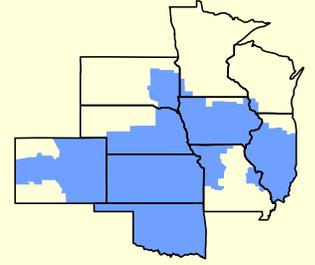


APRIL 2016

Marketing Service

# Bulletin

Facilitating the efficient marketing of milk and dairy products.



CENTRAL MARKETING AREA



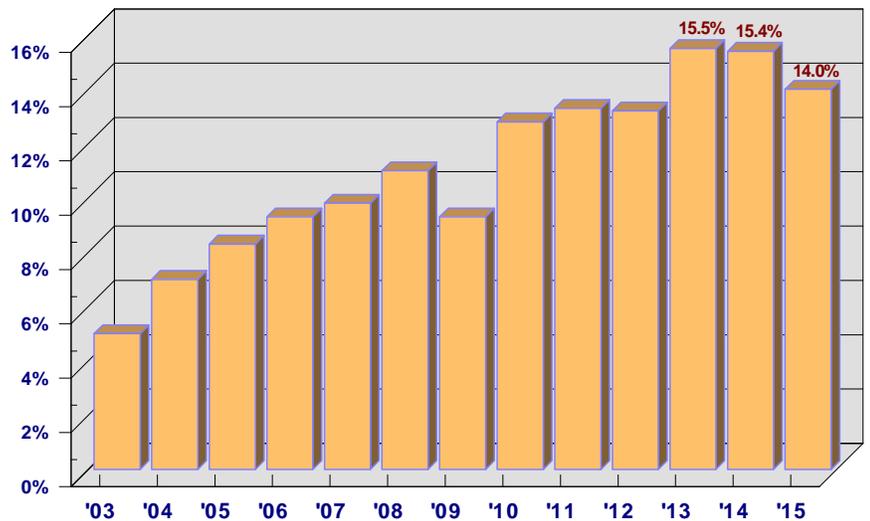
The international marketplace has become increasingly important to U.S. agriculture, as revealed by a cursory examination of foreign trade data. The dollar value of agricultural exports increased in 11 of the last 13 years, and the U.S. has recorded a positive agricultural trade balance every year since 1960 \*. After five consecutive years with record high dollar export levels, the monetary value of agriculture exports decreased by 11.3% last year, falling to \$133.0 billion. Even with this decline, the 2015 monetary value of agricultural exports was greater than every year prior to 2011, and U.S. agriculture posted a trade surplus of \$19.5 billion.

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, and the U.S. was often a net importer in terms of monetary value.

## U.S. Dairy Export Volume

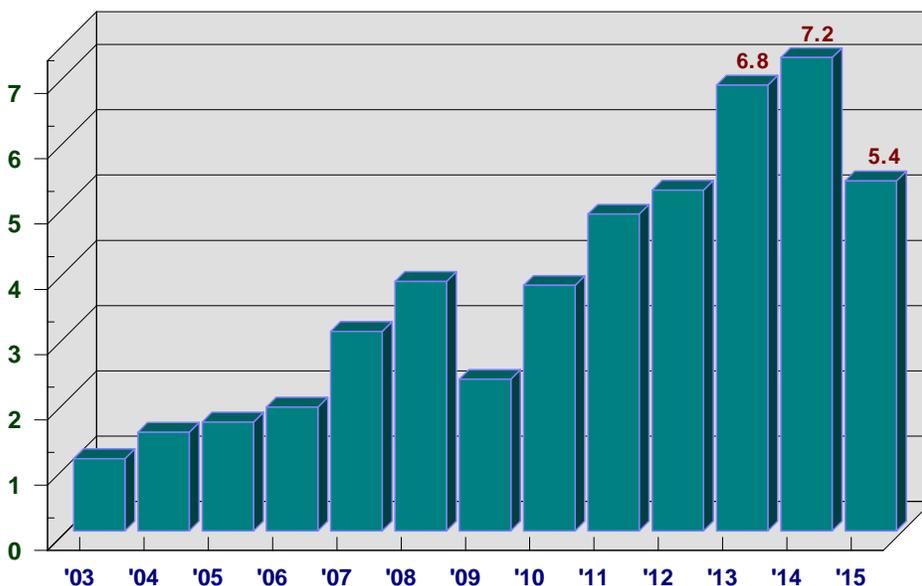
( Total Solids )

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 in recent years, as indicated by the top graph on this page. Since 2005, export volume as a percentage of total solids produced has been above 8.0% each year, and has been greater than 11.0% in seven of the last eight years. Dairy exports were equivalent to 14.0% of all U.S. milk solids produced in 2015, down by 1.5 percentage points from the record high 15.5% recorded in 2013. Over the most recent five years, dairy exports have averaged approximately 14.3% of total production on a total solids basis.

