



WEEKLY DAIRY OUTLOOK

April 15th, 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 April 5th and Friday April 12th, and their implied component prices

	April 5, 2024	April 12, 2024	Change	Month to date
CME cheddar cheese				
- blocks (\$/lb)	1.5150	1.5350	+0.0200	1.5250
- barrels (\$/lb)	1.5300	1.5725	+0.0425	1.5513
CME butter (\$/lb)	2.9400	2.9200	-0.0200	2.9300
CME Dry whey (\$/lb)	0.3900	0.3600	-0.0300	0.3750
CME Nonfat dry milk (\$/lb)	1.1325	1.1425	-0.0100	1.1375
		Implied Prices		
Butterfat (\$/lb)	3.35	3.33	-0.02	3.34
Protein (\$/lb)	0.78	0.91	+0.13	0.84
Other solids (\$/lb)	0.20	0.17	-0.03	0.18
Class III (\$/cwt)	15.18	15.30	+0.12	15.24
Class IV (\$/cwt)	20.03	20.03	+0.00	20.03

Comments

Cash cheese prices continued their recent recovery last week, but at a reduced pace compared to the prior week. They still are well below the \$1.90 to \$2.00/lb range that would be considered long-term 'normal'. Cheese futures point to a progressive recovery in the next 6 months, but futures only represent a consensus among traders. They are humans and can be (and have been) wrong. Butter prices, both cash and futures have found a plateau in the \$2.90 to \$3.00/lb range, translating to butterfat prices in the \$3.30 to \$3.40/lb range.

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)
April	1.538	291.000	43.000	116.000	15.41	20.06
May	1.660	293.500	40.400	115.500	16.41	20.20
June	1.704	295.000	39.500	117.250	16.85	20.40
July	1.755	298.025	40.250	120.100	17.37	20.72
August	1.805	300.875	41.250	122.250	17.98	21.01
September	1.848	303.500	42.000	124.000	18.38	21.24
Average	1.718	296.983	41.067	119.183	17.07	20.61
Weekly Change	+0.006	-2.808	-1.888	+1.550	-0.09	-0.09

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)
April	3.32	0.82	0.24	0.98
May	3.35	1.18	0.21	0.98
June	3.36	1.30	0.20	0.99
July	3.40	1.43	0.21	1.02
August	3.44	1.55	0.22	1.04
September	3.47	1.66	0.23	1.06
Average	3.39	1.32	0.22	1.01
Weekly Change	-0.03	+0.05	-0.02	+0.02

- 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) at the end of March and their relative biweekly price changes.

Table 4. World price quotations of 4 major dairy commodities as of March 31st, 2024.

	US\$/lb			Biweekly Change (%)		
	E.U.	Oceania	U.S.	E.U.	Oceania	U.S.
Butter	2.76	2.91	2.84	-1.9	-1.3	+0.5
SMP/NDM	1.18	1.14	1.12	-3.6	-5.6	-3.8
WMP	1.74	1.42	2.14	+2.8	-4.9	-1.4
Cheddar	1.90	1.91	1.42	-1.2	-2.3	-2.1

- I frequently have pointed out the importance of U.S. dairy exports for the U.S. dairy industry in this newsletter. Last week, I reported that cheese exports in February were particularly strong. I will use the balance of this newsletter to provide a better insight of our dairy exports in February.

The U.S. Dairy Export Council reports export volumes in metric tons and on a monthly basis. To ensure that we make an accurate assessment of changes across months with different number of days, all data in this newsletter will be expressed on a daily basis. Also, for convenience to our American brains, export volumes will be expressed in pounds (actually, in million pounds).

Table 5 reports export volumes for the month of February and compares these to January 2024 and February 2023. Total dairy exports averaged nearly 15.4 million pounds per day during the month, a 5.6% increase from February 2023 and an 18.8% increase from January 2024. Beware that all exports are expressed on an as is basis without any correction for the different moisture levels across products. For example, cheese averages around 37% moisture whereas whey powder averages only about 4.5%

moisture. Hence, a million pounds of cheese is not equivalent to a million pounds of dry whey on a milk solids basis. Also, a million pounds of cheese does not amount to the same amounts of butterfat, protein and other solids as a million pounds of dry whey. Exports of specific milk components will be scrutinized and detailed in a future newsletter.

Table 5. U.S. February 2024 dairy export volumes (million pounds/day) and changes from February 2023 and January 2024.

	February 2024	% change from February 2023	% Change from January 2024
Butterfat	0.20	-19.4	-1.8
Cheese	3.30	+27.3	+21.0
Lactose	2.71	-9.8	+2.6
NFDM/SMP	5.13	+3.4	+23.1
Whey	3.35	+6.7	+23.7
WMP	0.18	+16.9	+111.5
WPC80+	0.50	+10.4	+22.5
Total	15.36	+5.6	+18.8

Except for butterfat (which we do not export in large volumes anyway) and dry lactose (which we do export in significant quantities), export volumes in February 2024 of all dairy commodities were significantly up from February 2023. The same can be said when compared to January 2024, including dry lactose in this case. The increase in cheese exports (+27.3% and +21.0% compared to February 2023 and January 2024, respectively) was, as pointed out last week, particularly noteworthy. Considering that we produced 39.075 million pounds of cheese per day in this country during February, these data indicate that we did export around 8.5% of our daily cheese production during the month.

Table 6 reports the proportion of total exports from each dairy commodity during the months of February 2024, February 2023, and January 2024.

Table 5. Percentage of total dairy export volume from each dairy commodity during the months of February 2024, February 2023, and January 2024.

	February 2024	February 2023	January 2024
Butterfat	1.3	1.7	1.6
Cheese	21.4	17.8	21.1
Lactose	17.6	20.6	20.4
NFDM/SMP	33.4	34.1	32.2
Whey	21.8	21.6	20.9
WMP	1.2	1.1	0.7
WPC80+	3.3	3.1	3.2
Total	100	100	100

Often, U.S. dairy exports are being characterized as being simply a dumping ground for nonfat dry milk and skim milk powders. Although we do export these products in large

quantities, combined they represent only a third of all dairy exports, which was not the case just a couple decades ago. Cheese, lactose and the various dry whey products now account for nearly 2/3 of all U.S. dairy exports. On a component-basis, we exported about 5%, 17%, and 25% of our butterfat, protein and other solids production, respectively, during the month. We do import more butterfat than we export: we are still butterfat deficient in this country. Our ability to export milk protein and other solids has a significant impact on our domestic dairy prices. It is increasingly important to understand that our domestic milk prices are not solely influenced by domestic factors.