

Daily Dairy

Vol. 9, No. 41 / May 29, 2020

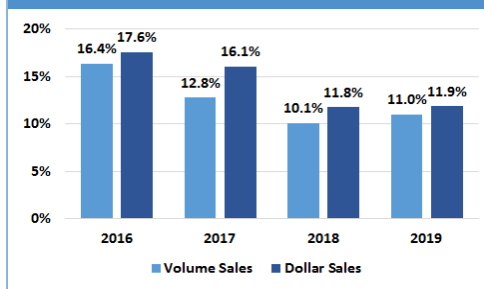
REPORT

Lactose-Free Milk Sales Soar

Sales of most varieties of milk soared over the past few months as consumers were compelled to eat at home, but sales of lactose-free milk have been climbing for years. With heavier volumes and more brands of lactose-free milk arriving on the market every year, consumers with sensitivities to lactose are no longer forced to drink plant-based alternatives.

There are two ways to make lactose-free milk. The oldest method is to add lactase, which breaks lactose into a simple sugar, making it easier for some people to digest. The second method, called ultra-filtration, involves filtering out lactose, which makes for a rich-tasting product with less sugar that is also higher in protein. According to the National Institutes of Health, about 65% of consumers globally have a reduced ability to digest lactose. Adult lactose intolerance is most prevalent in people of East Asian descent, with about 70% to 100% of these people affected. While lactose malabsorption is harmless, it can be uncomfortable.

Growth in Lactose-Free Milk Sales



U.S. sales of lactose-free milk in 2019 set a record high of more than 167 million gallons, up 11% from 2018 sales and about 63 million gallons more than in 2015. Sales of lactose-free milks have increased every year between 2015 and 2019, according to IRI data. In fact, last year's sales of lactose-free milks grew faster than all other varieties, except for non-homogenized. Sales are also growing globally. Global grocery store sales of lactose-free milk have reached \$1.2 billion annually, according to Nielsen.

Prior to the advent of ultra-filtered milks,

there was only one widely available brand of lactose-free milk in all of North America. Today, as larger volumes of lactose-free milks are offered across the United States, consumers who were once forced to turn to plant-based alternatives appear willing to return to the superior nutritional value and taste of milk. Last year, according to IRI data, year-over-year sales of lactose-free milk grew twice as fast as plant-based alternatives, which combined posted year-over-year growth of only 5.5% in 2019. **Continued on page 2...**

CME Spot Prices

CME Spot Prices (\$/lb.)	Close	Chg. ¢	Trades
Butter	\$1.6600	+7.00	13
Cheddar Block	\$2.2300	+10.00	0
Cheddar Barrel	\$2.0225	+9.25	2
NDM Grade A	\$1.0300	NC	7
Dry Whey	\$0.3050	-0.50	2
Corn Futures (JUL)	\$3.2575	-1.75	NA
Soybean Futures (JUL)	\$8.4075	-6.25	NA
Soybean Meal Futures (JUL)	\$285.00	-130.0	NA
Live Cattle Futures (AUG)	\$99.600	-157.50	NA

