



MCTCOMPASS

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Exports: Critical Share of Market

Even though U.S. dairy exports have slowed from a year ago, they have become a major component of total dairy sales and are helping to support U.S. dairy prices.

Looking at nonfat dry milk first, since 2002 total U.S. exports have increased from 74,375 metric tons to 435,684 metric tons in 2011, which is nearly a five-fold increase. Sales to Mexico have almost single-handedly driven the growth of U.S. nonfat dry milk exports. Mexican imports of U.S. nonfat dry milk rose from 40,003 metric tons in 2002 to 173,583 metric tons last year. Growth in shipments of U.S. nonfat dry milk to the Philippines, Indonesia, and Vietnam has also been substantial.



The growth in U.S. exports of cheese and curd has been nearly as dramatic.

The growth in U.S. exports of cheese and curd has been nearly as dramatic. In 2002, the United States shipped 53,908 metric tons of cheese and curd to foreign partners. Last year, shipments had grown to 224,306 metric tons, a more than four-fold increase. Growth was driven largely by the United States' two largest customers for cheese and curd, Mexico and South Korea. Mexico's purchases rose from 14,855 metric tons in 2002 to 48,279 metric tons last year, while South Korea's climbed from 3,742 metric tons to 35,119.

The United States has also gained new customers for cheese and whey exports since 2002. For instance, Bangladesh purchased cheese from the United States for the first time during the 10-year period last year, and in 2008 Libya began buying U.S. cheese and has purchased from the United States ever since.

Like cheese and nonfat dry milk, whey exports have also grown substantially over the past decade. In 2002, the United States shipped 180,194 metric tons

of whey to foreign buyers. Last year, whey shipments were more than double that at 462,993 metric tons. China alone accounted for nearly one-third of all U.S. whey exports with 152,154 metric tons of whey purchases, and China's imports of U.S. whey have tripled in the past 10 years. Mexico with 63,272 metric tons and Canada with 42,053 round out the top three

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Ken's Corner



*by Ken Meyers
President, MCT Dairies Inc.*

It wasn't all that long ago when a 1% swing in milk production would send prices soaring or tumbling. U.S. milk production in February was more than 4% above year-earlier levels, adjusted for leap year, and milk prices are still well above average levels, which begs the question: Why?

The answer is simple; we are now exporting more than 12% of our milk production in the form of cheese, milk powders, butter, whey, and other products. As the world's need for animal proteins continues to grow along with global population and incomes, milk and dairy products will remain in high demand.

Last year the Cooperatives Working Together (CWT) program assisted members in making export sales of 92.4 million pounds (41,912 metric tons) of cheese to 26 countries. Thus, CWT assisted in moving almost 19% of last year's cheese and curd exports. This year, CWT is also helping to move butter into the export market.

CWT has proven to be a great marketing tool, but it is not as clear whether the supply management program proposed by producer groups will be as beneficial to the United States retaining its export customers. **MCT**

Who's Leading?

Ample milk supplies worldwide are putting downward price pressure on global dairy markets. This was evident during the recent Oceania-based Global Dairy

Trade (GDT) auction. In particular, the weighted-average Cheddar cheese price fell 11.3% to \$1.4125/lb. vs. the previous semimonthly auction. The weighted-average price for anhydrous milkfat fell 9.5% to \$1.50. Since then, both the CME spot cheddar cheese markets and butter market have come under pressure. It's clear U.S. dairy markets are not insulated from global markets. The transparency created by the GDT auction and CME spot markets are affecting domestic prices more directly than ever before. **MCT**

MCT Forecast

	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
Mar	1.5195	1.5150	15.70	1.4905	15.40	0.6040	1.3400
Apr	1.4900	1.4600	15.50	1.4500	15.25	0.5325	1.3000
May	1.5250	1.5000	15.25	1.4950	15.25	0.4975	1.2900
Jun	1.5500	1.5300	15.35	1.5450	15.50	0.4700	1.3100
Jul	1.5800	1.5600	15.60	1.6000	16.05	0.4650	1.3500
Aug	1.6100	1.5900	16.05	1.6500	16.70	0.4850	1.3900

* CME prices.

**NASS prices.

Butter's blast off...

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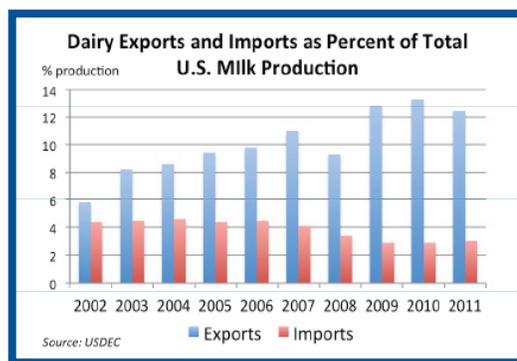
markets for U.S. whey. Some of the United States' newest customers are Burma, Iran, and Namibia.

Of all major dairy products, however, butter is perhaps the biggest export success story. Total butter shipments to trading partners soared from 3,866 metric tons a decade ago to 63,653 metric tons last year, representing a 16-fold increase and the market is fairly evenly distributed. The top 10 trading partners in butter purchased between 2,871 metric tons (Iran) and 13,084 metric tons (Saudi Arabia).

While growth in the total volume of dairy products exported has been no less than spectacular, what's even more impressive is the share of U.S. milk production that is purchased outside of the country in the form of dairy products. In January 2012, U.S. trading partners bought 44% of all the nonfat dry milk/skim milk powder, 4.7% of the cheese, 3.6% of the butterfat, and 51% of the whey produced in the United States. Together, on a total milk solids basis, U.S. exporters shipped

12.4% of U.S. equivalent milk production to other countries.

Over the past decade, U.S. imports of dairy products have been declining (see chart). In 2002, U.S. imports of dairy products equated to 4.4% of total U.S. milk production. By 2011, that number had declined to 3.0% of total U.S. output. At the same time, U.S. exports as a share of milk production have risen dramatically, from 5.8% in 2002 to 12.4% in 2011. **MCT**



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