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

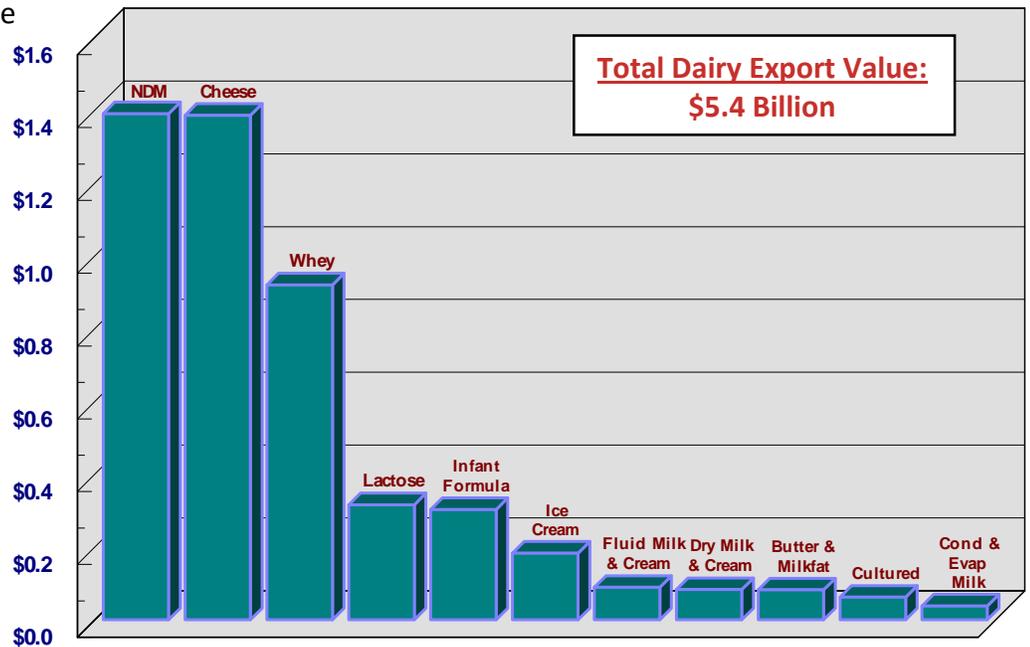
U.S. dairy export sales declined in 2015, ending a streak of five consecutive years of expansion. The drop-off in export value was attributable to the weakest global dairy market in more than a decade combined with a strong U.S. dollar. After reaching an all-time high \$7.2 billion in 2014, the monetary value of dairy exports decreased by 26% last year, falling to \$5.4 billion.

Despite this decline, the 2015 value of dairy exports was still the third highest on record. The 2015 total was more than 42% greater than that of five years ago (2010), and was more than double the 2009 amount. In addition, 2015 dairy exports were approximately five times greater than the value during 2000 - 2003 when they totaled a little over \$1 billion per year. The bottom graph on page one depicts annual monetary values of all dairy export sales from 2003 through 2015.

The top graph on this page depicts 2015 export values for selected dairy products. Nonfat dry milk (NDM) exports ranked first with sales of \$1.390 billion, followed closely by cheese at \$1.386 billion. Whey (\$0.920 billion), lactose (\$0.316 billion), infant formula (\$0.303 billion), and ice cream (\$0.183 billion) were the next largest sales categories. All product categories decreased comparing 2015 to 2014, with the exception of infant formula (+13.4%) and fluid milk and cream (+5.5%). NDM sales decreased the most in absolute terms, falling by \$0.717 billion (-34.0%), while the butter and milkfat sales category registered the greatest percentage decline, dropping by 70.7% (\$-0.199 billion).

