

A light grey world map is centered in the background of the slide, showing the continents of North America, South America, Europe, Africa, Asia, and Australia.

US Dairy Export/Import Volume Analysis October 2019

US Dairy Exports: Executive Summary



October 2019 U.S. Dairy Export Volumes

Commodity	Metric Tons	Million Pounds	% of Total US Production	vs. Last Year	vs. Last Month**	YTD vs. Last Year**	vs. Two Years Ago
Cheddar Cheese	2,653.9	5.9	1.9%	-5.6%	+5.4%	+5.2%	-18.7%
Total Cheese	28,416.6	62.6	5.5%	+5.5%	+0.2%	+3.5%	+5.6%
Butter	1,773.7	3.9	2.5%	-16.2%	+4.6%	-29.7%	-9.6%
Anhydrous Milkfat	309.0	0.7	-	-91.1%	-40.4%	-67.4%	-75.0%
Nonfat Dry Milk/ Skim Milk Powder	70,726.5	155.9	86.9%	+16.6%	+4.8%	-8.2%	+39.3%
Whole Milk Powder	1,293.7	2.9	35.9%	-68.1%	-61.8%	-25.6%	-8.7%
Dry Whey	9,822.9	21.7	24.4%	-40.1%	-23.4%	-32.6%	-49.2%
Whey Protein Concentrate < 80%	11,787.1	26.0	67.3%	+14.1%	+6.4%	-23.7%	-14.9%
Whey Protein Concentrate ≥ 80%	3,758.0	8.3	32.1%	+14.0%	+1.0%	+5.8%	+5.3%
Lactose	32,496.5	71.6	73.6%	+12.4%	+8.5%	-6.8%	+4.3%

Source: USDA-FAS *Unsweetened **Adjusted to 30 day months
Includes sweet whey, demineralized whey and whey permeate

Key Takeaways:

