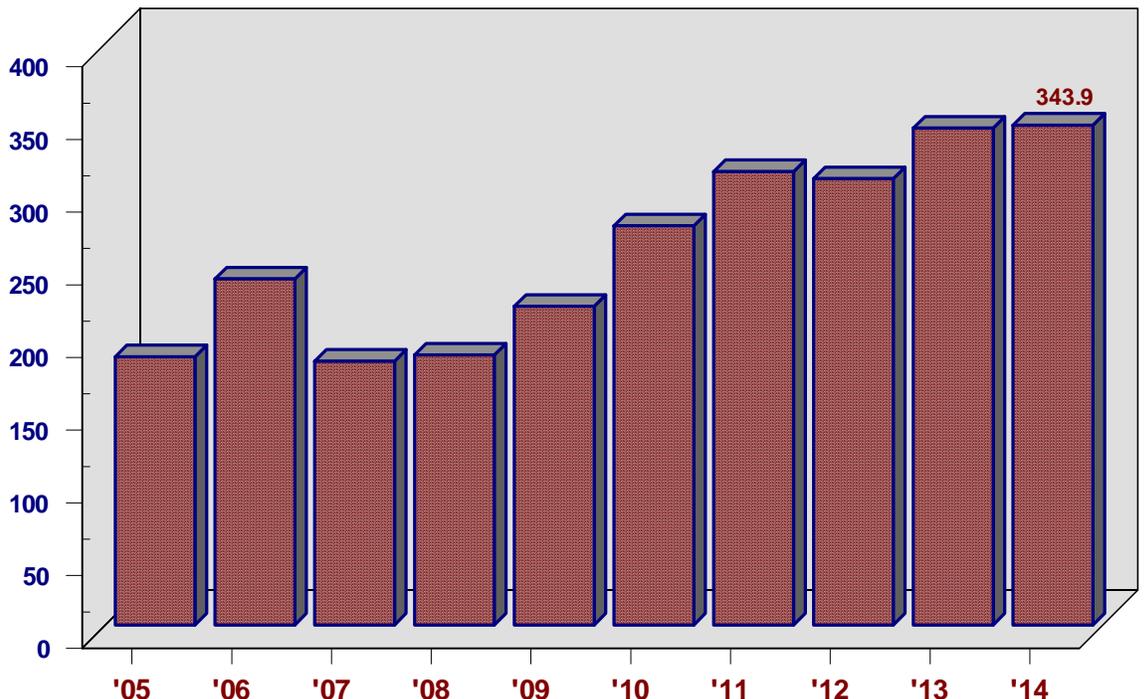
Nonfat Dry Milk exports, represented by the top graph on this page, totaled 546.0 thousand metric tons during 2014, down slightly from the previous year. This volume was the second largest recorded during this time period, and represents an increase of nearly 90 percent compared with 2005. Based on the volume of product exported, nonfat dry milk came in a very close second to whey in 2014 after posting the largest amount exported

during 2013. Nonfat dry milk has been first among all dairy products in terms of the monetary value of exported product for numerous years, with a 2014 total of \$2.107 billion.

Lactose export volumes for the last ten years are displayed in the bottom graph on this page. During 2014, lactose exports ranked fourth in volume among all dairy products with 343.9 thousand metric tons, and were also fourth in terms of dollar value, with sales of \$0.508 billion. Exports accounted for 65% of the total amount of lactose produced in the U.S. in 2014, but this proportion was down from 72% in 2013. Nonetheless, the volume of lactose exports represents the peak level during the period of time depicted by this graph. Lactose exports in 2014 were more than 85% greater than the amount recorded in 2005 and, with the exception of 2012, have increased in volume each year since 2007.

Lactose Export Volume

(Thousand Metric Tons)



Cheese exports have risen dramatically during the last ten years, increasing from less than 58 thousand metric tons in 2005 to 368.7 thousand in 2014. This change represents an increase of over 535%, and year-over-year export volumes during this period registered increases every year except 2009. Since 2009, cheese exports have more than tripled in volume, increasing by 240%. Cheese export volume data is depicted in the top graph on this page.

Although cheese exports ranked third in volume during 2014, it was the second highest dairy product

export category in terms of monetary value with sales of \$1.705 billion, an increase of over 25% compared with 2013. Export volumes accounted for 7.1% of all U.S. cheese production in 2014, which was the largest proportion ever recorded for this product, and the third consecutive year with a record high proportion of the production total.

The bottom graph on this page depicts the combined export sales volume over the last ten years for a selected