## U.S. 2015 Export Value for Selected Dairy Products

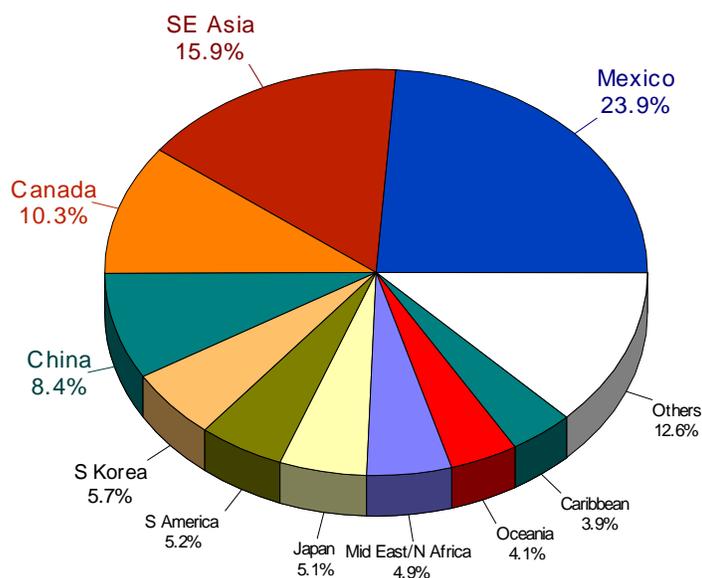
( Billion Dollars )



The pie chart on this page depicts the proportion of 2015 U.S. dairy export sales by country/region. The number one destination for U.S. dairy products in 2015 was Mexico with sales totaling \$1.282 billion; however,

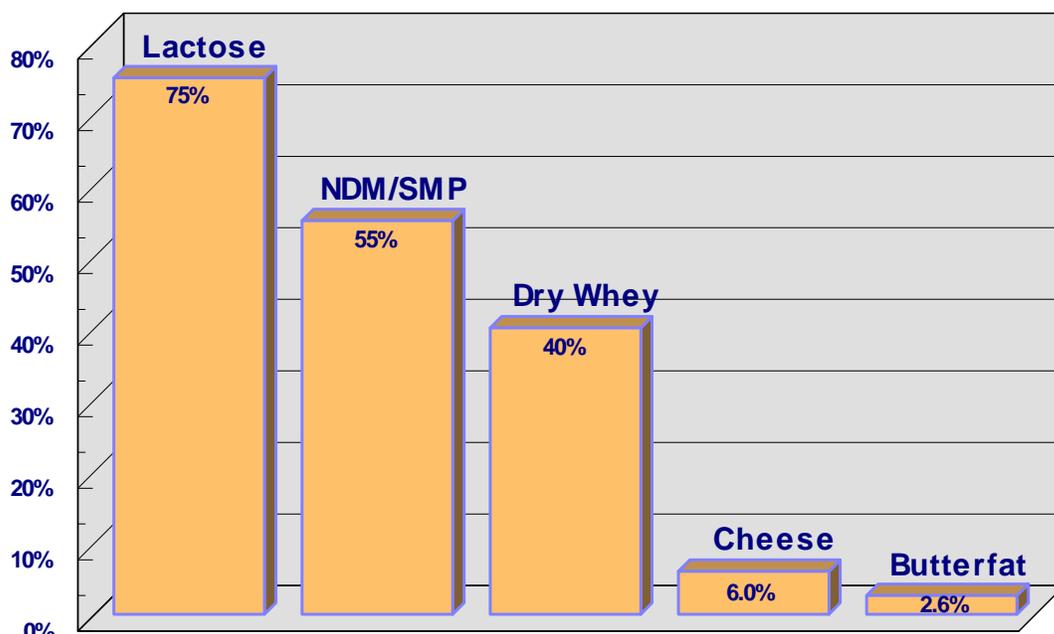
## U.S. Dairy Export Sales

Percentage of 2015 Total Sales (Dollars)



this was down by 22% compared with the previous year. Southeast Asia was the number two destination, with \$853.4 million in dairy product sales, down 35% compared with 2014. Canada, which was the number five dairy export destination during 2014, ranked third in 2015 with sales of \$554.2 million. Despite this rise in rank, 2015 sales to Canada were 6% less than the previous year. China ranked fourth in 2015, but sales declined 35% compared with 2014, falling to \$450.4 million. Other major U.S. dairy product customers during 2015 included South Korea with \$305.6 million (-27%), South America with \$280.9 million (-4%), Japan with \$272.3 million (-33%), Middle East/North Africa with \$264.8 (-59%), Oceania with \$217.3 million (-27%), and the Caribbean with \$211.7 million (-5%). Sales to all other markets comprised approximately 12.6% of U.S. dairy exports during 2015, up from 8.1% in 2014. In monetary terms sales to all other markets increased approximately 15%.

