

U.S. Exports

Export volume up, but sales to Mexico slower

In January, U.S. dairy export volume topped prior-year levels for the eighth straight month, paced by continued gains in sales of milk powder and whey products. Suppliers shipped 149,864 tons of milk powders, cheese, butterfat, whey and lactose during the month, 11 percent greater than a year ago. Overall export value was \$412 million in January, up 10 percent.

January trade data confirms a slowdown in exports to Mexico. Shipments south of the border were valued at \$93 million, down 2 percent from last January, and the lowest figure since August 2015. Milk powder and cheese exports to Mexico were off. Overall exports to Japan and South America also trailed year-ago levels, while suppliers had more success in China (+47 percent), Canada (+23 percent) and Southeast Asia (+15 percent).

Official USDA data continues to show an increase in WMP exports to Mexico. However, we believe this volume represents SMP sales that were misclassified at the port. Therefore, we've adjusted NDM/SMP and WMP trade data for April-January to account for this misclassification.

With this adjustment, exports of nonfat dry milk/skim milk powder (NDM/SMP) were 13 percent higher than a year ago, with material increases in sales to Southeast Asia (+45 percent) and Pakistan (+333 percent). However, shipments to Mexico slipped to 19,587 tons, down 2 percent, and the lowest figure since last March.

Cheese exports totaled 22,670 tons in January, up 3 percent from the depressed

levels of January 2016. Shipments to Mexico were just 5,435 tons, down 28 percent and the lowest volume since January 2013. Sales to Japan and the Middle East/North Africa (MENA) region also continue to lag, while exports to Australia (now the number-three cheese customer) and South Korea (+29 percent in last five months) were stronger.

Whey exports remain particularly strong. Total whey shipments of 41,220 tons in January were up 24 percent from last year. Nearly half the sales went to China, which bought almost twice as much as a year ago. Over the last eight months to January, U.S. whey exports to China were up 73 percent.

U.S. exports of fluid milk and cream were up 12 percent in January, but shipments to Canada began to slow. Exporters sold 3.11 million liters to Canada in January, compared with an average of 6.91 million liters/month in the fourth quarter of 2016.

Note: beginning last month we separated Whey Protein Concentrate (HS 04041005) and Modified Whey Products (HS 040410085). This latter category is mostly whey permeate, though it likely includes some WPC and other whey products as well. We also expanded the fluid milk category to include cream exports. In addition, beginning this month, USDA/FAS changed the HS code for "food preps (blends)" from 19019095 to 1901909502. However, we don't believe the new category is comparable with the old category, so we've removed it from our table.