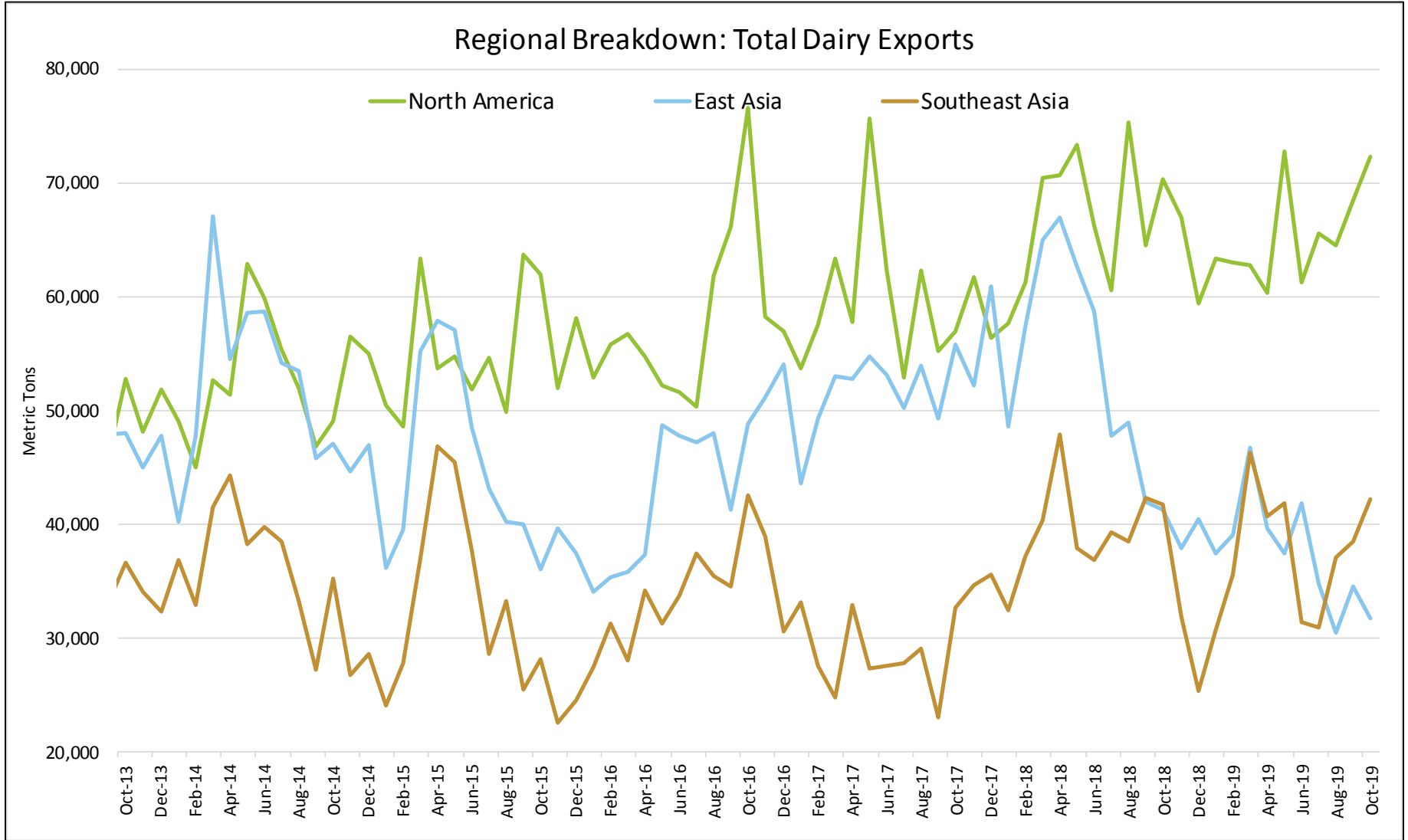
Dairy

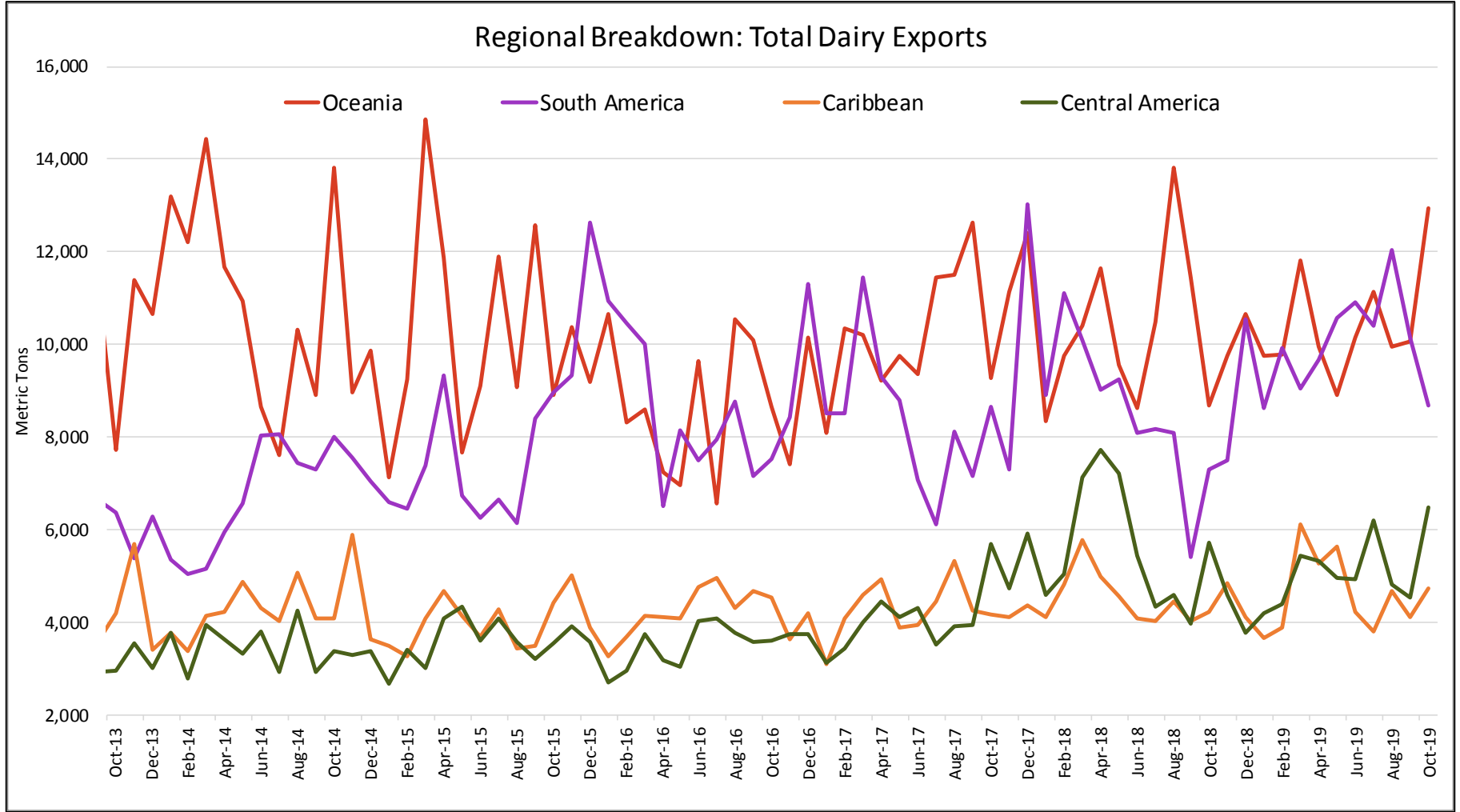
- Combined US dairy exports recorded growth for the second consecutive month with the strongest increase in volume over prior year going to Indonesia and New Zealand; record nonfat dry milk shipments were recorded to Indonesia while the strength in NZ exports was made up primarily of lactose, followed by nonfat dry milk.
- It was discouraging for US exports to see shipments to Japan falter as their demand for dry whey lessened to just 106MT (DOWN 1,680MT YoY) and cheese exports also waned (1,533MT, -435MT YoY). Most notably, October cheese exports to Japan were the lowest reported since August 2011 as US prices continue to outperform the rest of the world.
- Demand from Asia for dry whey continues to weaken and while their sow inventories returned to growth mode in October, there is a long way to go to mitigate the impacts from African Swine Fever. US dry whey exports fell to lows not observed since June 2004 during October.

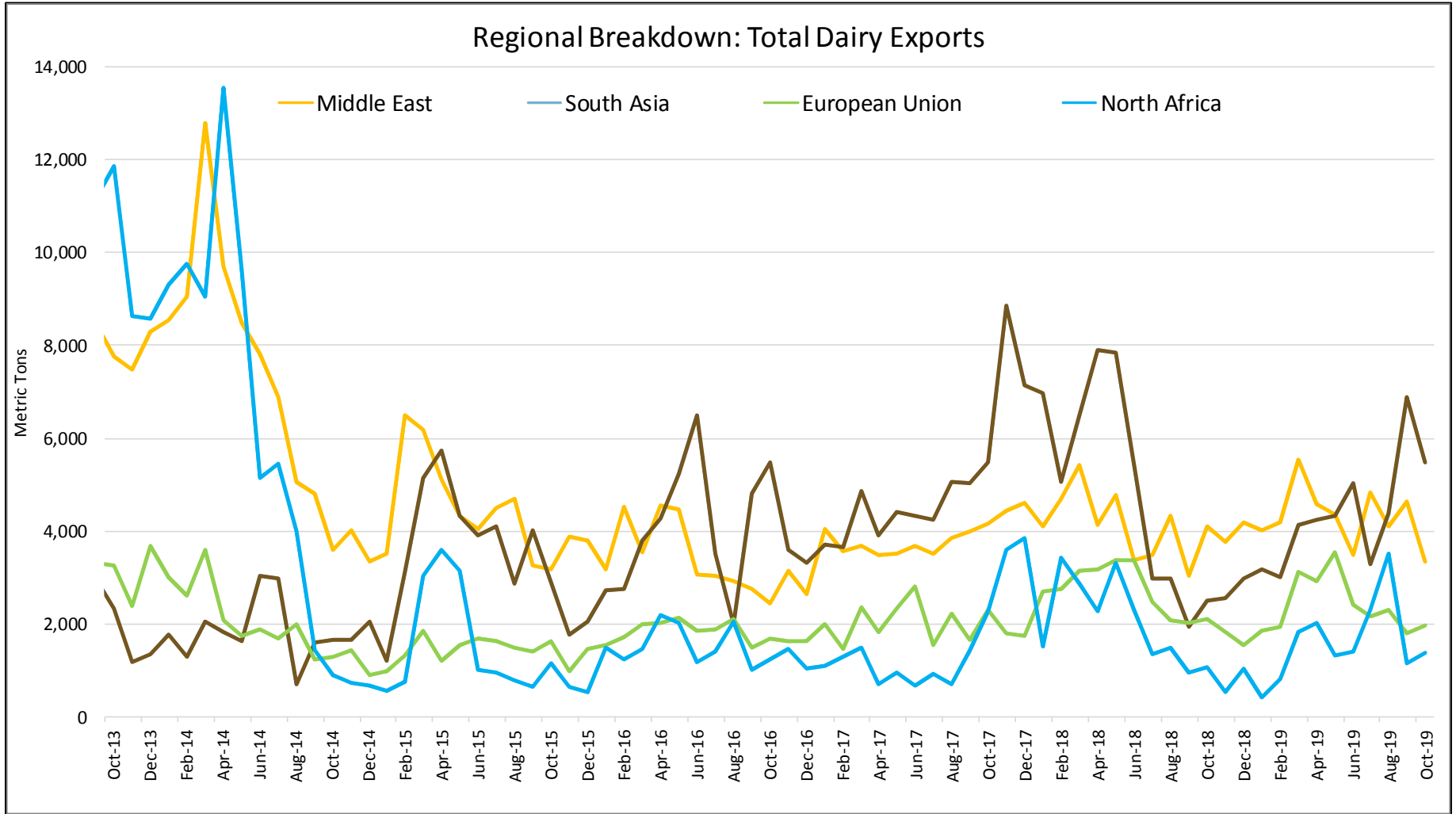
US exports during October echo price action that has been noted over the last two months; fat values that continue to trend lower (weaker demand) while cheese and protein extend to multi-year highs. However, the US aggressively priced itself out of the export market on cheese, which impacted demand from certain regions in October, particularly South Korea and Japan. Europe's market share in Japan has surpassed 40% on cheese during both September and October, which has never happened before. The bright spot is that cheese continues to move to Mexico, which reached 16-month highs in October, the bulk of which was HS Code 0406909550 (cheese, including mixtures), as well as Southeast Asia (SEA) – with 2,630MT shipping there in October; they were the strongest for the month on record. Year-to-date, the US has experienced a 10% loss in dairy exports from 2018 as cheese and milk protein concentrate ≥80% are the only commodities to report gains.