## U.S. 2015 Export Volume for Selected Dairy Products As a Percentage of Total Production



The top graph on this page details the proportion of total 2015 production represented by exports for several dairy products. Exports accounted for more than half of total production for two product categories – lactose and nonfat dry milk/skim milk powder (NDM/SMP). Lactose export volumes were approximately three-fourths of total production, while exports accounted for 55% of the NDM/SMP total. While the proportion of total production that was exported for these two products was higher comparing 2015 with 2014,

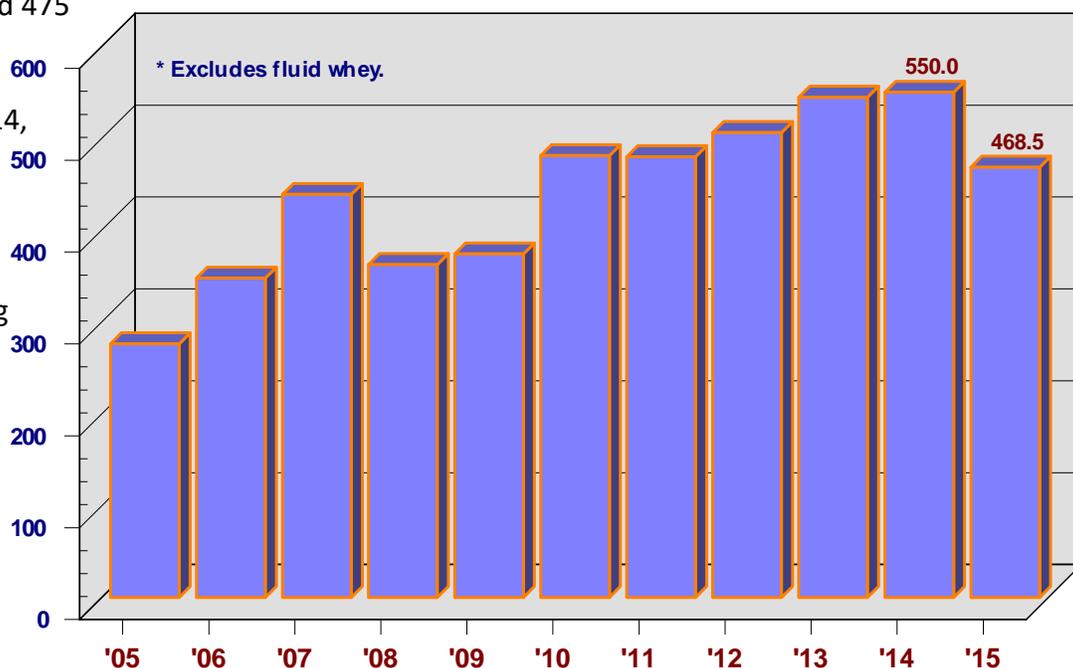
the proportions for the remaining three products depicted in this graph all decreased. Approximately 40% of dry whey production was exported during 2015, which was down substantially from 58% in 2014. Exports of cheese as a proportion of total production were down 1.1 percentage points in 2015 to 6.0%, following the all-time record high posted for 2014. Butterfat exports were just 2.6% of total 2015 production, which was down substantially from 8.6% in 2014, and 10.7% in 2013.

The remaining graphs on pages 3 through 5 of this bulletin depict 2005 through 2015 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** exports, which nearly doubled in volume between 2005 and 2014, are depicted in the bottom graph on this page. Annual exports of dry whey surpassed 475 thousand metric tons during the 5-year time frame from 2010 through 2014, and the 2014 volume of 550.0 thousand metric tons was the highest total on record. Exports declined by nearly 15% during 2015, however, falling to 468.5 thousand metric tons. Whey exports ranked second among all dairy products by volume during 2015, and were third in terms of monetary value.

