



WEEKLY DAIRY OUTLOOK

Sept 30th, 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 September 20th and Friday September 27th, and their implied component prices.

| | Sept 20, 2024 | Sept 27, 2024 | Change | Month to date |
|-----------------------------|---------------|-----------------------|---------|---------------|
| CME cheddar cheese | | | | |
| - blocks (\$/lb) | 2.2375 | 2.1100 | -0.1275 | 2.2608 |
| - barrels (\$/lb) | 2.5900 | 2.2975 | -0.2925 | 2.4119 |
| CME butter (\$/lb) | 2.9725 | 2.7325 | -0.2400 | 3.0025 |
| CME Dry whey (\$/lb) | 0.5875 | 0.5975 | +0.0100 | 0.5944 |
| CME Nonfat dry milk (\$/lb) | 1.3800 | 1.3575 | -0.0225 | 1.3738 |
| | | Implied Prices | | |
| Butterfat (\$/lb) | 3.39 | 3.10 | -0.19 | 3.43 |
| Protein (\$/lb) | 3.61 | 3.24 | -0.37 | 3.26 |
| Other solids (\$/lb) | 0.40 | 0.41 | +0.01 | 0.41 |
| Class III (\$/cwt) | 24.95 | 22.88 | -2.07 | 24.07 |
| Class IV (\$/cwt) | 22.29 | 21.08 | -1.21 | 22.31 |

Comments

Except for dry whey, prices of dairy commodities went down across the board on both the cash and futures markets. The drop in cheese prices were understandably more pronounced on the cash than on the futures markets. As we will see from the *Cold Storage Report*, American cheese stocks at the end of August were up from the end of July. Because American cheese production is down, this likely indicates a softening of the demand for cheese. Butter prices continued their downfall: the 6-month strip of butter futures lost nearly 10¢/lb last week.

Table 2. Six-month strip of dairy futures at closing time last Friday, 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) |
|---------------|----------------|-----------------|-------------------|--------------|--------------------|-------------------|
| September | 2.287 | 315.300 | 52.900 | 128.725 | 23.30 | 22.30 |
| October | 2.268 | 286.450 | 55.525 | 133.200 | 23.09 | 21.42 |
| November | 2.178 | 287.500 | 56.525 | 132.500 | 22.43 | 21.39 |
| December | 2.062 | 279.275 | 57.250 | 132.500 | 21.23 | 21.03 |
| January | 1.988 | 277.975 | 58.750 | 132.800 | 20.50 | 21.00 |
| February | 1.905 | 279.500 | 58.500 | 133.500 | 19.73 | 21.15 |
| Average | 2.115 | 287.667 | 56.575 | 132.204 | 21.71 | 21.38 |
| Weekly Change | -0.036 | -9.392 | +0.325 | -3.308 | -0.33 | -0.65 |

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) |
|---------------|----------------------|--------------------|-------------------------|--------------------------|
| September | 3.61 | 2.92 | 0.34 | 1.11 |
| October | 3.26 | 3.23 | 0.37 | 1.15 |
| November | 3.27 | 2.93 | 0.38 | 1.15 |
| December | 3.17 | 2.66 | 0.38 | 1.15 |
| January | 3.16 | 2.43 | 0.40 | 1.15 |
| February | 3.18 | 2.15 | 0.40 | 1.16 |
| Average | 3.28 | 2.72 | 0.38 | 1.14 |
| Weekly Change | -0.11 | +0.00 | +0.00 | -0.03 |

- 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-September, and their relative biweekly price changes.

Table 4. World price quotations of 4 major dairy commodities as of September 15th, 2024.

| | US\$/lb | | | Biweekly Change (%) | | |
|---------|---------|---------|------|---------------------|---------|------|
| | E.U. | Oceania | U.S. | E.U. | Oceania | U.S. |
| Butter | 3.76 | 3.00 | 3.15 | +5.5 | -1.9 | -1.0 |
| SMP/NDM | 1.29 | 1.25 | 1.39 | +3.5 | +4.8 | +6.1 |
| WMP | 2.13 | 1.56 | 2.40 | +4.8 | -2.5 | +3.2 |
| Cheddar | 1.99 | 1.98 | 2.29 | +1.5 | +0.3 | +3.5 |

- The USDA *Cold Storage* report for August was released last week. Total natural cheese stocks in refrigerated warehouses on August 31st were **down 6.4%** from August 2023, and **down 0.2%** from the prior month. Likewise, stocks of American-style cheese were **down 3.2%** from August 2023, but surprisingly **up 0.9%** from the end of July '24. Details are provided in the following table.

Table 5. USDA August 31, 2024 *Cold Storage* report.

| | Stocks in all warehouses (1,000 pounds) | | | August 2024 as a percent of | |
|----------------------|---|-----------------|-------------------|-----------------------------|--------------|
| | August 31 2023 | July 31 2024 | August 31 2024 | August 2023 | July 2024 |
| Butter | 291,750 | 352,843 | 323,284 | +10.8 | -8.4 |
| Natural cheese | | | | | |
| American | 852,876 | 791,455 | 799,925 | -6.2 | +1.1 |
| Swiss | 22,594 | 22,326 | 22,509 | -0.4 | +0.8 |
| Other | 619,902 | 589,639 | 577,881 | -6.8 | -2.0 |
| Total natural cheese | 1,495,372 | 1,403,420 | 1,400,315 | -6.4 | -0.2 |

- 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 September. Of course, we do not know precisely what these prices will be, but based on the current information the following prices are expected:
 - Butterfat: \$3.57 to \$3.67/lb (up \$0.06/lb from last month)
 - Protein: \$2.77 to \$2.87/lb (up \$0.64/lb from last month)
 - Other Solids: \$0.32 to \$0.36/lb (up \$0.04/lb from last month)
 - Nonfat Solids: \$1.08 to \$1.13/lb (up \$0.06/lb from last month)
 - Class III: \$22.89 to \$23.19/cwt (up \$2.38/cwt from last month)
 - Class IV: \$22.14 to \$22.44/cwt (up \$0.71/cwt from last month)