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MD DA640 Nonfat Dry Milk - West

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NONFAT DRY MILK - WEST

In the West region, free on board (f.o.b.) spot prices for low/medium nonfat dry milk (NDM) are steady to higher on the range and adjusted slightly up on the mostly series. NDM futures values for the rest of Q1 and Q2 are slightly up, too. With these increases in NDM cash prices, some buyers/end users are puzzled about the economic logic of the NDM market since, according to them, the current NDM supply is well above their demands and, therefore, prices should be declining. Conversely, some NDM producers think that prices are ramping up prompted by an increase in the interest from the bakery sector. Moreover, in the hope that NDM values will continue to rise, some manufacturers continue storing heavy volumes of NDM in order to sell them in the near future at higher prices. Therefore, in some areas of the region, NDM supplies are less available for the buyer to obtain in the spot market. The production of low/medium heat NDM remains active as abundant condensed skim volumes continue clearing into dryers. NDM inventories are ample and still growing. The domestic demand from bakers is fair/good as the spring baking season is close.

High heat NDM prices are steady to higher on light spot trading. A few spot transactions based on specific brand pushed up the top price of the range. High heat production is irregular, mostly based on contractual needs. Inventories vary from plant to plant.

The January 2018 Dairy Market News monthly average for the West low/medium heat nonfat dry milk mostly series is \$0.6955 compared to \$1.0320 a year ago. The average for Western high heat nonfat dry milk is \$.8855 compared to \$1.1190 a year ago.

The CME Group monthly average price for Grade A NDM during January 2018 was \$0.6926, compared to \$1.0043 a year ago.

The NASS Dairy Products report noted U.S. human NDM production during December 2017 in the West region totaled 101.9 million pounds, 7.8 percent higher than one year ago, and 20.0 percent higher from the previous month. Total U.S. human NDM production during December 2017 was 163.3 million pounds, up 5.4 percent from last year. Cumulative human NDM production from January to December was 1.8 billion pounds, 4.1 percent above the previous year. Total U.S. NDM, human, month ending stocks for December were 330.4 million pounds, 46.5 percent above a year ago.

F.O.B. WEST: Includes EXTRA GRADE and GRADE A

LOW/MEDIUM HEAT: .6400 - .7875 MOSTLY: .7000 - .7500

HIGH HEAT: .8500 - 1.0000

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