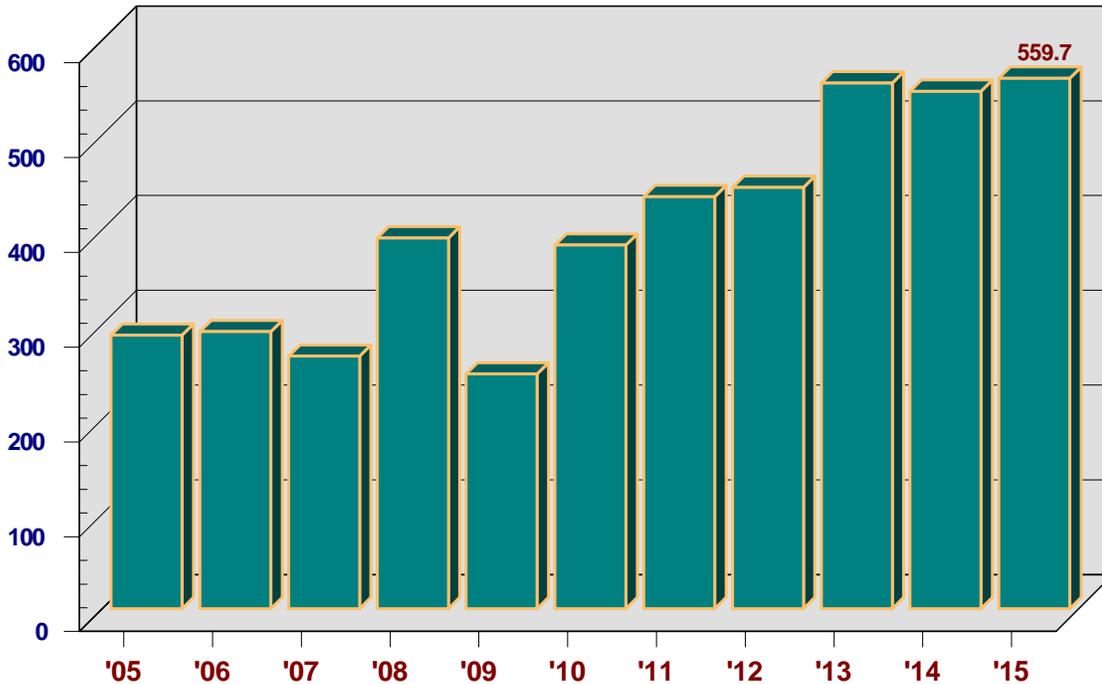
## Whey Export Volume\*

( Thousand Metric Tons )



# Nonfat Dry Milk Export Volume

( Thousand Metric Tons )



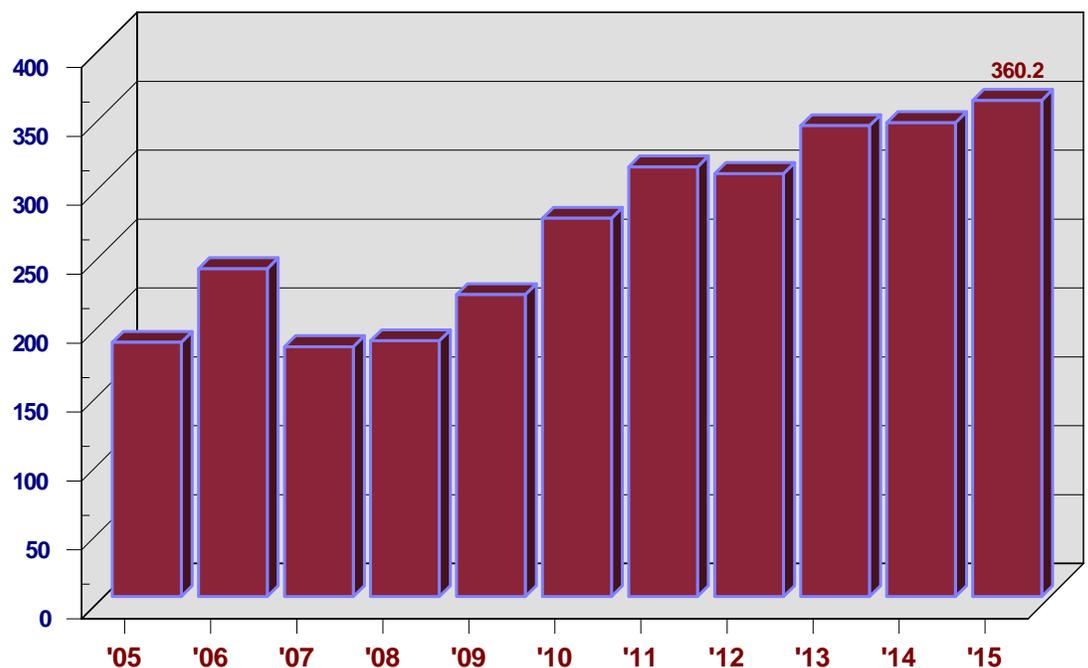
**Nonfat Dry Milk** exports, represented by the top graph on this page, posted an all-time high in 2015 with 559.7 thousand metric tons sold. This volume was 2.5% greater than the previous year, and surpassed the previous high posted in 2013 by 4.9 thousand metric tons (+0.9%). The volume exported in 2015 was more than double (+112.2%) the amount recorded during 2009 when 263.8 thousand metric tons were exported. Nonfat dry milk export volumes were the

