

## Overview

*Milk prices are rising again after bottoming out for the second time this year, basically in sync with surges in the pandemic. Daily cash market prices for barrel cheddar cheese have risen by almost 50 cents a pound since the beginning of August and have converged with also-rising block cheddar cheese prices. Dropping production and strong exports of dry skim milk and whey products have strengthened prices of nonfat dry milk and dry whey in recent weeks, while milk production growth has been moderating and coming more into line with growth in demand for milk and dairy products. Inventory levels of most key dairy products are slowly dropping, and U.S. dairy exports remain on track to set a new volume record during 2021.*

## Commercial Use of Dairy Products

Domestic commercial milk use in all dairy products increased by one percent from a year earlier June through August. Key dairy products contributing to this increase include butter, cheese and yogurt. The annual rate of loss in fluid milk consumption is moderating as the large increases during the early days of the pandemic recede further into the past. Domestic consumption of dry skim milk and dry whey products continues to drop as production moderates and record exports continue to attract dry skim ingredient products away from domestic use.

## U.S. Dairy Trade

The United States has exported 17.6 percent of its milk solids production during January through August this year, well above the next highest such level, during 2020. This puts U.S. dairy

exports on track to set a record by this measure during all of calendar year 2021. Exports are up over last year during June–August for all key products except dry whey.

Total dairy imports into the United States were unchanged from a year ago as a percent of milk solids production during June–August. Nine of the top ten cheese-importing countries, which accounted for almost three-quarters of total cheese imports during the period, were in western Europe, while Nicaragua was in fifth place. Half of casein imports also came from western European countries and 40 percent from New Zealand.

## Milk Production

During June–August, U.S. milk production was 2 percent higher than a year earlier, while milk solids production was up 2.8 percent. These annual growth rates were down from

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Domestic Commercial Use	Jun–Aug 2021	Jun–Aug 2020	2020–2021 Change	Percent Change
	(million pounds)			
Total Fluid Milk Products	10,465	11,003	-538	-4.9%
Yogurt	1,180	1,150	31	2.7%
Butter	511	471	40	8.4%
American-type Cheese	1,330	1,320	9	0.7%
All Other Cheese	1,955	1,928	27	1.4%
Total Cheese	3,285	3,249	36	1.1%
Dry Skim Milk	175	239	-64	-26.8%
All Products (milk equiv., milkfat basis)	56,292	55,192	1,100	2.0%
All Products (milk equiv., skim solids basis)	45,338	45,171	166	0.4%
All Products (milk equiv., total solids basis)	48,655	48,187	469	1.0%

### Milk Production *from page 1*

3.7 percent and 4.3 percent, respectively, during April–June. During the recent period, growth in milk production per cow dropped from 1.4 percent in June to statis (minus 0.1 percent) during August. However, national dairy cow numbers remained more than 100,000 head above a year ago in August. Further cow-number reduction will be needed to align production growth with demand growth.

## Dairy Products

Cheese production growth has been dropping along with milk production growth, but still exceeds gains in consumption during June–August. Lower production growth, coupled with continued strong exports of dry skim milk and whey products, have strengthened prices of nonfat dry milk and dry whey in recent weeks. Butter production has been in line with sales.

## Dairy Product Inventories

Stock levels mostly dropped for key products in August, in both volume and in days of total use in stock, except for American-type cheese, yet another indication of tightening markets and improved prices during the last third of 2021.

## Dairy Product and Federal Order Class Prices

Monthly average NDPSR dairy product prices were all modestly higher than a month earlier during September, except for dry whey. This boosted Class II, III and IV prices during September as well, which will in turn result in a higher all-milk price for the month. The Class I–Class III price gap narrowed in September, reducing producer price differentials while leaving them still positive in the component pricing orders. Retail prices for the key dairy products were little changed

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U.S. Dairy Exports	Jun–Aug 2021	Jun–Aug 2020	2020–2021 Change	Percent Change
	(metric tons)			
Butter	10,472	5,878	4,594	78%
Anhydrous Milk Fat / Butteroil	3,322	1,150	2,172	189%
Cheddar Cheese	16,127	12,278	3,849	31%
American–type Cheese	16,178	12,354	3,824	31%
All Other Cheese	90,659	86,348	4,311	5%
Total Cheese	106,837	98,702	8,135	8%
Dry Skim Milk	233,333	219,923	13,411	6%
Whole Milk Powder	8,840	8,679	160	2%
Dry Whey	52,249	57,866	-5,617	-10%
Whey Protein Concentrate/Isolate	55,198	49,259	5,939	12%
Lactose	96,880	94,890	1,990	2%
Percent of U.S. Milk Solids Exported	18.0%	17.1%	0.9%	5%

  

U.S. Dairy Imports	Jun–Aug 2021	Jun–Aug 2020	2020–2021 Change	Percent Change
	(metric tons)			
Butter	13,334	12,899	435	3%
Cheese	51,069	39,076	11,993	31%
Dry Skim Milk	152	272	-120	-44%
MPC (all protein levels)	10,503	14,203	-3,701	-26%
Casein	16,974	14,543	2,431	17%
Percent of U.S. Milk Solids Imported	3.4%	3.4%	0.0%	0%

### Dairy Product and Federal Order Class Prices *from page 2*

during September. The overall inflation index continued to rise by more than 5 percent from a year earlier in September. The rise in the Consumer Price Index for all food and beverages approached 5 percent, but dairy consumer prices continued to resist inflationary pressures, posting just a 0.6 percent annual gain that month.