The drastic AMF figure is comparing against an anomaly reported last year as 3,018MT of AMF shipped to Mexico in Oct 2018, which was a record high. Butter exports to Canada reached 12-month highs but were unable to outpace prior year as volumes to Saudi Arabia (3MT versus 264MT last year) also declined, which are now DOWN 29% from prior year levels. Fat exports from the US have been lower but global trade of butter is at an all-time high as more product moves from India, South America and the EU throughout 2019.

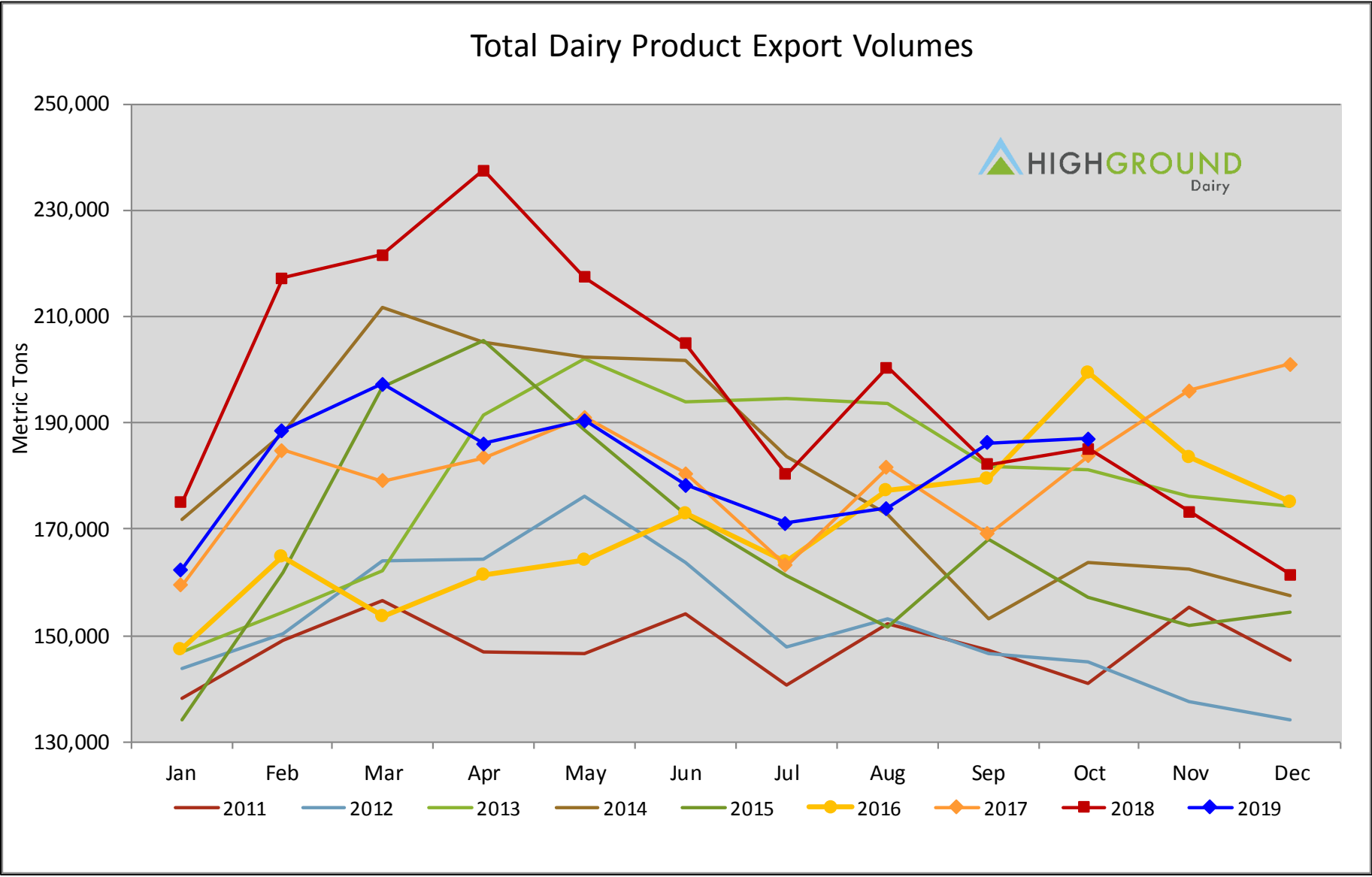
HighGround Opinion: Overall gains on US dairy exports are anticipated for November and December due to the trade issues at the end of 2018 that hampered shipments to Mexico and China; Q4 2018 exports were three-year lows even though the full calendar year was the highest on record for dairy demand from the US. The lack of incremental milk from Oceania as well as muted growth from the EU will aid cheese, nonfat dry milk and lactose through the beginning of next year. If fat exports are negative on top of last year's disappointing volumes, prices will have a hard time recovering before the increase in milk supplies to hit the market in Q2 2020, setting up for a bearish year for US butterfat.







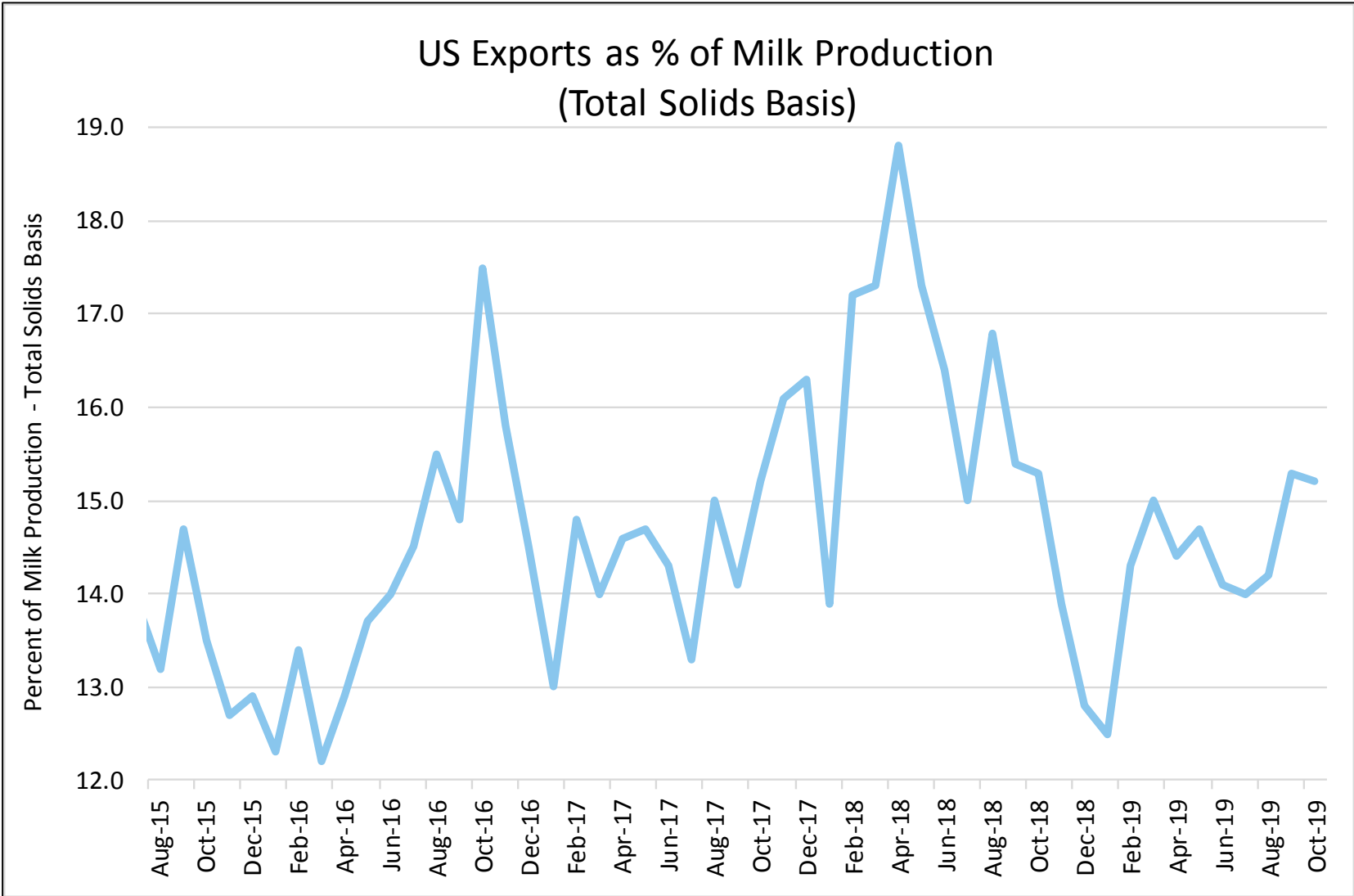
Two Consecutive Months of Gains For First Time in 12 Months