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| | LATEST MONTH | | | | JANUARY (VOLUME, MT) | | | | | YEAR-TO-DATE | | | | JANUARY (VOLUME, MT) | | | |
|---------------------------------|-----------------|-----------------|-----------------|------------|----------------------|-----------------|-----------------|------------|-----------------|-----------------|-----------------|------------|-----------------|----------------------|-----------------|------------|-------|
| | 2015 | 2016 | 2017 | % CHG | 2015 | 2016 | 2017 | % CHG | | 2015 | 2016 | 2017 | % CHG | 2015 | 2016 | 2017 | % CHG |
| NDM/SMP* | 34,645 | 42,896 | 48,324 | +13 | 34,645 | 42,896 | 48,324 | +13 | 34,645 | 42,896 | 48,324 | +13 | 34,645 | 42,896 | 48,324 | +13 | |
| WMP* | 3,993 | 1,696 | 1,960 | +16 | 3,993 | 1,696 | 1,960 | +16 | 3,993 | 1,696 | 1,960 | +16 | 3,993 | 1,696 | 1,960 | +16 | |
| Cheese | 23,092 | 21,952 | 22,670 | +3 | 23,092 | 21,952 | 22,670 | +3 | 23,092 | 21,952 | 22,670 | +3 | 23,092 | 21,952 | 22,670 | +3 | |
| Butterfat | 2,503 | 2,513 | 1,848 | -26 | 2,503 | 2,513 | 1,848 | -26 | 2,503 | 2,513 | 1,848 | -26 | 2,503 | 2,513 | 1,848 | -26 | |
| Total Whey | 30,858 | 33,199 | 41,220 | +24 | 30,858 | 33,199 | 41,220 | +24 | 30,858 | 33,199 | 41,220 | +24 | 30,858 | 33,199 | 41,220 | +24 | |
| -Dry whey | 13,021 | 13,428 | 15,407 | +15 | 13,021 | 13,428 | 15,407 | +15 | 13,021 | 13,428 | 15,407 | +15 | 13,021 | 13,428 | 15,407 | +15 | |
| -WPC | 5,963 | 8,800 | 13,328 | +51 | 5,963 | 8,800 | 13,328 | +51 | 5,963 | 8,800 | 13,328 | +51 | 5,963 | 8,800 | 13,328 | +51 | |
| -Modified whey | 8,538 | 8,271 | 9,792 | +18 | 8,538 | 8,271 | 9,792 | +18 | 8,538 | 8,271 | 9,792 | +18 | 8,538 | 8,271 | 9,792 | +18 | |
| -WPI | 3,336 | 2,700 | 2,693 | -0 | 3,336 | 2,700 | 2,693 | -0 | 3,336 | 2,700 | 2,693 | -0 | 3,336 | 2,700 | 2,693 | -0 | |
| Lactose | 21,705 | 28,395 | 28,747 | +1 | 21,705 | 28,395 | 28,747 | +1 | 21,705 | 28,395 | 28,747 | +1 | 21,705 | 28,395 | 28,747 | +1 | |
| MPC | 2,085 | 1,844 | 2,096 | +14 | 2,085 | 1,844 | 2,096 | +14 | 2,085 | 1,844 | 2,096 | +14 | 2,085 | 1,844 | 2,096 | +14 | |
| Aggregate volume** | 118,881 | 132,494 | 146,864 | +11 | 118,881 | 132,494 | 146,864 | +11 | 118,881 | 132,494 | 146,864 | +11 | 118,881 | 132,494 | 146,864 | +11 | |
| milk/cream (000 liters) | 7,828 | 7,685 | 8,587 | +12 | 7,828 | 7,685 | 8,587 | +12 | 7,828 | 7,685 | 8,587 | +12 | 7,828 | 7,685 | 8,587 | +12 | |
| Total Value (millions)** | \$ 411.2 | \$ 374.0 | \$ 412.0 | +10 | \$ 411.2 | \$ 374.0 | \$ 412.0 | +10 | \$ 411.2 | \$ 374.0 | \$ 412.0 | +10 | \$ 411.2 | \$ 374.0 | \$ 412.0 | +10 | |

* USDA data for NDM/SMP and WMP adjusted to reflect shipments to Mexico misclassified as WMP.

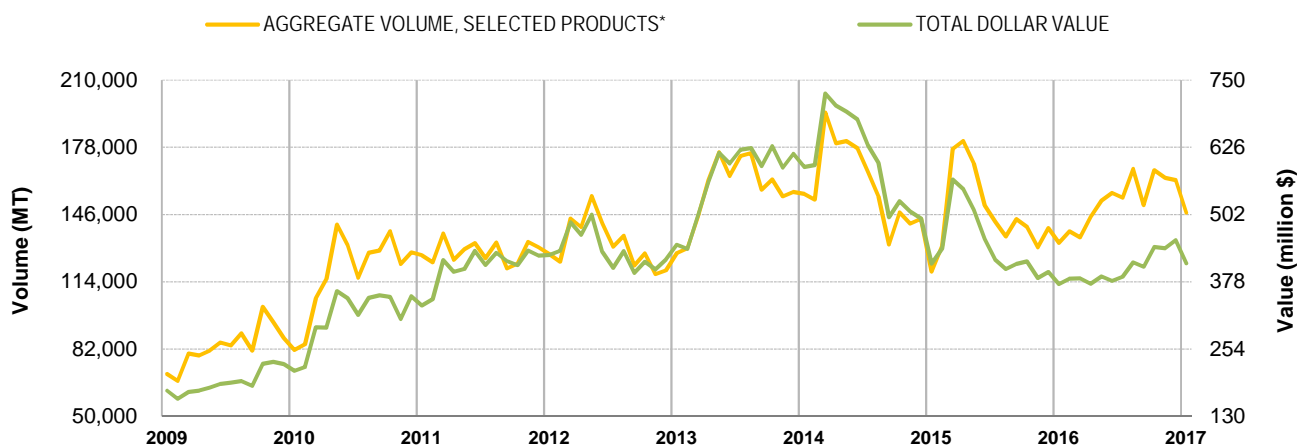
** Aggregate volume includes the products listed above, except fluid milk. Total value includes other products in addition to the ones listed here.

Source: USDA, USDEC.