## Milk and Feed Prices

The August margin USDA announced for the Dairy Margin Coverage program, \$5.25/cwt, slipped below the \$5.37/cwt margin from May 2020 to become the lowest since margin

protection became the federal dairy safety net program in 2014. A \$0.20/cwt drop in the U.S. average all-milk price from a month earlier, to \$17.70/cwt, and a 24-cent per hundredweight higher feed cost, mostly due to a higher corn price, produced the August margin. USDA has still not announced the revised margins using 100 percent dairy quality alfalfa in the feed cost calculation, which would set the August margin at \$5.03/cwt. USDA reported that as of September 27, the 19,009 operations enrolled in this year's DMC program are expected to receive \$817,171,664 in payments, based on previously announced margins. Margins for the remaining five months in 2021, including August, are

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Milk and Dairy Products Production	Jun–Aug 2021	Jun–Aug 2020	2020–2021 Change	Percent Change
<b>Milk Production</b>				
Cows (1,000 head)	9,494	9,367	127	1.4%
Per Cow (pounds)	5,995	5,957	38	0.6%
Total Milk (million pounds)	56,916	55,802	1,114	2.0%
Total Milk Solids (million pounds)	7,257	7,059	198	2.8%
<b>Dairy Products Production</b>				
		(million pounds)		
<b>Cheese</b>				
American Types	1,372	1,330	42	3.1%
Cheddar	970	949	21	2.2%
Italian Types	1,439	1,386	52	3.8%
Mozzarella	1,125	1,110	15	1.4%
Total Cheese	3,405	3,323	81	2.4%
Butter	459	453	6	1.4%
<b>Dry Milk Products</b>				
Nonfat Dry Milk	467	467	-1	-0.1%
Skim Milk Powder	155	191	-36	-18.8%
Dry Whey	229	243	-14	-5.9%
Whey Protein Concentrate	116	120	-4	-3.5%

Dairy Product Inventories	Aug 2021	Jul 2021	Aug 2020	2020–2021 Change
		(million pounds)		
Butter	367	396	372	-1%
American Cheese	824	818	790	4%
Other Cheese	605	632	583	4%
Dry Skim Milk	294	322	287	3%
Dry Whey	68	67	88	-23%

### Milk and Feed Prices from page 3

not included in this total. Dairy futures continue to indicate further DMC payments for \$9.50/cwt coverage during most, if not all of these months.

## Looking Ahead

As of mid-October, the dairy futures indicated that the \$17.70/cwt August all-milk price would represent the low point of the second milk price trough of 2021: The first

trough bottomed out at \$17.10/cwt in February, while the price peaked between the two at \$19.20/cwt in May. The 2021 calendar year U.S. average all-milk price outlook has been moving up during October, to \$18.70/cwt as of the middle of the month, after falling from a high of \$19.70/cwt in mid-May and then stalling out at around \$18.42/cwt during August and September.

Futures markets anticipate the all-milk price will end the year almost \$3.50/cwt higher than in August, while the

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Dairy Product and Federal Order Prices	Sept 2021	Aug 2021	Sept 2020	2020–2021 Change
<b>NDPSR Dairy Product Prices</b>				
		(per pound)		
Butter	\$1.773	\$1.700	\$1.487	\$0.285
Cheddar Cheese	\$1.641	\$1.568	\$1.774	-\$0.133
40-Pound Blocks	\$1.776	\$1.690	\$1.950	-\$0.174
500-Pound Barrels	\$1.487	\$1.437	\$1.574	-\$0.086
Nonfat Dry Milk	\$1.282	\$1.266	\$1.001	\$0.280
Dry Whey	\$0.534	\$0.562	\$0.320	\$0.214
<b>Federal Order Class Prices for Milk</b>				
		(per hundredweight)		
Class I Mover	\$16.59	\$16.90	\$18.44	-\$1.85
Class II	\$16.89	\$16.51	\$13.16	\$3.73
Class III	\$16.53	\$15.95	\$16.43	\$0.10
Class IV	\$16.36	\$15.92	\$12.75	\$3.61
<b>Retail Dairy Product Prices</b>				
Fluid Whole Milk (per gallon)	\$3.585	\$3.560	\$3.406	\$0.179
Lowfat Fluid Milk (per gallon)	\$3.165	\$3.172	\$3.038	\$0.127
Cheddar Cheese (per pound)	\$5.387	\$5.336	\$5.572	-\$0.185
Butter (per pound)	\$3.568	\$3.634	\$3.623	-\$0.055

Milk and Feed Prices	Aug 2021	Jul 2021	Aug 2020	2020–2021 Change
<b>Producer Prices</b>				
All Milk (per cwt.)	\$17.70	\$17.90	\$18.80	-\$1.10
<b>Feed Prices</b>				
Corn (per bushel)	\$6.32	\$6.12	\$3.12	\$3.20
Soybean Meal (per ton)	\$358	\$365	\$290	\$68
Alfalfa Hay (per ton)	\$222	\$217	\$182	\$40
DMC Feed Cost (per cwt.)	\$12.45	\$12.22	\$7.97	\$4.48
DMC Margin (per cwt.)	\$5.25	\$5.68	\$10.83	-\$5.58

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**Looking Ahead** *from page 4*

DMC margin will also increase, but only to around \$9.50/cwt, since the DMC feed cost may not recede by more than \$1/cwt

during that time. U.S. dairy exports could amount to 17 percent of U.S. milk solids production during calendar year 2021, based on trend patterns during past years. This would be a full percentage point above the current record, set last year.

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The **National Milk Producers Federation (NMPF)** is a farm commodity organization representing most of the dairy marketing cooperatives serving the U.S.