US Exports Represent 15.2% of October Milk Production



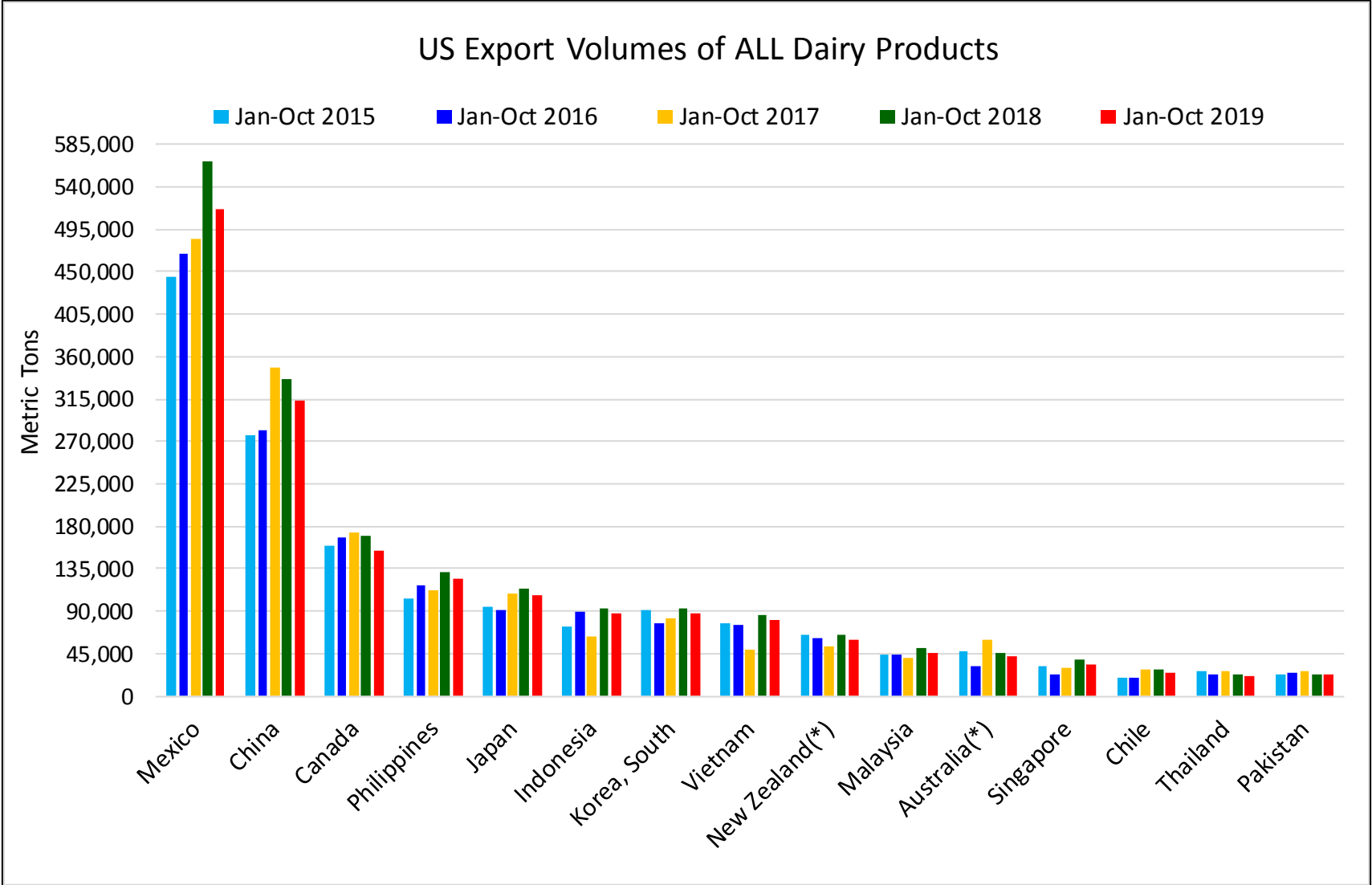
Dairy



Data Source: National Milk Producers Federation, U.S. Dairy Export Council, U.S. Bureau of Census.

[Access Dashboard](#)

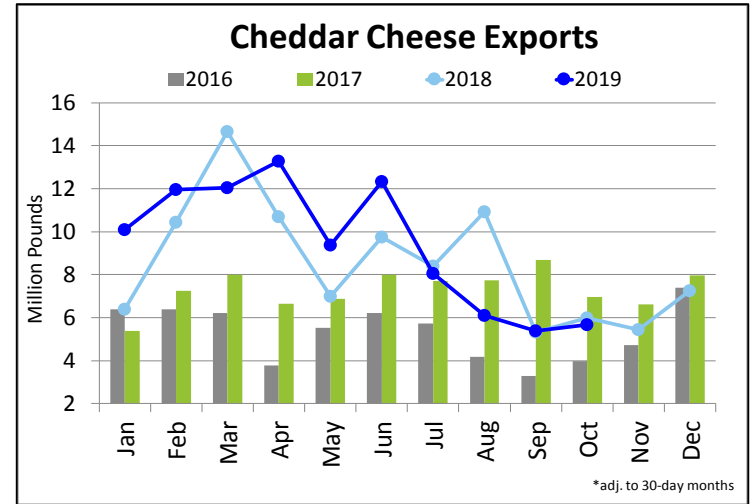
Volumes DOWN to Top Four Export Destinations



(*) denotes a country that is a summarization of its component countries.

