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WEEKLY DAIRY OUTLOOK

September 14, 2020

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

Table 1. Spot dairy products prices on September 4 and 11 and their translation into component prices.

	Sept 4, 2020	Sept 11, 2020	Change	Month to date
CME cheddar cheese				
- blocks (\$/lb)	\$ 2.1250	\$ 2.1650	+ \$ 0.0400	\$ 2.1450
- barrels (\$/lb)	\$ 1.7000	\$ 1.5950	- \$ 0.1050	\$ 1.6475
CME butter (\$/lb)	\$ 1.4925	\$ 1.4800	- \$ 0.0125	\$ 1.4863
CME Dry whey (\$/lb)	\$ 0.3325	\$ 0.3550	+ \$ 0.0225	\$ 0.3438
CME Nonfat dry milk (\$/lb)	\$ 1.0300	\$ 1.0400	+ \$ 0.0100	\$ 1.0350
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		Implied Prices		
Butterfat (\$/lb)	\$ 1.600	\$ 1.585	- \$ 0.015	\$ 1.593
Protein (\$/lb)	\$ 3.881	\$ 3.792	- \$ 0.089	\$ 3.837
Other solids (\$/lb)	\$ 0.137	\$ 0.161	+ \$ 0.024	\$ 0.149
Class III (\$/cwt)	\$ 17.99	\$ 17.80	- \$ 0.19	\$ 17.90
Class IV (\$/cwt)	\$ 13.01	\$ 13.05	+ \$ 0.04	\$ 13.03

Comments

- In last week's newsletter, I stated that we were expecting negative Producer Price Differentials (PPDs) in most of the Federal Milk Marketing Orders (FMMOs) for August. Last week, August PPDs were released for component-priced FMMOs. These orders account for the vast majority of the national milk pooled in FMMOs. The table below reports how much milk was pooled in August of this year vs. August of last year. Large reductions in pooled milk indicate substantial depooling of milk (likely Class III milk), which has a negative impact on PPDs. The bottom line is that although the Class III milk and its components (butterfat, protein, and other solid) prices were favorable to dairy producers in August, the large negative PPDs made the actual milk checks disappointing... to put it mildly.

	Total Milk (mil lbs) August 2019	Total Milk (mil lbs) August 2020	PPD (\$/cwt) 2019	PPD (\$/cwt) 2020
FO 01 - Northeast	1,872	1,832	0.24	-5.24
FO 30 - Upper Midwest	3,173	1,091	0.15	-2.06
FO 32 - Central	1,328	864	0.25	-3.62
FO 33 - Mideast	1,657	1,351	0.60	-2.93
FO 51 - California	1,872	1,831	0.24	-5.24
FO 126 - Southwest	1,287	900	1.09	-3.76



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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	1.782	148.200	31.400	99.500	16.48	12.68
October	2.064	157.975	31.450	104.525	19.24	13.60
November	1.876	162.800	31.500	107.250	17.72	14.09
December	1.798	165.65	32.25	109.500	16.74	14.27
January	1.727	167.800	33.000	111.000	16.26	14.50
February	1.722	172.525	33.250	113.225	16.10	14.93
Average	1.828	162.492	32.142	107.500	17.09	14.01
Change	-0.003	-4.267	0.158	-1.321	+0.05	-0.27

¹ Futures prices on the Chicago Mercantile Exchange

Based on the next 6-month futures prices of dairy products, the implied 6-month prices of milk components used in Class III and nonfat solids used in Class 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	1.587	3.425	0.118	0.819
October	1.705	4.210	0.119	0.869
November	1.764	3.542	0.119	0.896
December	1.798	3.255	0.127	0.918
January	1.824	2.998	0.135	0.933
February	1.882	2.922	0.137	0.955
Average	1.760	3.392	0.126	0.898
Change	-0.052	+0.045	+0.002	-0.013