



WEEKLY DAIRY OUTLOOK

April 1st, 2024

This short weekly newsletter provides you with a summary of current dairy prices, translates product prices into component prices, and summarizes major dairy related news.

Table 1. Spot dairy products prices on Friday March 22nd and Thursday March 28th, and their implied component prices

	March 22, 2024	Mar 28, 2024	Change	Month to date
CME cheddar cheese				
- blocks (\$/lb)	1.3925	1.4175	+0.0250	1.4580
- barrels (\$/lb)	1.4250	1.4275	+0.0025	1.4865
CME butter (\$/lb)	2.8075	2.8425	+0.0350	2.8065
CME Dry whey (\$/lb)	0.3950	0.4025	+0.0075	0.4155
CME Nonfat dry milk (\$/lb)	1.1075	1.1200	+0.0125	1.1515
		Implied Prices		
Butterfat (\$/lb)	3.19	3.24	+0.04	3.19
Protein (\$/lb)	0.58	0.58	+0.00	0.79
Other solids (\$/lb)	0.20	0.21	+0.01	0.22
Class III (\$/cwt)	14.06	14.25	+0.19	14.79
Class IV (\$/cwt)	19.25	19.51	+0.26	19.63

Comments

For a welcome change, all dairy commodity prices were up on the CME spot market last week. Mind you, not by much, but up is better than down... The same cannot be said of the futures markets where, except for dry whey prices, all 6-month strips of futures were down. Futures markets are not indicating any significant recovery in cheese prices until July.

Table 2. Six-month strip of dairy futures at closing time last Thursday, and changes in their 6-month averages from the prior Friday closings¹.

	Cheese (\$/lb)	Butter (\$/cwt)	Dry Whey (\$/cwt)	NDM (\$/cwt)	Class III (\$/cwt)	Class IV (\$/cwt)
March	1.610	283.000	47.225	118.500	16.34	20.09
April	1.550	283.600	44.500	115.900	15.56	19.87
May	1.590	287.750	44.725	114.100	15.95	19.92
June	1.663	290.100	44.350	115.100	16.68	20.00
July	1.742	294.025	43.750	117.300	17.43	20.45
August	1.807	294.000	44.250	119.300	18.12	20.65
Average	1.660	288.746	44.759	116.700	16.68	20.16
Weekly Change	-0.018	-0.117	+0.238	-0.279	-0.16	-0.01

¹ Futures prices on the Chicago Mercantile Exchange

Based on the next 6-month futures, the implied 6-month prices of milk components used in Class III and nonfat solids used in Class I, II, and IV pricings are reported in Table 3.

Table 3. Translation of futures dairy product prices into futures component prices.

	Butterfat (\$/lb)	Protein (\$/lb)	Other Solids (\$/lb)	Nonfat Solids (\$/lb)
March	3.22	1.15	0.28	1.01
April	3.23	0.95	0.25	0.98
May	3.28	1.03	0.25	0.96
June	3.31	1.23	0.25	0.97
July	3.35	1.44	0.25	1.00
August	3.35	1.65	0.25	1.01
Average	3.29	1.24	0.26	0.99
Weekly Change	+0.00	-0.06	+0.00	+0.00

- Table 4 reports price quotations for butter, skim milk powder/nonfat dry milk (SMP/NDM), whole milk powder (WMP), and cheddar from the top three exporting blocks of countries (the European Union taken as a whole) in mid-March and their relative biweekly price changes.

Table 4. World price quotations of 4 major dairy commodities as of March 17th, 2024.

	US\$/lb			Biweekly Change (%)		
	E.U.	Oceania	U.S.	E.U.	Oceania	U.S.
Butter	2.81	2.95	2.83	+2.2	-2.3	+1.0
SMP/NDM	1.23	1.21	1.16	-1.9	-5.3	-2.2
WMP	1.79	1.49	2.17	+0.2	-2.6	+3.3
Cheddar	1.93	1.96	1.45	+8.8	+2.7	-9.1

- The USDA *Cold Storage* report for February was released last week. Total natural cheese stocks in refrigerated warehouses on February 29th was up 1.7% from February 2023, and also up 0.5% from the previous month. Cheese stocks are growing because production exceeds demand. Since we know that cheese production is down, the inevitable conclusion is that demand is down. In short, low cheese prices are largely due to soft domestic demand.

Table 6. USDA February 29, 2024 *Cold Storage* report.

	Stocks in all warehouses (1,000 pounds)			February 2024 as a percent of	
	February 28 2023	January 31 2023	February 29 2024	February 2023	January 2024
Butter	294,033	247,588	295,809	+0.6	+19.5
Natural cheese					
American	809,238	839,788	832,817	+2.9	-0.8
Swiss	23,929	21,782	22,275	-6.9	+2.3
Other	604,955	594,936	608,179	+0.5	+2.2
Total natural cheese	1,438,122	1,456,506	1,463,271	+1.7	+0.5

- This coming Wednesday, the USDA will be releasing component and minimum class prices in effect in the Federal Milk Marketing Orders (FMMOs) for the month of March. Of course, we do not know precisely what these prices will be, but based on the current information the following prices are expected:
 - Butterfat: \$3.18 to \$3.28/lb (up \$0.12/lb from last month)
 - Protein: \$1.10 to \$1.20/lb (down \$0.08/lb from last month)
 - Other Solids: \$0.27 to \$0.31/lb (up \$0.01/lb from last month)
 - Nonfat Solids: \$0.99 to \$1.04/lb (down \$0.02/lb from last month)
 - Class III: \$16.20 to \$16.50/cwt (up \$0.27/cwt from last month)
 - Class IV: \$19.95 to \$20.25/cwt (up \$0.25/cwt from last month)