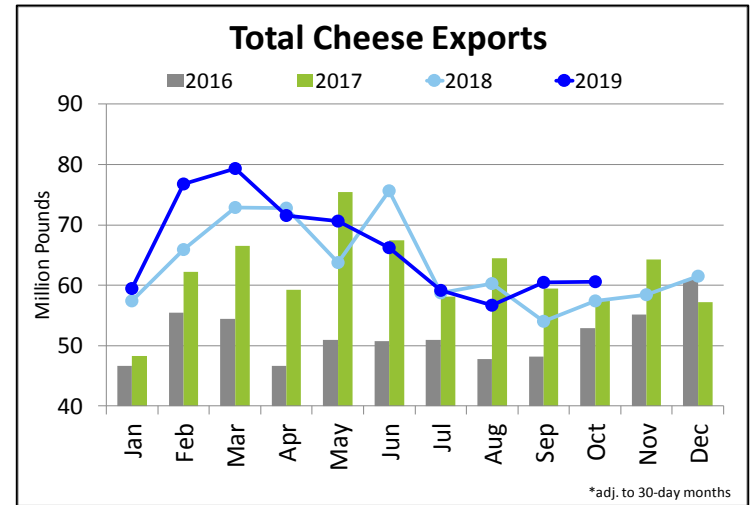
Cheddar Cheese (HS Code: 04069010)

- Cheddar volumes increased to Mexico (890MT, UP 115% or 477MT YoY) after a weaker August and September. Year-to-date volumes to Mexico have reached 9,650MT, a 147% jump over prior year and representing 22% market share, a large increase from 9% in 2018.
- Indonesia has shown impressive gains as the second top country to receive exports in October at 449MT versus just 10MT last year. Momentum has been on the rise to Indonesia since July.
- Japan showed a decrease in October to 273MT (**DOWN 48% or 257MT YoY**) after robust 2018 volumes. However, Japan remains the top country for year-to-date volumes at 14,981MT (UP 2% YoY) accounting for 35% market share.



Total Cheese (HS Code: 0406)

- Total cheese exports grew by 1,628MT from prior year with Mexico as the top destination (31% market share for October). Mexico received 9,033MT, the largest amount since June 2018 and were up 29% YoY.
- South Korea trailed behind at 3,636MT (**DOWN 21% or 991MT YoY**), but still show positive YoY change for year-to-date volumes (54,040MT, UP 10% at 18% market share).
- Japan had a weaker October with 1,533MT (**DOWN 22% YoY**), but overall remains strong in year-to-date at 32,568MT, UP 12% or 3,446MT YoY.

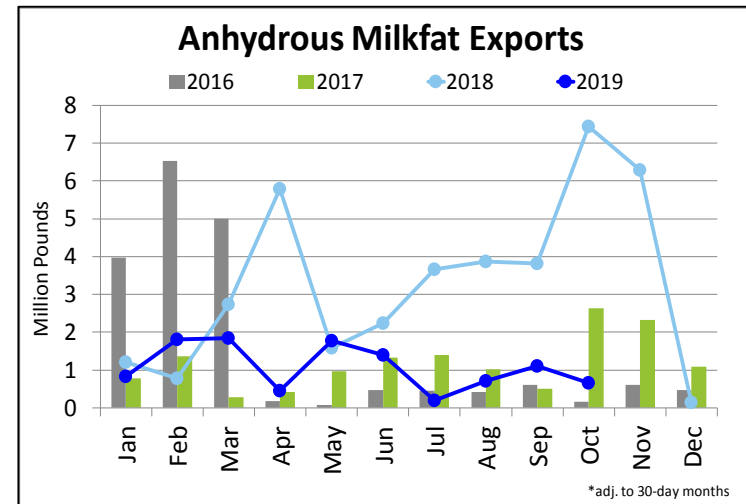
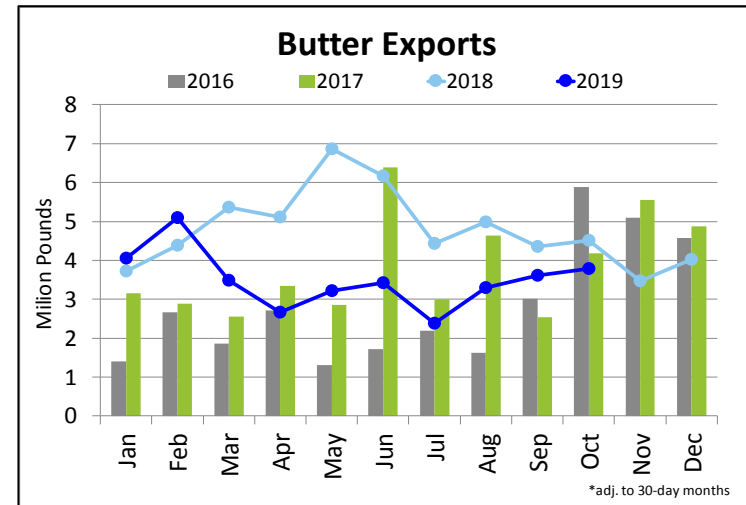


Butter (HS Code: 040510)

- The top destination for US butter remains Canada with 1,477MT (UP 26% or 302MT YoY) heading to our northern neighbor in October. Year-to-date volumes are below the last two years at 8,989MT (**DOWN 17% YoY**) while Canada represents substantial market share of 49% - a negative fundamental for a market that is already in a downtrend.
- Mexico was the second largest destination with 185MT for October, growing 34% versus prior year. Year-to-date volumes are up 6% YoY to 1,352MT.
- Year-to-date exports to South Korea remain strong at 1,843MT (UP 120% or 1,007MT YoY), which is 10% market share. Saudi Arabia trails behind at 1,354MT (**DOWN 29% YoY or 552MT**).

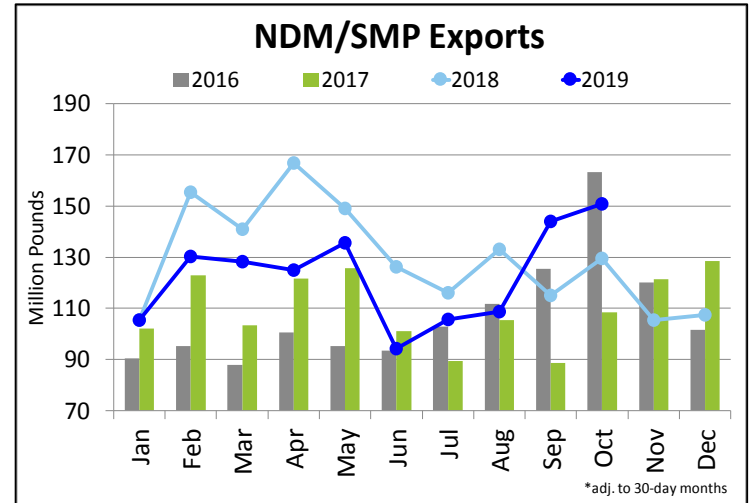
Anhydrous Milkfat (HS Code: 040590)

- AMF shipments decreased overall with the top country, Canada, receiving 619MT in October, **DOWN 22% YoY** and contributing to the loss.
- US exports to Mexico slowed significantly as only 183MT shipped in October versus 3,018MT last year. Calendar year-to-date totals have reached 1,831MT versus 12,098MT prior year (**DOWN 85% OR 10,267MT**). Market share has also declined for Mexico, now at 20% versus 60% last year, with Canada and Colombia gaining market share.



