



## WEEKLY DAIRY OUTLOOK

Sept 2<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 August 23<sup>rd</sup> and Friday August 30<sup>th</sup>, and their implied component prices.

	August 23, 2024	August 30, 2024	Change	Month to date
CME cheddar cheese				
- blocks (\$/lb)	2.0375	2.2100	+0.1725	2.0310
- barrels (\$/lb)	2.1000	2.2600	+0.1600	2.1100
CME butter (\$/lb)	3.1300	3.1700	+0.0400	3.1365
CME Dry whey (\$/lb)	0.5650	0.5600	-0.0050	0.5695
CME Nonfat dry milk (\$/lb)	1.2825	1.3300	+0.0475	1.2615
		<b>Implied Prices</b>		
Butterfat (\$/lb)	3.58	3.63	+0.05	3.59
Protein (\$/lb)	2.30	2.78	+0.49	2.29
Other solids (\$/lb)	0.38	0.37	-0.01	0.38
Class III (\$/cwt)	21.55	23.14	+1.59	21.60
Class IV (\$/cwt)	22.12	22.70	+0.58	21.97

### Comments

The cash and futures markets surged on the CME last week. This was not unexpected even after the price retreat 2 weeks ago. Milk supply is tight and will remain so for a while. The six-month strips of cheese futures surged 4.6%, resulting in a 4.2% increase in the six-month strip of Class III futures. Importantly, Class III and Class IV futures are all reasonably close to each other – basically within ~ \$1.00/cwt – which should remove incentives to depool Class IV milk, which has been the case for many months. This would result in larger PPDs in FMMOs with significant Class IV usage.

Table 2. Six-month strip of dairy futures at closing time last Friday, 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)
August	2.035	312.000	48.450	122.725	20.61	21.66
September	2.193	320.025	53.000	128.000	22.40	22.51
October	2.220	325.500	55.400	132.975	22.85	23.05
November	2.184	320.125	56.950	133.000	22.51	22.85
December	2.108	302.000	58.500	133.500	21.78	22.14
January	2.000	291.000	56.000	134.000	20.54	21.75
Average	2.123	311.775	54.717	130.700	21.78	22.33
Weekly Change	+0.093	+2.913	+0.238	+2.150	+0.87	+0.41

<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)
August	3.57	2.15	0.29	1.05
September	3.67	2.56	0.34	1.10
October	3.73	2.58	0.37	1.15
November	3.67	2.53	0.38	1.15
December	3.45	2.51	0.40	1.16
January	3.32	2.31	0.37	1.16
Average	3.57	2.44	0.36	1.13
Weekly Change	+0.04	+0.26	+0.00	+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 late August, and their relative biweekly price changes.

Table 4. World price quotations of 4 major dairy commodities as of August 20<sup>th</sup>, 2024.

	US\$/lb			Biweekly Change (%)		
	E.U.	Oceania	U.S.	E.U.	Oceania	U.S.
Butter	3.34	3.06	3.14	+3.2	-10.1	+1.0
SMP/NDM	1.20	1.16	1.24	+2.2	-1.4	-0.4
WMP	1.94	1.48	2.30	+4.2	+2.8	+0.9
Cheddar	1.93	1.94	2.05	+0.7	-1.2	+7.2

- This coming week, the USDA will be releasing component and minimum class prices in effect in the Federal Milk Marketing Orders (FMMOs) for the month of August. Of course, we do not know precisely what these prices will be, but based on the current information the following prices are expected:
  - Butterfat: \$3.51 to \$3.61/lb (down \$0.01/lb from last month)
  - Protein: \$2.04 to \$2.14/lb (up \$0.14/lb from last month)
  - Other Solids: \$0.27 to \$0.31/lb (up \$0.04/lb from last month)
  - Nonfat Solids: \$1.02 to \$1.07/lb (up \$0.03/lb from last month)
  - Class III: \$20.23 to \$20.53/cwt (up \$0.59/cwt from last month)
  - Class IV: \$21.42 to \$21.72/cwt (up \$0.26/cwt from last month)
- A clever reader caught a mistake in this newsletter last week. The weekly price change in the implied cash Class III price was not +\$0.99/cwt, but -\$0.99/cwt. Mind you, the fact that the newsletter was written on a sailboat 300 miles offshore under gale winds and 15-20 foot seas could be used as a reasonable excuse. Being back on firm land right now steadies up the laptop considerably: the '+' and '-' keys are not moving as much... My apologies for this mistake.