largest among all dairy products in 2015 and 2013, while finishing a close second in 2014. In terms of the monetary value, nonfat dry milk has been first among all dairy products exported for numerous years, with a 2015 total of \$1.390 billion.

**Lactose** export volumes for the last 11 years are displayed in the bottom graph on this page. During 2015, lactose exports ranked third in volume among all dairy products with 360.2 thousand metric tons, and ranked fourth in terms of monetary value, with sales of \$316.2 million. Exports accounted for approximately 75% of the total amount of

# Lactose Export Volume

( Thousand Metric Tons )

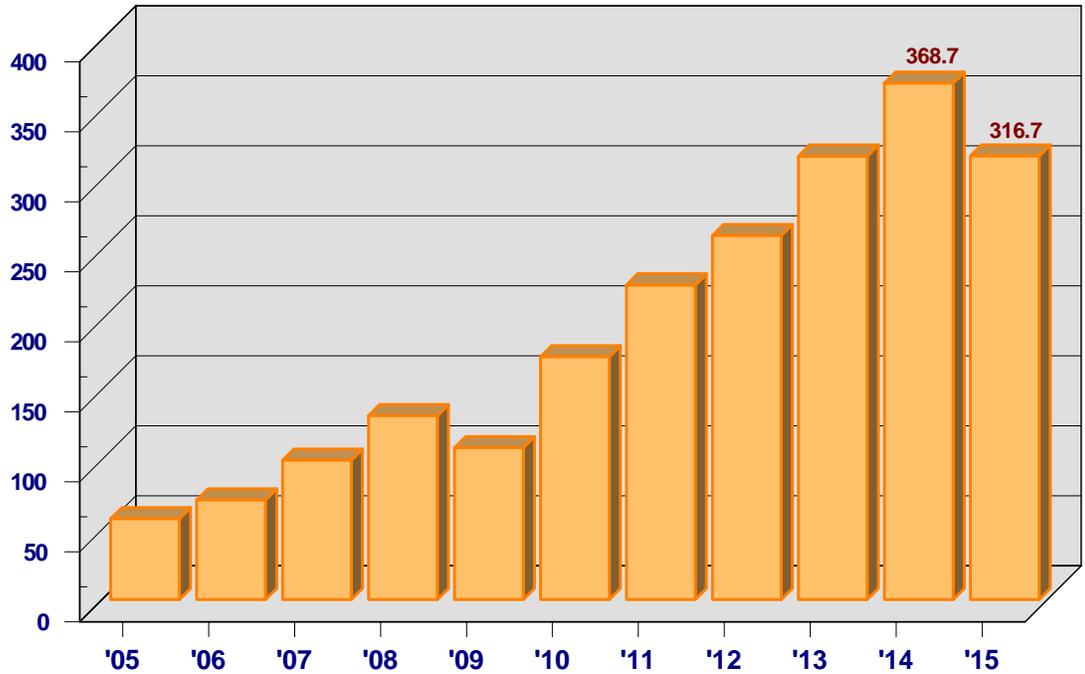


lactose produced in the U.S. in 2015, up from 65% the previous year and 72% in 2013. The volume of lactose exports represents the peak level during the period of time depicted by this graph. Lactose exports in 2015 were nearly double (+95.2%) the amount recorded in 2005 and, with the exception of 2012, have increased in volume each year since 2007.

**Cheese** exports have risen dramatically during the past few years, increasing from less than 58 thousand metric tons in 2005 to an all-time high of 368.7 thousand in 2014. The change over that time span represents an increase of over 535%, and year-over-year export volumes during this period registered increases every year except 2009. However, 2015 sales decreased by around 14% to 316.7 thousand metric tons. The drop in cheese sales last year was the first decline since 2009, and only the second year-over-year decrease since 2005. Even with the drop-off in 2015 sales, cheese exports nearly tripled in volume compared with 2009, increasing by 192%. Annual cheese export volume data from 2005 through 2015 is depicted in the top graph on this page.