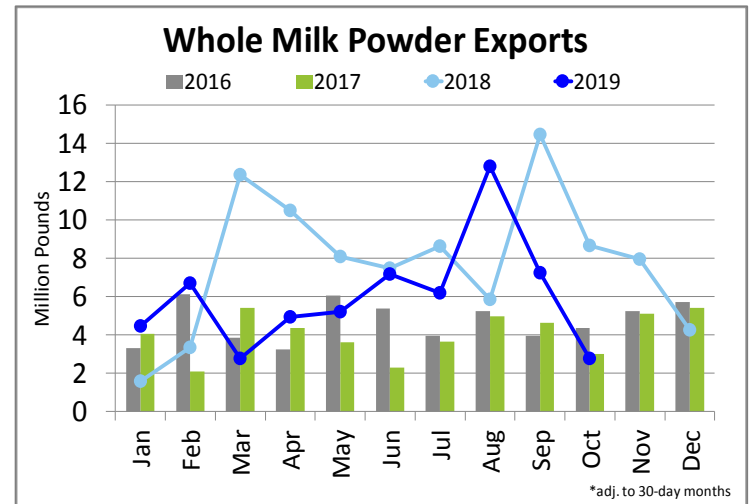
Nonfat Dry Milk/Skim Milk Powder (HS Code: 040210)

- **October 2019** represented the third highest nonfat dry milk exports on record, reaching 18-month highs. Shipments to Mexico were notable but fell slightly from a year ago to 32,221MT, **DOWN 533MT YoY**.
- The largest jump was recorded to Indonesia, UP 3,038MT from prior year to 9,641MT, the strongest on record! Nonfat shipments to New Zealand also reached an all-time high of 1,748MT, UP 1,153MT YoY.
- Volumes to Vietnam (5,113MT, +1,876MT YoY) and Colombia (1,960MT, +1,336MT YoY) also aided overall strength.



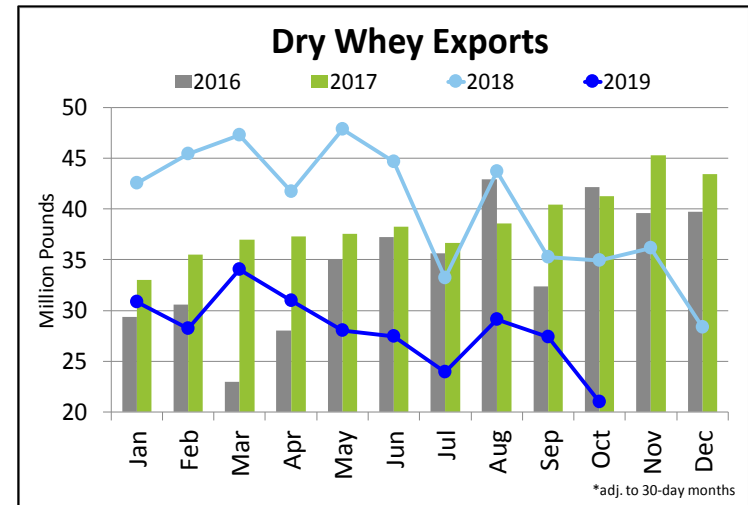
Whole Milk Powder (HS Code: 040221)

- WMP exports were **DOWN 2,746MT YoY**, with the Southeast Asia region contributing to the loss (**62MT versus 2960MT in YoY**).
- Year-to-date volumes to South America have climbed 296% (11,1164MT versus 2,816MT YoY) at 40% market share, and MENA rose 1,377% (6,368MT versus 431MT YoY) claiming 23% market share.
- Columbia received 219MT for the month (UP 54% or 77MT) and is the top country at 21% market share. Canada follows closely at 17% market share as the US shipped 173MT, +54% YoY.



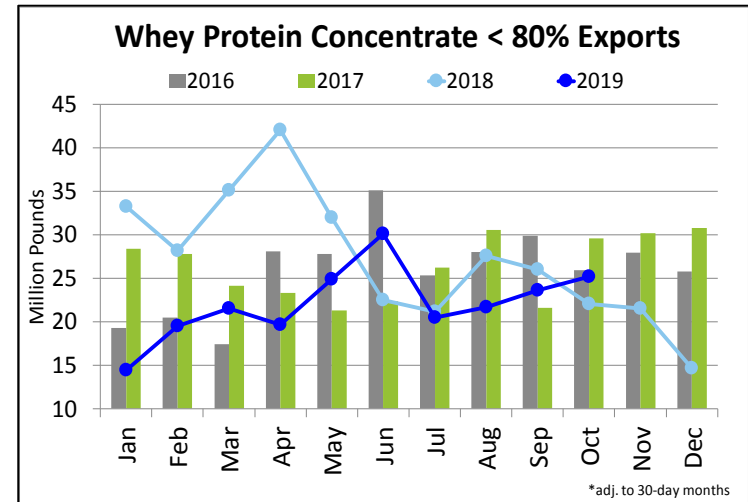
Dry Whey (HS Code: 0404104000)

- Dry whey worsened with October exports the lowest observed since June 2004, **dropping 6,567MT YoY**. On trend with recent market expectations, losses to China remain high with the US shipping 1,194MT in October, **DOWN 3,461MT YoY**.
- Shipments to Southeast Asia totaled **4,160MT, DOWN 929MT YoY**, driven by losses to **Vietnam (291MT, -1,189MT YoY)** and **Thailand (238MT, -1,096MT YoY)**.
- Canada showed strength in October with the US shipping 1,063MT (UP 36% or 282MT YoY), though year-to-date volumes **slumped 3% YoY**.



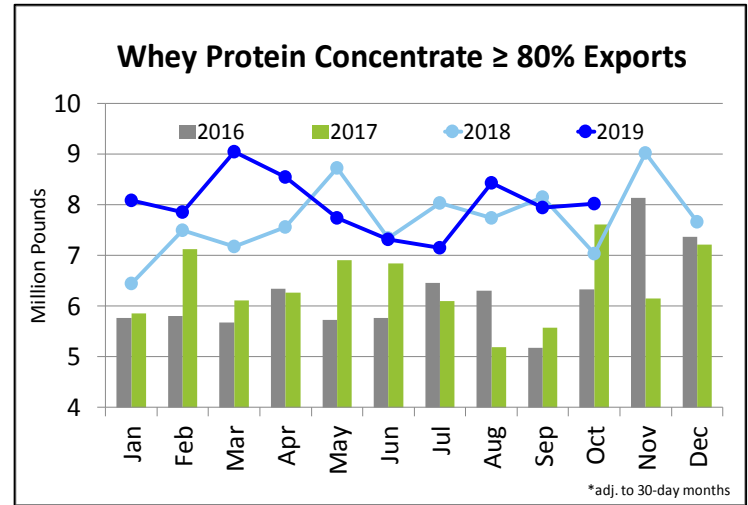
Whey Protein Concentrate <80% (HS Code: 0404100500)

- October was a strong month with the top four destinations all showing growth versus prior year. Mexico had 39% growth to 4,073MT compared to 2,704MT last year; year-to-date volumes are up 16% YoY.
- China also had a strong month, UP 48% or 1,297MT YoY, though year-to-date volumes are **DOWN 47% or 25,125MT** at 28% market share. China's market share is well below that of 2018 when they held 40%.



