



Making sense of milk vs. milk replacer prices

Why doesn't milk replacer pricing follow the milk price?

Farmers and purchasing agents alike often ask why milk replacer prices don't "track" with whole milk prices directly. It's a fair question. Numerous factors affect milk replacer prices at the farm, including:

- Milk replacer ingredient prices overall
- Inventories of ingredients and finished goods at both the wholesale and retail level
- Timing of price changes from milk replacer manufacturers, feed companies, distributors and dealers

So why don't milk replacer prices just float with milk price?

The primary dairy ingredients used to manufacture milk replacers are essentially by-products of the cheese manufacturing industry, namely whey products such as whole whey, whey protein concentrate (WPC), and delactosed or deproteinated whey powders. Other price influencers are high-quality animal fats and soy proteins produced specifically for use in replacing dairy solids.

Following the whey and WPC markets, therefore, will yield better predictions of milk replacer price trends than whole milk. Whey and WPC markets are in turn affected by:

- Domestic demand, both from food and feed buyers (it is estimated that less than 10% of these ingredients are used in milk replacers)
- International or export demand, again from both human and animal feed markets
- Supply or production of various products, which is influenced by both raw ingredient (fluid, condensed) supply quantities, and the ability of dryers to switch production away from less profitable powders to others more profitable, such as changing over from whole whey drying to WPC, especially specialty or pharmaceutical grades
- Like many other commodity type ingredients there has also been an increase in speculators which can help to drive the market to extreme highs or lows

Condensed whey supplies are impacted quickly by production of cheese, which varies based on milk supply, and the outcome of decisions to produce different dairy foods.

In the following chart, note how over the period shown, whey and WPC vs. Class III Milk can at times appear to trend completely on track with each other and then become totally disconnected.

Whey, WPC, & Class III Milk Prices
2006, 2007, & 2008