May 29 Trading Activity

	CME Futures (United States)												NZX Futures (New Zealand)				EEX Futures (Europe)		
	Class III \$/cwt.	chg. ¢	Class IV \$/cwt.	chg. ¢	Cheese ¢/lb.	chg. ¢	Whey ¢/lb.	chg. ¢	Butter ¢/lb.	chg. ¢	NDM ¢/lb.	chg. ¢	WMP \$/MT	SMP \$/MT	AMF \$/MT	Butter \$/MT	SMP €/MT	Butter €/MT	Whey €/MT
MAY20	12.18	-1	10.78	+7	130.60	NC	38.00	+0.03	132.50	NC	85.15	+0.25	-	-	-	-	-	-	-
JUN	18.50	+60	13.39	+26	196.00	+5.70	35.80	-0.30	171.45	+7.43	99.90	+1.40	2,620	2,535	3,900	3,700	2,168	3,150	725
JUL	17.68	+48	14.82	+46	187.50	+4.60	34.30	-0.70	180.98	+7.48	107.05	+0.73	2,650	2,535	4,000	3,650	2,235	3,390	735
AUG	16.74	+46	15.18	+55	178.00	+4.40	34.95	+0.20	186.00	+9.43	109.55	+1.35	2,680	2,525	4,000	3,600	2,250	3,390	745
SEP	16.65	+40	15.45	+61	176.00	+3.90	35.00	NC	186.28	+10.0	112.18	+1.33	2,700	2,535	4,000	3,550	2,270	3,390	708
OCT	16.63	+18	15.61	+58	176.00	+1.00	35.00	+0.03	188.25	+9.98	113.50	+0.95	2,705	2,570	4,050	3,575	2,265	3,410	725
NOV	16.69	+15	15.74	+61	176.00	+0.20	35.03	-0.03	188.25	+6.75	114.48	+0.98	2,705	2,580	4,050	3,575	2,280	3,410	725
DEC	16.35	+6	15.77	+46	173.30	+0.20	36.00	NC	188.10	+7.25	114.95	+0.95	2,705	2,585	4,050	3,575	2,290	3,410	725
JAN21	16.09	+19	15.61	+26	170.90	+0.90	35.00	-2.40	187.00	+7.25	114.70	NC	2,675	2,590	4,050	3,500	2,300	3,540	-
FEB	16.07	+18	15.49	+14	170.40	+1.10	35.45	-1.43	183.30	+0.38	115.08	NC	2,675	2,570	4,100	3,500	2,325	3,540	-
MAR	16.09	+6	15.38	+3	170.90	+0.50	35.40	-1.13	185.48	NC	115.50	NC	2,675	2,570	4,100	3,500	2,340	3,540	-
APR	16.01	NC	15.40	+4	170.90	+0.50	37.25	-1.60	183.53	+2.53	115.80	-0.20	2,760	2,570	4,100	3,500	2,350	3,550	-

April 2020 milk prices (with chg. vs. prior month): Class III \$13.07 (-\$3.18); Class IV \$11.40 (-\$3.47)

The Daily Dairy Report is published by Daily Dairy Report, Inc. The information and opinions contained in this document have been compiled or derived from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance. Reproducing, distributing, forwarding or sharing the Daily Dairy Report with fellow employees or third parties without the editor's express written permission shall result in immediate cancellation of the offending user's subscription without refund and such other remedies available at law or in equity.



Weekly Feature

April Pain Gives Way to May Gains

With one exception, the dairy markets continued to climb this week, closing out a month of formidable gains on a very strong note. CME spot Cheddar blocks jumped 29.25¢ and reached \$2.23/lb., less than a penny from the 2019 high. Since the month began, Cheddar blocks have rallied more than \$1, an increase of nearly 85%. CME spot Cheddar barrels closed at \$2.0225, up 13.25¢ this week and up 83.25¢ in May. Robust demand from both retailers and foodservice outlets has kept vats full and tightened milk supplies. According to USDA's Dairy Market News, a number of cheesemakers report six- to seven-day workweeks as they strive to keep up with orders. That's in sharp contrast to last month, when plants were idled or running slow due to the impacts of Covid-19. This week, spot milk in the Upper Midwest traded at the class price to \$3/cwt. over. It's remarkable to see

