

OVERVIEW

The U.S. average all-milk price stayed constant from June to July, even as futures markets and USDA estimates indicate rising prices in upcoming months. Still, the cost of dairy feed, as calculated by the Dairy Margin Coverage feed cost formula, dropped by \$0.66/cwt during the month, boosting the July margin to \$12.33/cwt. That's the fourth highest monthly margin since margin protection became the basic dairy safety net program in January 2015.

Total U.S. fluid milk consumption was higher than a year earlier during over half of the past 10 months, through July. Yogurt, butter and total cheese, especially other than American types, saw positive growth in use during May-July. July U.S. dairy exports were up substantially over their average levels during the first half of this year, at 17.4% of total U.S. milk solids production compared to an average of 16.4% during the first half. July marked the 13th consecutive month with lower milk production than a year earlier, during which period milk production averaged -0.8% below a year ago, while milk solids production averaged -0.2% below a year ago.

COMMERCIAL USE OF DAIRY PRODUCTS

Over the 10 months beginning in October 2023, monthly total U.S. fluid milk consumption compared with the same month one year earlier rose more often than it didn't, a strong contrast with historical norms. In 57 months since the beginning of 2019, a positive monthly rise has happened less than one-sixth of the time. This recent strong demand raises the possibility that fluid milk

consumption may rise overall for 2024, as up months outstrip down ones, bucking a five-decade trend that was only briefly interrupted by oddities related to the COVID-19 pandemic. Meanwhile, domestic use of yogurt, butter and total cheese, especially other than American types, showed positive growth during May-July.

DOMESTIC COMMERCIAL USE	MAY-JUL 2024	MAY-JUL 2023	2023-2024 CHANGE	PERCENT CHANGE
	(million pounds)			
Total Fluid Milk Products	10,173	10,120	53	0.5%
Yogurt	1,203	1,162	41	3.5%
Butter	563	530	32	6.1%
American-type Cheese	1,406	1,436	-30	-2.1%
All Other Cheese	1,988	1,930	58	3.0%
Total Cheese	3,394	3,366	28	0.8%
Dry Skim Milk	164	243	-78	-32.3%



DOMESTIC COMMERCIAL USE	MAY-JUL 2024	MAY-JUL 2023	2023-2024 CHANGE	PERCENT CHANGE
(million pounds)				
All Products (milk equiv., milkfat basis)	55,769	55,861	-92	-0.2%
All Products (milk equiv., skim solids basis)	46,132	46,677	-545	-1.2%
All Products (milk equiv., total solids basis)	49,155	49,520	-365	-0.7%

U.S. DAIRY TRADE

U.S. dairy exports increased in July over average levels during the first half of the year, reaching 17.4% of total U.S. milk solids production that month compared to a first half average of 16.4%. The July bump was largest for nonfat dry milk/skim milk powder, which more than offset declines in cheese, whole milk powder and dry whey. There were also

sizeable increases in anhydrous milkfat and modified whey exports in July.

Higher domestic dairy product prices compared with a year ago are continuing to draw increased imports into the U.S., particularly for butter and cheese.

U.S. DAIRY EXPORTS	MAY-JUL 2024	MAY-JUL 2023	2023-2024 CHANGE	PERCENT CHANGE
(metric tons)				
Butter	8,098	7,526	572	8%
Anhydrous Milk Fat/Butteroil	4,461	2,103	2,358	112%
American-type Cheese	16,514	16,907	-393	-2%
Cheddar Cheese	16,381	16,720	-338	-2%
All Other Cheese	110,625	88,757	21,868	25%
Total Cheese	127,139	105,664	21,475	20%
Dry Skim Milk	193,871	214,102	-20,232	-9%
Whole Milk Powder	6,758	8,004	-1,246	-16%
Dry Whey	43,218	39,777	3,442	9%
Whey Protein Concentrate/Isolate	62,081	54,837	7,243	13%
Lactose	108,672	121,556	-12,884	-11%
Percent of U.S. Milk Solids Exported	16.8%	16.7%	0.1%	1%



U.S. DAIRY IMPORTS	MAY-JUL 2024	MAY-JUL 2023	2023-2024 CHANGE	PERCENT CHANGE
	(metric tons)			
Butter	17,353	11,658	5,696	49%
Cheese	51,427	45,526	5,902	13%
Dry Skim Milk	264	256	8	3%
MPC (all protein levels)	14,437	15,519	-1,082	-7%
Casein	14,110	10,013	4,097	41%
Percent of U.S. Milk Solids Imported	3.8%	3.1%	0.6%	20%

MILK PRODUCTION

July has increased the number of consecutive months with lower milk production than a year earlier to thirteen. Milk production has averaged -0.8% below a year ago during that period. Sixteen states, representing 44% of the milk produced during the first 12 of those months (production is reported only quarterly for about half the states), increased

milk production during the period, by a weighted-average of 1.4%. The remain 34 states lost an average of 2.3% of their milk production. During the same 13-month period, production of total milk solids averaged -0.2% below a year earlier, while milkfat production rose by 1.4%.