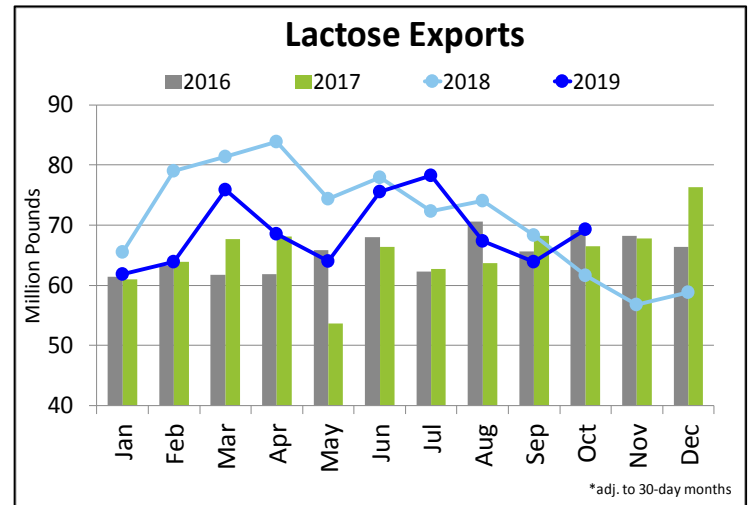
Whey Protein Concentrate ≥80% (HS Code: 350220)

- Volumes to Canada reached 800MT, UP 99% or 398MT, accounting for 21% market share. October's volumes were the strongest for the year.
- Conversely, losses were seen to China during October at the US shipped 391MT (DOWN 54% or 466MT YoY). Year-to-date volumes are DOWN 13% YoY.
- Shipments to India have been impressive year-to-date and have reached 4,319MT (UP 24% or 826MT YoY). Exports to South Korea have also been notable with the US shipping 1,848MT this year (UP 31% or 442MT YoY).



Lactose (HS Code: 170211, 170219)

- Lactose volumes strengthened by 3,586MT YoY with China, Mexico, and New Zealand holding the top three destinations for the month.
- China, the highest market share at 17% for October, brought in 5,439MT (DOWN 14% or 915MT YoY). Mexico followed at 5,439MT (UP 30% or 1,099MT YoY), and then New Zealand at 4,233MT (UP 161% or 2,611MT) YoY).
- Lactose exports into the EU have been strong year-to-date, reaching 7,444MT (UP 32%). Southeast Asia has accounted for 22% market share Jan-Oct and has saw a rise of 6% YoY (70,043MT versus 65,928MT in 2018).

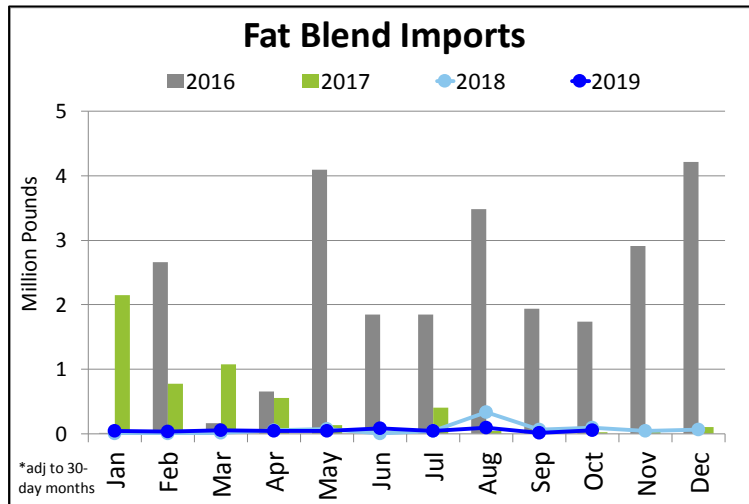
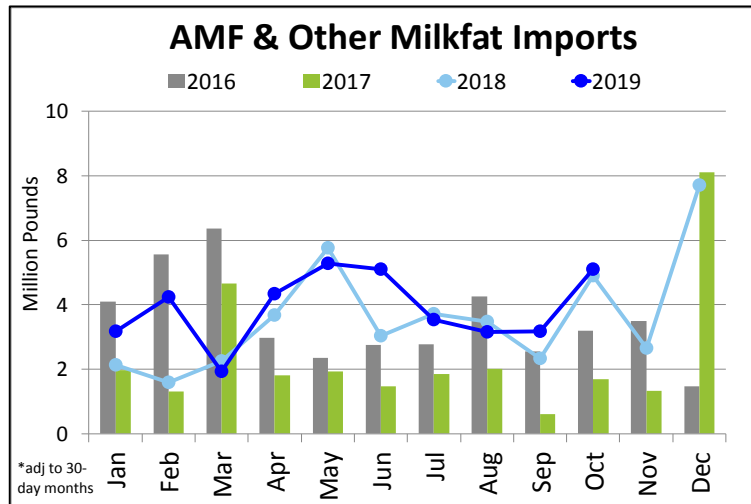
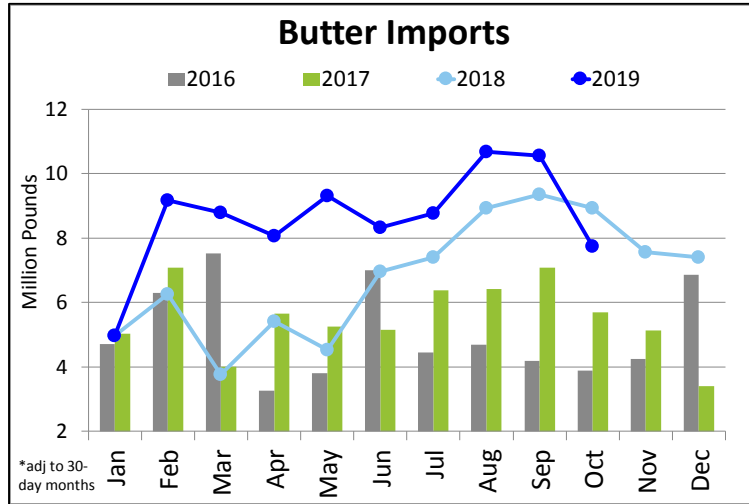
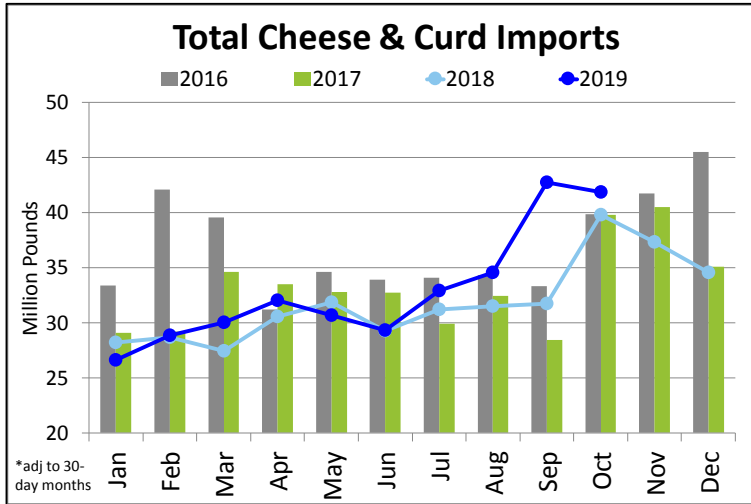