## Cheese Export Volume

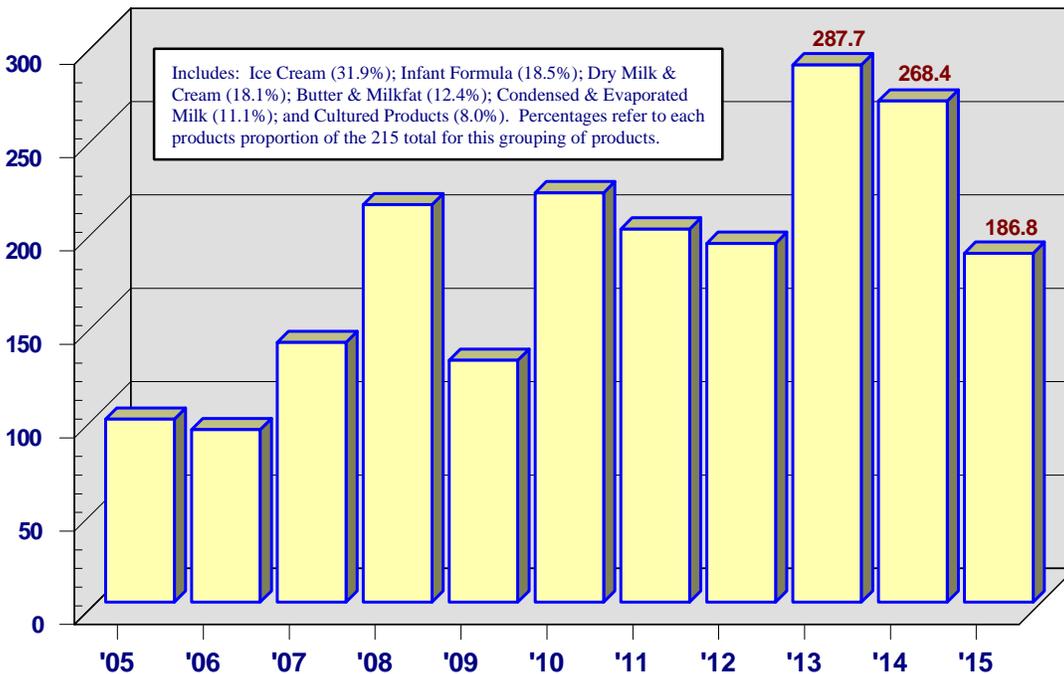
( Thousand Metric Tons )



Although, cheese exports ranked fourth in volume during 2015, they ranked second in terms of monetary value with sales of \$1.386 billion. This was down by over 18% compared with 2014's record dollar value, and is the second highest ever recorded. Export volumes accounted for 6.0% of all U.S. cheese production in 2015, which was down from 2014 when exports accounted for a record 7.1 % of total production.

## Selected Other Products\* Export Volume

( Thousand Metric Tons )



The bottom graph on this page depicts the combined annual export sales volume since 2005 for a selected group of dairy products. The products included in this grouping are detailed within the graph, as are the 2015 proportions of the total for each product.

Overall, the export volumes for these combined products increased substantially prior to last year. However, the combined sales volume for these categories decreased by over 35% comparing 2015 with the 2013 peak.



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	Statistical Uniform Price		Producer Price Differential		Class I Utilization	
	<u>Mar '16</u>	<u>Feb '16</u>	<u>Mar '16</u>	<u>Feb '16</u>	<u>Mar '16</u>	<u>Feb '16</u>
Northeast	14.81	15.29	1.07	1.49	33.05	33.95
Appalachian	15.87	16.41	-----	-----	67.23	69.80
Florida	18.06	18.43	-----	-----	84.37	83.37
Southeast	16.22	16.88	-----	-----	65.61	73.25
UpperMidwest	13.84	13.99	0.10	0.19	9.44	9.16
<b>Central</b>	<b>13.87</b>	<b>14.21</b>	<b>0.13</b>	<b>0.41</b>	<b>31.07</b>	<b>30.03</b>
Mideast	13.97	14.37	0.23	0.57	30.76	32.35
Pacific Northwest	13.67	14.08	-0.07	0.28	28.00	22.27
Southwest	14.72	15.02	0.98	1.22	28.93	29.46
Arizona	13.84	14.30	-----	-----	24.27	24.04

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