



## WEEKLY DAIRY OUTLOOK

April 22<sup>nd</sup>, 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 12<sup>th</sup> and Friday April 19<sup>th</sup>, and their implied component prices

	April 12, 2024	April 19, 2024	Change	Month to date
CME cheddar cheese				
- blocks (\$/lb)	1.5350	1.6800	+0.1450	1.5767
- barrels (\$/lb)	1.5725	1.6600	+0.0875	1.5875
CME butter (\$/lb)	2.9200	2.9200	+0.0000	2.9267
CME Dry whey (\$/lb)	0.3600	0.3925	+0.0325	0.3808
CME Nonfat dry milk (\$/lb)	1.1425	1.1200	-0.0225	1.1317
		<b>Implied Prices</b>		
Butterfat (\$/lb)	3.33	3.33	+0.00	3.34
Protein (\$/lb)	0.91	1.28	+0.37	0.99
Other solids (\$/lb)	0.17	0.20	+0.03	0.19
Class III (\$/cwt)	15.30	16.61	+1.31	15.70
Class IV (\$/cwt)	20.03	19.84	-0.19	19.97

### Comments

Cash and futures cheese prices surged on the CME last week. Perhaps traders realized that the February cheese production data were for a 29-day month and not 28 days as in 2023. Or perhaps they realized that U.S. cheddar cheese is currently very much underpriced compared to EU and Oceania cheese prices, hence boosting U.S. cheese exports. Or they reacted to the news of HPAI (H5N1) having spread across 8 states (but most likely not affecting milk supplies much). Bottom line: cheese prices were up on both the cash and futures markets. Good news for dairy producers!

Table 2. Six-month strip of dairy futures at closing time last Thursday, and changes in their 6-month averages from the prior Friday closings<sup>1</sup>.

	Cheese (\$/lb)	Butter (\$/cwt)	Dry Whey (\$/cwt)	NDM (\$/cwt)	Class III (\$/cwt)	Class IV (\$/cwt)
April	1.551	292.500	43.500	115.875	15.57	20.14
May	1.790	295.475	42.000	114.475	17.84	20.20
June	1.815	297.825	41.875	115.500	18.07	20.44
July	1.836	298.500	42.000	117.750	18.32	20.55
August	1.863	301.750	43.675	119.350	18.51	20.90
September	1.871	304.250	43.025	121.000	18.70	21.20
Average	1.788	298.383	42.679	117.325	17.84	20.57
Weekly Change	+0.069	+1.400	+1.613	-1.858	+0.77	-0.03

<sup>1</sup> 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	3.33	0.84	0.24	0.98
May	3.37	1.57	0.23	0.97
June	3.40	1.62	0.23	0.98
July	3.41	1.68	0.23	1.00
August	3.45	1.73	0.24	1.02
September	3.48	1.72	0.24	1.03
Average	3.41	1.53	0.23	1.00
Weekly Change	+0.02	+0.21	+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) in mid-April and their relative biweekly price changes.

Table 4. World price quotations of 4 major dairy commodities as of April 14<sup>th</sup>, 2024.

	US\$/lb			Biweekly Change (%)		
	E.U.	Oceania	U.S.	E.U.	Oceania	U.S.
Butter	2.80	3.01	2.94	+1.6	+3.5	+3.3
SMP/NDM	1.19	1.16	1.14	+0.6	+1.5	+1.8
WMP	1.76	1.47	2.17	+1.1	+3.6	+1.4
Cheddar	1.90	1.99	1.55	-0.3	+3.8	+9.0

- Overseas, the Global Dairy Trade index went **up 0.1%** at the GDT auction held April 16<sup>th</sup>. Over 75% of the index is driven by skim milk powder and whole milk powder prices, the latter one accounting for more than 50% of the index. Hence, although many dairy commodity prices were down, the index went up due to the 0.4% increase in whole milk powder price. Average prices and changes from the prior session for the major dairy commodities were as follows:
  - Anhydrous milkfat: US\$ 3.20/lb +1.7%
  - Butter: US\$ 2.97/lb - 1.4%
  - Cheddar: US\$ 1.80/lb - 8.5%
  - Lactose US\$ 0.34/lb - 1.3%
  - Mozzarella: US\$ 1.70/lb - 3.8%
  - Skim milk powder: US\$ 1.15/lb +0.0%
  - Whole milk powder: US\$ 1.48/lb +0.4%
- Milk collection data for the European Union during the month of February 2024 have been released. One would think that someone working for the EU would have realized

that February 2024 had one more day than February 2023. Nope! Hence the report highlighted a 3.0% increase in milk deliveries across the 27 countries of the EU-27 in February. I might be old and slightly mentally dysfunctional, but I still remember what we all learned in primary school regarding the additional day added to the month of February every four years to keep the calendar in synch with the Earth rotation around the sun. Hence, I adjusted all February 2024 milk collection data to a 'standard' month of February (i.e., 28 days).

Total collections for the 27 countries totaled 11,118,000 metric tons (24.5 billion pounds), down 63,100 metric tons (139 million pounds) or 0.56% from February 2023. This marks the seventh straight month of production decline in Europe. Five countries accounted for 68.4% of the total milk collected (Germany, France, The Netherlands, Poland, and Italy). Altogether, collections in these 5 countries were down 0.26% (19,800 metric tons, or 43.6 million pounds) from last year. Milk production in Ireland continued its precipitous drop for reasons explained in the February 26<sup>th</sup> of this newsletter. Also noteworthy, daily milk collections in France were up 0.4% after many months of sharp declines.