U.S. Exports

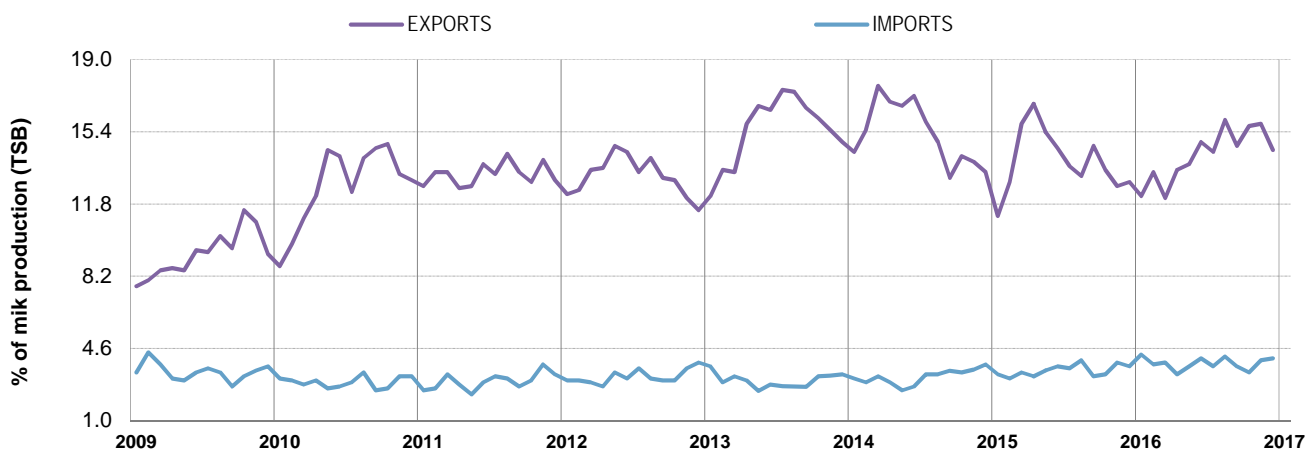
U.S. EXPORTS

VOLUME AND VALUE



* Volume includes SMP, WMP, MPC, whey, cheese, butterfat, lactose

U.S. EXPORTS AND IMPORTS AS A PERCENT OF MILK PRODUCTION



U.S. DAIRY EXPORTS, TOP 10 MARKETS

| (million \$) | Jan 17 | vs. yr ago |
|--------------------------|---------|------------|
| Mexico | \$ 93.4 | -2% |
| Southeast Asia | 64.7 | +15% |
| Canada | 55.0 | +23% |
| China | 36.6 | +47% |
| South America | 23.7 | -8% |
| Oceania | 17.9 | +19% |
| So. Korea | 17.8 | +18% |
| Middle East/North Africa | 17.7 | +11% |
| Japan | 16.3 | -16% |
| Caribbean | 15.0 | +8% |

U.S. EXPORTS AS % OF PRODUCTION

| | January | yr ago | Jan 17 | yr ago |
|-------------------|---------|--------|--------|--------|
| NDM/SMP | 51% | 50% | 51% | 50% |
| Total cheese | 4.8% | 4.8% | 4.8% | 4.8% |
| Butterfat | 2.3% | 3.2% | 2.3% | 3.2% |
| Dry sweet whey | 41% | 36% | 41% | 36% |
| Lactose | 69% | 74% | 69% | 74% |
| Total milk solids | N.A. | 12.2% | N.A. | 12.2% |

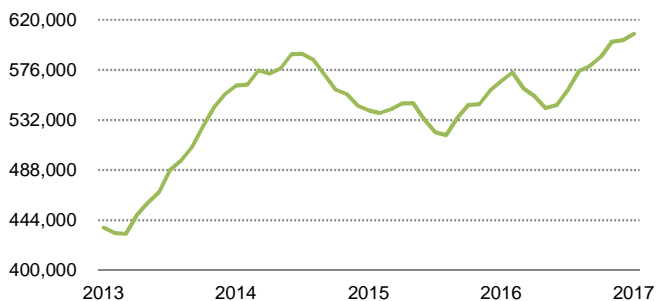
ACCESS U.S. EXPORT DATA ONLINE

Visit usdec.org/research-and-data/market-data/us-export-data

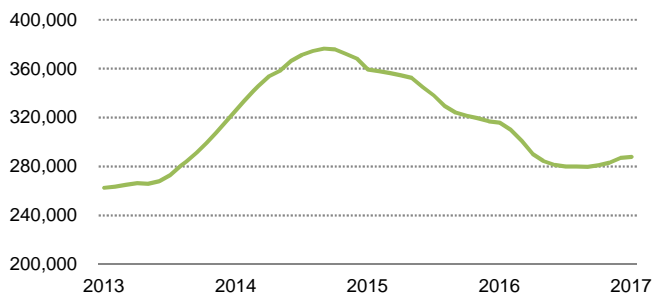
Source: USDA, USDEC, National Milk Producers Federation.