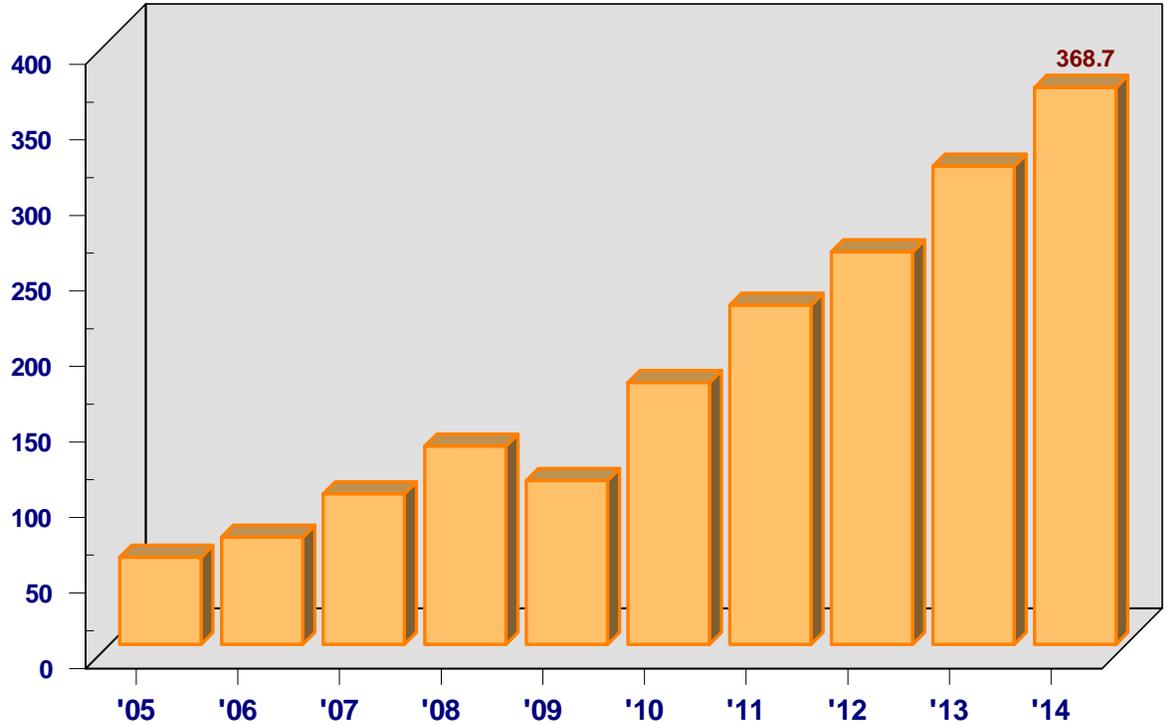
group of dairy products.

The products included in this grouping are detailed within the graph, as are the 2014 proportions of the total for each product.

Overall, the export volumes for these combined products have increased substantially during the time period depicted, increasing by approximately 174%. Export volumes declined in 2014, however, falling by 6.7% compared with the previous year.

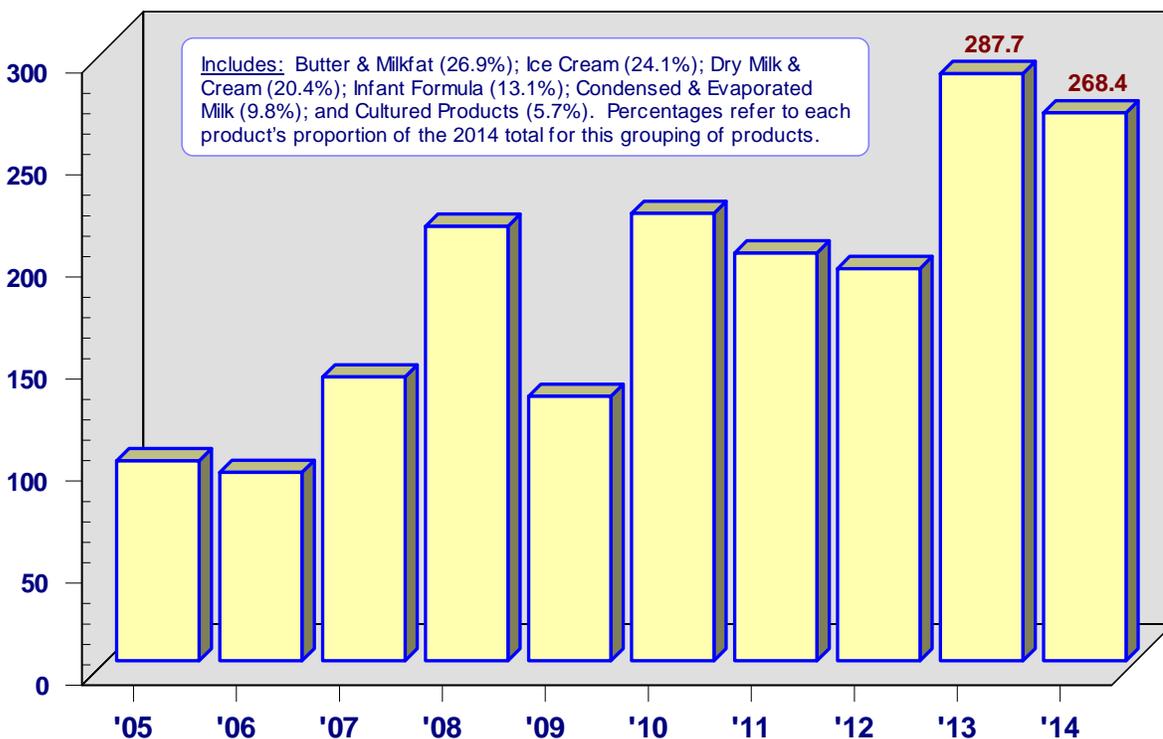
Cheese Export Volume

(Thousand Metric Tons)



Selected Other Products* Export Volume

(Thousand Metric Tons)





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Agriculture**

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	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	<u>Feb '15</u>	<u>Jan '15</u>	<u>Feb '15</u>	<u>Jan '15</u>	<u>Feb '15</u>	<u>Jan '15</u>
Northeast	16.66	17.57	1.20	1.39	34.76	35.89
Appalachian	18.55	19.60	-----	-----	71.36	71.39
Florida	20.84	22.21	-----	-----	84.80	86.19
Southeast	19.24	20.39	-----	-----	76.94	77.12
Upper Midwest	15.64	16.39	0.18	0.21	9.65	10.20
Central	15.78	16.54	0.32	0.36	30.06	30.53
Mideast	15.77	16.67	0.31	0.49	31.43	33.11
Pacific Northwest	15.42	15.84	-0.04	-0.34	33.42	30.28
Southwest	16.64	17.48	1.18	1.30	28.96	30.05
Arizona	15.56	16.04	-----	-----	26.44	26.98

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