MILK PRODUCTION	MAY-JUL 2024	MAY-JUL 2023	2023-2024 CHANGE	PERCENT CHANGE
Milk Production				
Cows (1,000 head)	9,326	9,394	-68	-0.7%
Per Cow (pounds)	6,133	6,151	-18	-0.3%
Total Milk (million pounds)	57,197	57,785	-588	-1.0%
Total Milk Solids (million pounds)	7,497	7,503	-6	-0.1%
Total Skim Milk Solids (million pounds)	5,144	5,180	-36	-0.7%
Total Milkfat (million pounds)	2,353	2,323	30	1.3%
Milk Solids Composition of Milk (percent)	13.1%	13.0%	0.1%	1.0%
Skim Solids Composition of Milk (percent)	9.0%	9.0%	0.0%	0.3%
Milkfat Composition of Milk (percent)	4.1%	4.0%	0.1%	2.3%

DAIRY PRODUCTS

Divergences are widening between change rates for the main versus other varieties of cheese within the broader categories of both American-type and Italian-type cheeses. Production of cheddar during May-July, representing 67% of all American-type cheese, was down by 8.4% from a year earlier, while production of all other American-type

varieties rose by 5.8%. Mozzarella production was 80% of all Italian-type cheese during the period and rose by 4.2% over a year earlier, while the remaining Italian types dropped by 5.1%. Production was down from a year earlier for all the major types of dry skim milk and whey products.



DAIRY PRODUCTS PRODUCTION	MAY-JUL 2024	MAY-JUL 2023	2023-2024 CHANGE	PERCENT CHANGE
Cheese	(million pounds)			
American Types	1,419	1,480	-62	-4.2%
Cheddar	954	1,041	-87	-8.4%
Italian Types	1,486	1,454	32	2.2%
Mozzarella	1,194	1,146	48	4.2%
All Other Types	656	617	39	6.3%
Total Cheese	3,561	3,552	9	0.3%
Butter	534	519	15	2.9%
Dry Milk Products				
Nonfat Dry Milk	418	513	-95	-18.4%
Skim Milk Powder	165	169	-4	-2.4%
Dry Whey	217	259	-42	-16.2%
Whey Protein Concentrate	123	130	-7	-5.6%

DAIRY PRODUCT INVENTORIES

July-ending inventories of butter accelerated their decline from their May peak this year of 380 million pounds. Prior to 2010, June tended to be the maximum for the highly seasonal butter inventories: that was the case for 7 out of the first 10 years of the 2000s. Since then, it's been May, the

peak inventory month for 10 out of 15 of the years beginning with 2010. For the major dry skim ingredient products listed, July-ending inventories were either steady or down slightly from June and were mostly lower than July 2023.

DAIRY PRODUCT INVENTORIES	JUL 2024	JUN 2024	JUL 2023	2023-2024 CHANGE
	(million pounds)			
Butter	354	377	329	7%
American Cheese	794	801	842	-6%
Other Cheese	613	616	651	-6%
Dry Skim Milk	282	282	276	2%
Dry Whey	64	68	87	-27%
Whey Protein Concentrate	53	53	85	-37%

DAIRY PRODUCT AND FEDERAL ORDER CLASS PRICES

The announced monthly averages of the NDPSR survey prices all moved up from a month earlier in August, except for a very slight easing of the butter price. The Federal

Order Class prices all rose in corresponding fashion.

The consumer price indices (CPIs) for all items, also known as the general rate of inflation, as well as the aggregate



CPIs for food and beverages and for food separately, all reached their highest levels in August, as they generally do each new month. As measures of the average prices of a very large number of items, price changes of those individual items typically balance out at higher levels each month. By contrast, monthly price changes for individual products and for smaller aggregate measures, such as all dairy products, can move their CPIs up or down on any

given month.

For the broader aggregate measures, the interest lies with the rate at which they are increasing rather than whether they recede. The CPI for all items, for example, increased by 2.5 % in August from its level a year ago, and the CPI for all food and beverages did so by 2%, while the all-dairy CPI was up by only 0.4% that month.