U.S. Exports: Rolling 12-Month Volume

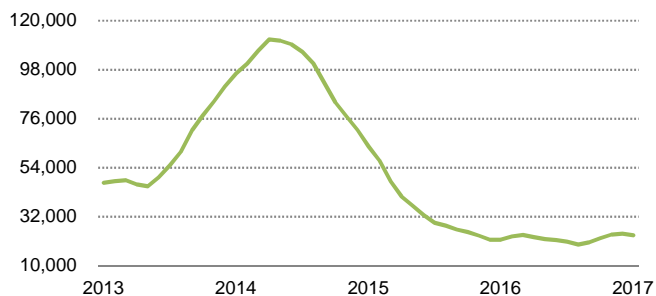
U.S. NDM/SMP EXPORTS (MT)



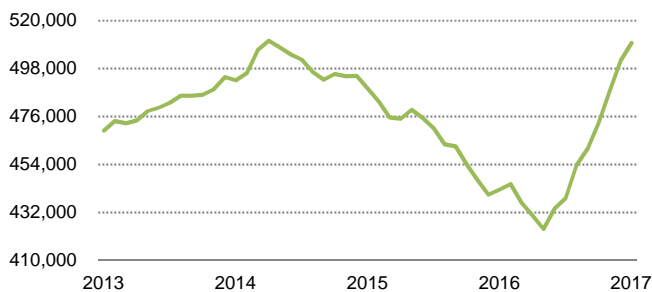
U.S. CHEESE EXPORTS (MT)



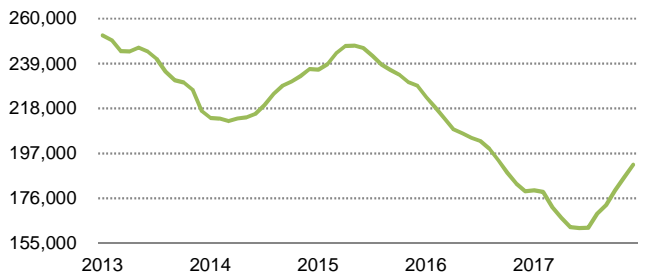
U.S. BUTTERFAT EXPORTS (MT)



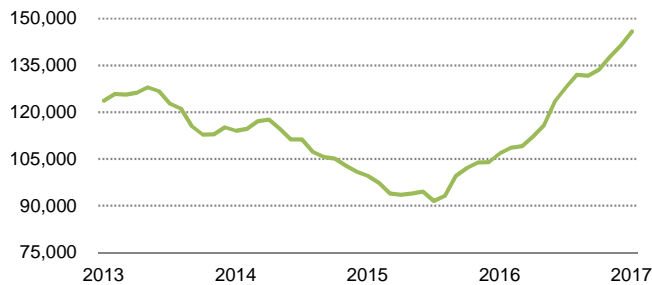
U.S. TOTAL WHEY* EXPORTS (MT)



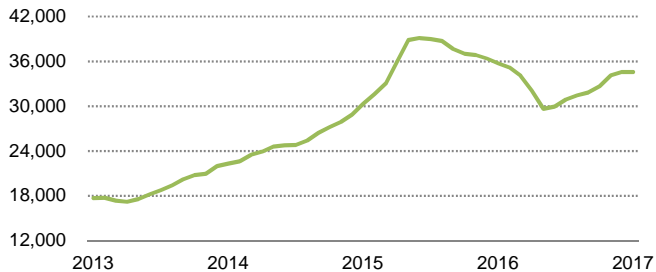
U.S. DRY WHEY EXPORTS (MT)



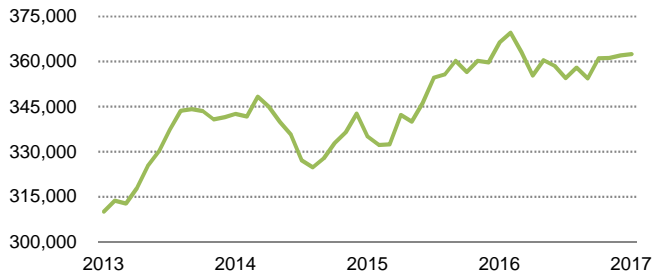
U.S. WPC EXPORTS (MT)



U.S. WPI EXPORTS (MT)



U.S. LACTOSE EXPORTS (MT)



* Total whey includes dry whey, WPC, modified whey products and WPI.

Source: USDA, USDEC.