



2020 Dairy Highlights

This year has been tumultuous for the dairy market due to volatility and uncertainty brought on by COVID-19. As we look back, there are a few storylines that create uncertainty for both consumers and producers.

MARCH

As global stay at home orders became the norm, cooperatives and processors enacted **milk supply management programs** and **dumped millions of gallons of milk** as demand shifted from schools, restaurants, hospitality, and other food service providers.

MAY

Due to this shift, in May the **U.S. Government** stepped in by using their buying power through multiple programs to **purchase dairy commodities** for **food banks** and **food pantries**.

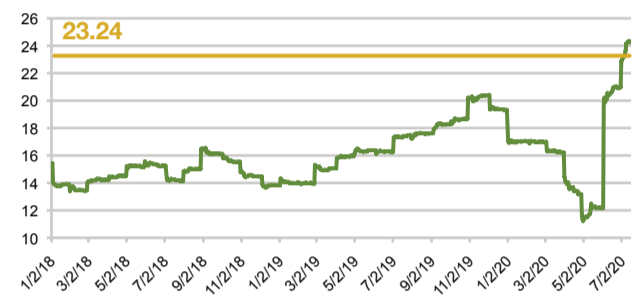
JUNE

As stay at home orders were lifted in June, **restaurants started to reopen**, but the aforementioned **supply chain disruptions** continue to **impact retailers** and **consumers**.

Below you will find highlights that will show how volatility impacted dairy.

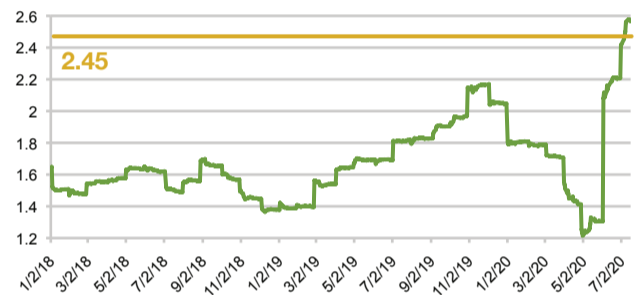
CLASS 3 & 4 MILK

- The milk output drop in March led to tightness in milk supply
- During April-June the number of milk cows on farms in the 24 major states was 9.36 million head, 12,000 less than the previous quarter, but 31,000 more than last year
- USA milk production April-June increased by .4% totaling 55.9 billion pounds vs. last year



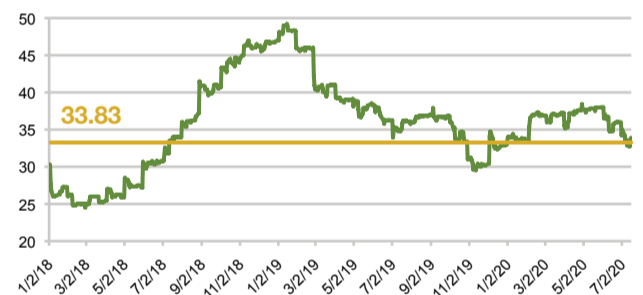
CHEESE

- Shifts in supply and demand left the cheese market volatile
- By May, cheese availability is tight due to increased demand and US government buying program
- Highest on Record CME Block Cheese Spot Price reaching \$3.00 on 7/13/2020
- In July, cheese demand was slightly lower due to COVID-19 uncertainty from both grocers and food service customers



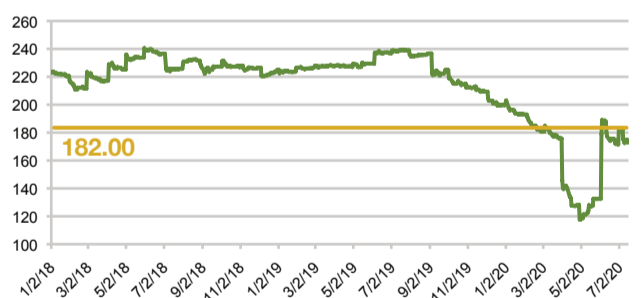
WHEY

- Overall production and inventory remaining higher than year-over-year numbers
- Strong export demand for higher value whey protein concentrate
- Dry whey production schedules are strong with heavy class III processing



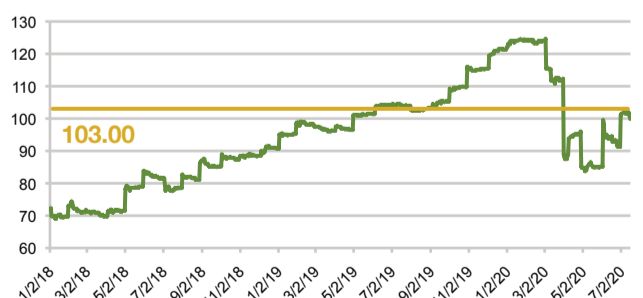
BUTTER

- June 2020 butter production was 150 million pounds, 3.1% below June 2019, and 15.7% below May 2020
- Butter demand remains strong on retail side and food service demand is picking up, but still behind in previous year figures
- Global butter markets are well supplied
- Print butter production is running at near full schedules although cream supplies are seasonally lower



NFDM

- The June 2020 Dairy Products report released by the USDA said, nonfat dry milk for human consumption was 147 million pounds, down 7.1% from 2019, with skim milk powder at 61.7 million pounds, 17.7% higher than 2019
- Between January and April, 2020, total milk powder exports were down 6.6% vs. production that was only down about 0.8%
- Regional NFDM supply is out-pacing their immediate demands
- China's dairy imports were strongest to start calendar year on record; the largest jump was from US whey products.



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