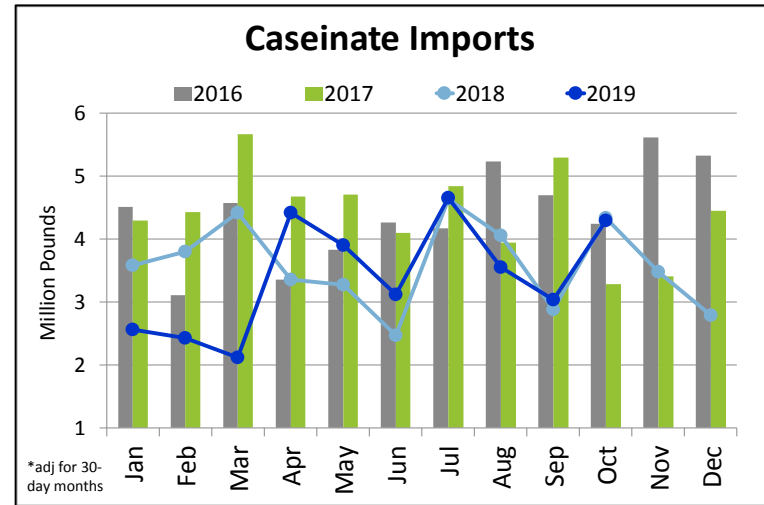
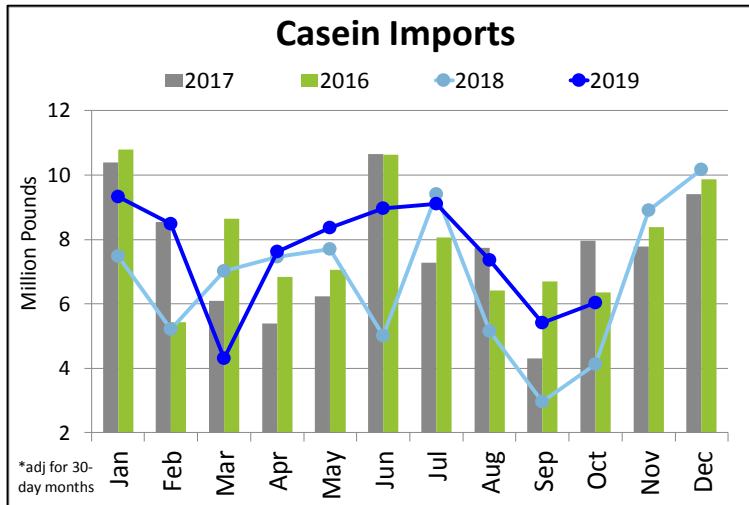
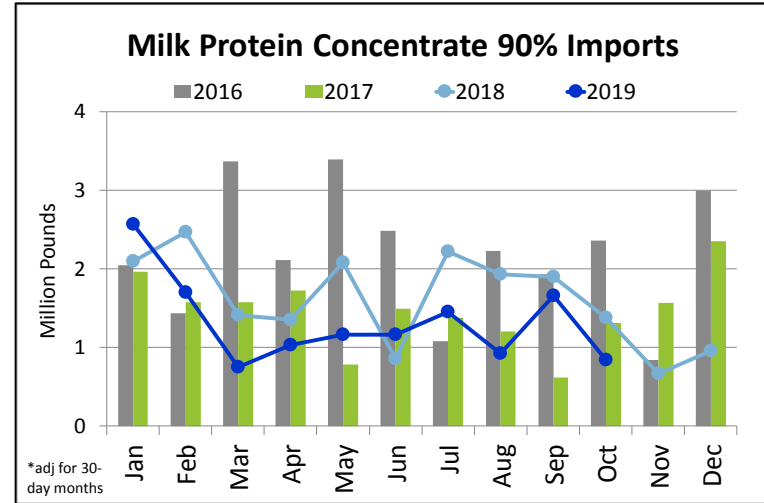
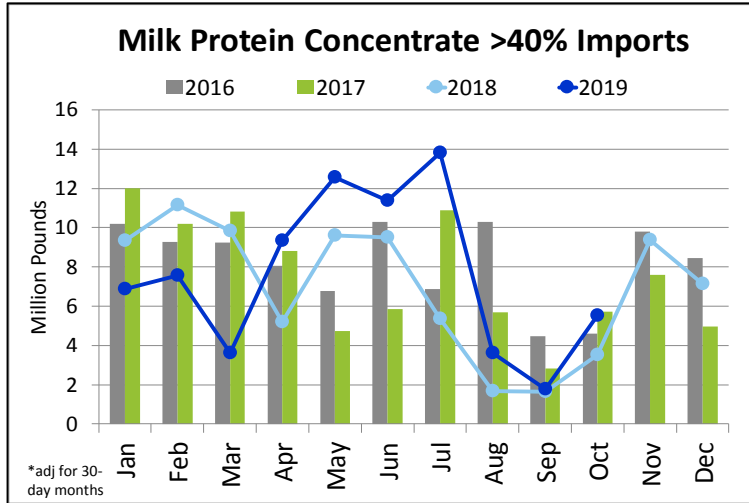
170211: Lactose And Lactose Syrup Containing By Weight 99% Or More Lactose, Expressed As Anhydrous Lactose, Calculated On The Dry Matter. **170219:** Lactose In Solid Form And Lactose Syrup, Nesoi

October 2019 US Dairy Import Volumes						
Commodity	Actual (metric tons)	Actual (million lbs)	vs last yr	vs last mo**	YTD vs last yr**	vs two years ago
Total Cheese	19,606	43.2	5.1%	-2.1%	6.2%	5.2%
Butter	3,625	8.0	-13.4%	-26.8%	29.9%	36.0%
Anhydrous Milkfat	2,390	5.3	4.2%	60.4%	18.8%	201%
Fat Blends	23	0.0	-45.1%	190.3%	-26%	156%
*MPC >40%	2,592	5.7	57.5%	213.9%	14.0%	-3.2%
MPC 90%	395	0.9	-38.9%	-49.1%	-25.2%	-35.4%
Casein, non MPC	2,827	6.2	46.3%	11.4%	21.8%	-24.3%
Caseinates	2,014	4.4	-0.9%	41.5%	-7.4%	31.1%

Source: USDA-FAS **Adjusted to 30 day months *Milk Protein Concentrate

- Butter imports lessened from Ireland as import tariffs were implemented on October 18th, though volumes remain well above 2017 and 2016. Imports from New Zealand are low compared to the product coming in from Ireland, but it is worth noting that they have reached 4,142MT Jan-Oct, UP 145% YoY and the highest recorded in ten years. AMF from Mexico reached 1,131MT in October, UP 170% from prior year and the highest in six months. Total AMF imports recorded in 2019 have amounted to 17,906MT, an 18% gain over last year but also the highest in 15 years.
- Despite tariffs, cheese volumes from the EU rose 4.3% from prior year in October, a trend that will likely not continue in November, which will be the first full month of experiencing *import penalties*. The largest rise was from Lithuania as the US imported 1,058MT from the country, UP 905MT YoY, though volumes from Italy fell 6% YoY and imports from France dropped 11% YoY.
- Casein imports are at three-year highs through October and New Zealand has captured a majority of the market share at 15,825MT or 39% market share. Year-to-date casein imports from Ireland are the highest since 2005 and are UP 18% YoY to 12,980MT.





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