



MCTCOMPASS

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Coffee is Good with and for Milk

For years, the medical community told coffee drinkers that the benefits of the beverage outweighed potential side effects. In late 2017, the *British Medical Journal* issued a hefty study that reviewed decades of analysis in which the authors concluded that a

morning cup of Joe reduced the risk of Alzheimer's, heart disease, and type 2 diabetes, according to *Forbes*. However, that conclusion might need another look.

Today, coffee remains a stalwart product that businesses freely dispense to employees because it has been shown to increase productivity, and coffee companies like Starbucks and Dunkin' Donuts have benefitted from global increases in per-capita consumption of coffee drinks. However, the caffeine buzz might have come to a screeching halt in March when a California judge ruled that coffee companies in the Golden State would have to label coffee beverages with a warning that they contain the carcinogen acrylamide, a chemical byproduct of roasting the beans, according to the *Washington Post*. It seems unlikely the judge's decision will be reversed because the



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companies were unable to demonstrate that acrylamide in coffee does not result in "one or more cases of cancer for every 100,000 people." California has more aggressive labeling regulations than other states, but if history is an indicator, other states in time could follow California's lead. The question is whether a cancer warning on a 12-oz. latte will sway consumers away from continuing their coffee habits, resulting in lower consumption of coffee beverages and the milk that goes into them.

Fluid milk has only a few complimentary products—

cookies, cereal, and coffee. The U.S. dairy industry has already witnessed the decay of fluid milk consumption because a growing number of people are becoming too busy to eat cereal for breakfast. In 2017, more than 287 million Americans ate cold cereal, likely with milk, for breakfast. The number of American's who enjoy cereal and milk in the morning is expected to decline by 7.2%

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by Ken Meyers
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Americans love their coffee so much so that it is hard to see them abandoning their habit cold turkey. However, if future studies confirm that the acrylamide caused by roasting coffee beans is a major contributor to cancer and more states decide to require a cancer warning on coffee

drinks, consumption could decline over time just like tobacco use has plunged.

According to the American Cancer Society, French fries, potato chips, some processed grain-based products, and even burnt toast also contain acrylamide. If consumers eventually have to give up these products as well, they will need to turn to more minimally processed foods, including dairy.

The dairy industry, however, cannot just rest on its reputation. It needs to continue to partner with others in the food industry to create products that appeal to today's busy families, who are increasingly grabbing cereal bars and protein drinks for breakfast. Most of these products contain hefty amounts of dairy ingredients, particularly proteins.

Amid today's ever-changing dietary recommendations, consumers need to continue to eat and drink, and science has proven time and again that milk is a nutrient-packed product, whether it is in a glass, added to coffee, poured over cereal, or used as an ingredient in countless healthy products. **MCT**

Are 2018 Lows Already Logged?

After touching what could prove to be the 2018 lows, U.S. dairy product prices were all moving higher at the

end of April. Dairy consumption remained strong with U.S. and global consumers soaking up considerable

amounts of product at current price levels, and nonfat dry milk prices made a decisive move higher at the end of April after languishing for months. Heading into the spring flush, lower year-over-year milk volumes off farms and stronger demand suggested markets could be well supported for months. **MCT**

MCT Forecast

	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
Apr	1.6040	1.5100	14.46	2.3120	13.49	0.2590	0.7105
May	1.6375	1.5185	14.84	2.3550	14.28	0.2620	0.7560
Jun	1.6500	1.5575	15.27	2.3800	14.75	0.2680	0.7970
Jul	1.7585	1.6835	15.88	2.4890	15.36	0.2700	0.8310
Aug	1.7630	1.6960	16.63	2.6300	16.19	0.2785	0.8595
Sep	1.8185	1.7855	16.90	2.6750	16.66	0.2835	0.8815

* CME prices.

**NASS prices.

...lots of milk, please

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to 266.6 million by 2020. U.S. beverage milk is also declining due to a vast array of alternative beverages that did not exist a decade ago. Annual average per-capita fluid milk consumption reached a record low in 2016, falling to 154 lbs., down from 247 lbs. in 1975, according to USDA's Economic Research Service.

Coffee beverages could be instrumental in slowing the milk consumption decline for adults. The world's affinity for coffee and coffee beverages continues to rise. Between 2012 and last year, world coffee consumption expanded at a 1.72% compound annual growth rate (CAGR), according to the International Coffee Organization. Whether at home or at the office, 25% of the coffee consumed is an espresso beverage, like a macchiato, cappuccino, or latte—and these beverages are mostly milk. A typical macchiato contains 1 oz. of milk, a cappuccino has 4 oz., and an 8-oz. latte contains 6 oz. of milk. That puts Starbucks' popular tall (12-oz.) latte at an impressive 9 oz. of milk. In 2011, when Starbucks had 11,872 stores, it served 93 million gallons of milk. By 2015, Starbucks stores had nearly doubled to 22,519 worldwide, according to

the company's website, suggesting an equally weighty impact on milk procurement around the globe. This does not include the additional volume of milk sold in single-serve coffee beverages at the grocery store level, and these drinks are growing rapidly in popularity among consumers. Starbucks' worldwide milk sales alone could equate to nearly 3% of U.S. annual unflavored milk sales in 2016. And this, of course, does not include the impact of similar drinks sold at McDonald's, Dunkin' Donuts, Peet's, Caribou, and all the other coffee houses throughout the United States.

While it is too early to determine the fallout from the California judge's decision, it is clear that coffee and dairy companies alike will keep a keen eye on the trends. Starbucks has more stores in California than any other state, with 900 retail outlets in the Los Angeles metro area alone. In 2014, Dunkin' Donuts began to expand its retail presence in California, and last year McDonald's was working on expanding its McCafe drinks in the Golden State. Should California consumers shrug off the cancer warning, milk's long-term consumption trend won't be broken, but if the new labeling influences consumer behavior, a falloff in consumption could occur that far exceeds current trends. **MCT**



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