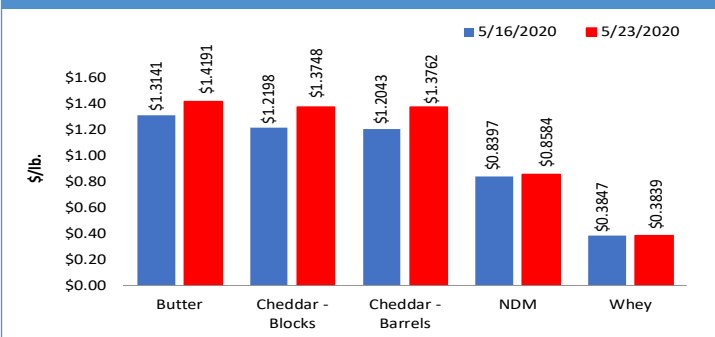
milk traded at a premium during spring flush. Typically, spot milk sells at a \$3.50 discount in late May. The vast gulf between MAY and JUN Class III futures may explain the unusual pricing. Cheesemakers are better off to pay a \$3 bonus for May milk at \$12.18/cwt. than to pay \$18.50 for June milk starting next week.

The butter and powder markets moved higher as well. Spot butter rallied 6.75¢ this week to \$1.66. After a limit-up close in JUL butter futures yesterday, butter traded with expanded 10¢ limits today, and most contracts gained considerable ground. Spot nonfat dry milk (NDM) gained added 1.75¢ this week and closed at \$1.03, the highest value since mid-March. With milk supplies tightening, driers are running slower and NDM is finding its way into cheese vats. Only the whey market retreated.

CME Group Spot Dairy Product Prices (\$/lb.)

	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly Average	Change vs. Prior Week	Weekly Volume
Butter	\$-	\$1.5800	\$1.5775	\$1.5900	\$1.6600	\$1.6019	\$(0.0141)	18
Cheddar Block	\$-	\$1.9625	\$2.0475	\$2.1300	\$2.2300	\$2.0925	\$0.2005	0
Cheddar Barrel	\$-	\$1.9100	\$1.9250	\$1.9300	\$2.0225	\$1.9469	\$0.1164	26
Grade A NDM	\$-	\$1.0250	\$1.0250	\$1.0300	\$1.0300	\$1.0275	\$0.0380	15
Dry Whey	\$-	\$0.3400	\$0.3200	\$0.3100	\$0.3050	\$0.3188	\$(0.0458)	32

AMS Weekly NDPSR Prices (\$/lb.)



Futures and Options

Futures	Weekly Volume	Open Interest	Options	Weekly Volume	Open Interest
Class III	4,001	24,776	Class III	4,233	87,606
Class IV	108	6,083	Class IV	633	16,443
Butter	245	10,363	Butter	292	14,902
Cheese	1,645	26,296	Cheese	879	34,821
Dry Whey	191	3,614	Dry Whey	599	2,991
NDM	1,044	10,108	NDM	1,339	29,043

Mon. - Thurs. Trading Volume. Open Interest as of 5/28/2020

USDA Dairy Market News Prices (\$/lb.) Week ending May 29

	Range	Mostly Range	Mostly Average	Change vs. Prior Week	Market Comments
Buttermilk Central	\$0.9000 to \$1.0000	NA	NA	\$0.0350	Market is higher
Buttermilk West	\$0.8500 to \$0.9800	\$0.9000 to \$0.9300	\$0.9150	\$0.0150	Market is higher
Dry Whey Central	\$0.3300 to \$0.3900	\$0.3500 to \$0.3750	\$0.3625	\$(0.0025)	Market is lower
Dry Whey West	\$0.3100 to \$0.4000	\$0.3500 to \$0.3850	\$0.3675	\$(0.0125)	Market is lower
Whey Protein Conc.	\$0.7500 to \$1.1375	\$0.8200 to \$1.0750	\$0.9475	\$(0.0100)	Market is lower
Lactose	\$0.3025 to \$0.5300	\$0.3700 to \$0.4600	\$0.4150	NC	Market is steady
NDM Central/East	\$0.9250 to \$1.0500	\$0.9950 to \$1.0200	\$1.0075	\$0.0700	Market is higher
NDM West	\$0.8500 to \$1.0525	\$0.9200 to \$1.0300	\$0.9750	\$0.0650	Market is higher
Whole Milk Powder	\$1.6500 to \$1.7500	NA	NA	\$0.0250	Market is higher