DAIRY PRODUCT AND FEDERAL ORDER PRICES	AUG 2024	JUL 2024	AUG 2023	2023-2024 CHANGE
NDPSR Dairy Product Prices (per pound)				
Butter	\$3.114	\$3.121	\$2.667	\$0.447
Cheddar Cheese	\$2.040	\$1.972	\$1.835	\$0.205
40-Pound Blocks	\$1.981	\$1.946	\$1.863	\$0.119
500-Pound Barrels	\$2.057	\$1.964	\$1.776	\$0.281
Nonfat Dry Milk	\$1.227	\$1.193	\$1.137	\$0.089
Dry Whey	\$0.486	\$0.449	\$0.262	\$0.224
Federal Order Class Prices for Milk (per hundredweight)				
Class I Base	\$21.32	\$21.11	\$16.62	\$4.70
Class II	\$22.05	\$21.82	\$19.91	\$2.14
Class III	\$20.66	\$19.79	\$17.19	\$3.47
Class IV	\$21.58	\$21.31	\$18.91	\$2.67
Retail Dairy Product Prices				
Fluid Whole Milk (per gallon)	\$4.044	\$3.983	\$3.927	\$0.117
Lowfat Fluid Milk (per gallon)	\$3.765	\$3.748	\$3.596	\$0.169
Cheddar Cheese (per pound)	\$5.763	\$5.599	\$5.897	-\$0.134
Butter (per pound)	\$4.796	\$4.897	\$4.411	\$0.385

MILK AND FEED PRICES

The July DMC program margin rose by \$0.66/cwt from a month earlier to \$12.33/cwt. The increase was due entirely to drop of that amount in the DMC feed cost formula, because the July all-milk price was unchanged from a month earlier, at \$22.80/cwt. On a milk equivalent basis, the July corn and premium alfalfa prices each dropped by \$0.26/cwt

for the month, while the soybean meal price was \$0.15/cwt lower. The July DMC margin was the fourth highest monthly margin in the 67 months since the program began in January 2019 and also the fourth highest in the 115 months since the inauguration of margin protection as the basic dairy safety net program in January 2015.



MILK AND FEED PRICES	JUL 2024	JUN 2024	JUL 2023	2023-2024 CHANGE
Producer Prices				
All Milk (per cwt.)	\$22.80	\$22.80	\$17.40	\$5.40
Feed Prices				
Corn (per bushel)	\$4.24	\$4.48	\$6.22	-\$1.98
Soybean Meal (per ton)	\$364	\$384	\$443	-\$79
Premium Alfalfa Hay (per ton)	\$237	\$256	\$288	-\$51
Feed Prices (per cwt of milk)				
Corn	\$4.55	\$4.81	\$6.67	-\$2.12
Soybean Meal	\$2.68	\$2.82	\$3.26	-\$0.58
Premium Alfalfa Hay	\$3.25	\$3.51	\$3.95	-\$0.70
DMC Feed Cost* (per cwt.)	\$10.47	\$11.14	\$13.88	-\$3.40
DMC Margin* (per cwt.)	\$12.33	\$11.66	\$3.52	\$8.80

*DMC calculations are not revised

LOOKING AHEAD

In the 16 months since USDA began providing monthly forecasts of 2024 U.S. milk production in its World Agricultural Supply and Demand Estimates (WASDE) reports, it has lowered those forecasts in 12 of those months, held them steady in 3, and raised them only once. In its September WASDE report, the department is projecting 2024 production at 225.9 billion pounds, more than 5 billion pounds less than it projected initially. This would also be 0.2% less than 2023 production as well as 0.1% less than production in both 2021 and 2022. USDA currently projects 2025 milk production at 227.9 billion pounds, up 0.9% from this year's forecast.

The September WASDE raised its forecasts from a month before for all of the dairy-related prices it reports, which

include the four National Dairy Products Sales Report (NDPSR) product prices, the Class III, Class IV and all-milk prices, for both 2024 and 2025 calendar years, citing "tighter milk supplies and firm demand" during both years. The Chicago Mercantile Exchange dairy futures at the same times as the WASDE forecasts showed the same across-the-board increase in its projections of the corresponding prices. USDA currently projects the calendar year average U.S. all-milk price at \$23.05/cwt during 2024 and \$23.45/cwt during 2025. The CME showed the corresponding prices at \$23.00/cwt and \$23.10/cwt, respectively.

The mid-September dairy and grain futures indicated that the DMC margin would average around \$12.45/cwt for all of calendar year 2024.



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