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WEEKLY DAIRY OUTLOOK

November 23, 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 November 13 and 20 and their implied component prices.

	Nov 13, 2020	Nov 20, 2020	Change	Month to date
CME cheddar cheese				
- blocks (\$/lb)	\$ 1.9175	\$ 1.6450	- \$ 0.2725	\$ 1.9683
- barrels (\$/lb)	\$ 1.6100	\$ 1.4225	- \$ 0.1875	\$ 1.7833
CME butter (\$/lb)	\$ 1.4000	\$ 1.3450	- \$ 0.0550	\$ 1.3917
CME Dry whey (\$/lb)	\$ 0.4300	\$ 0.4375	+ \$ 0.0075	\$ 0.4300
CME Nonfat dry milk (\$/lb)	\$ 1.0875	\$ 1.0850	- \$ 0.0025	\$ 1.0792
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		Implied Prices		
Butterfat (\$/lb)	\$ 1.488	\$ 1.421	- \$ 0.067	\$ 1.478
Protein (\$/lb)	\$ 3.520	\$ 2.849	- \$ 0.671	\$ 3.892
Other solids (\$/lb)	\$ 0.238	\$ 0.246	+ \$ 0.008	\$ 0.238
Class III (\$/cwt)	\$ 17.09	\$ 14.89	- \$ 2.20	\$ 18.17
Class IV (\$/cwt)	\$ 13.11	\$ 12.86	- \$ 0.25	\$ 13.01

Comments

- The USDA issued its *Milk Production* report for October last week. Total milk production in the top 24 dairy States was estimated at 17.7 billion pounds, up 2.51% from October 2019, but slightly down 0.23% from September 2020 on a 30-d month basis. For the whole country, total milk production was estimated at 18.56 billion pounds, up 3.09% from October '19, but also down 0.23% from September '20 on a 30-d month basis. Milk per cow averaged 63.77 lbs/d during the month (this includes dry cows), up 1.91% from October '19, but down 0.23 lb/d (0.36%) from September 2020.
 - The 5 States with the largest relative increase in production were: SD, +12.9%; IN, +10.7%; TX, +8.2%; IL, +8.0%; and CO, +6.6%.
 - The 5 States with the largest relative decrease were: VT, -5.4%; UT, -3.7%; OR, -2.3%; FL, -1.7%, and AZ, -1.5%.
 - The 5 States with the largest absolute increase were (in million pounds): TX, +96; WI, +44; CA, +41; IN, +36; and ID, +36.
 - The 5 States with the largest absolute decrease were (in million pounds): VT, -12; UT, -7; AZ, -6; OR, -5; and FL -3.
- Cash and futures markets clearly showed traders' concerns over the potential effect on dairy demand by the current spike in COVID-19 cases, combined with a substantial increase in the national milk supply as shown in the previous bullet point.



AgriBusiness

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- European (+UK) milk collections increased by 1.4% year-over-year (y-o-y) in September. Likewise, New Zealand reported a 1.7% y-o-y increase in milk output in September. Australia also reported a 2.0% y-o-y increase in milk deliveries during September. In South America, Argentinean milk collections grew a whopping 3.6% y-o-y in September. These statistics clearly suggest that milk production is on the upswing in all major dairy-exporting nations.

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)
November	2.432	146.000	38.600	108.275	23.15	13.34
December	1.678	145.975	40.300	107.750	16.01	13.23
January	1.746	150.000	40.150	110.000	16.68	13.65
February	1.749	152.500	40.000	111.500	16.72	13.90
March	1.738	159.450	39.750	112.650	16.50	14.45
April	1.740	165.100	39.000	114.550	16.55	14.65
Average	1.847	153.171	39.633	110.788	17.60	13.87
Change	-0.034	-4.254	+1.063	-0.129	-0.26	-0.26

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 2. Translation of futures dairy product prices into futures component prices.

	Butterfat (\$/lb)	Protein (\$/lb)	Other Solids (\$/lb)	Nonfat Solids (\$/lb)
November	1.560	5.548	0.193	0.906
December	1.560	3.119	0.210	0.901
January	1.609	3.287	0.208	0.923
February	1.639	3.264	0.207	0.938
March	1.723	3.140	0.204	0.949
April	1.792	3.075	0.197	0.968
Average	1.647	3.572	0.203	0.931
Change	-0.052	-0.054	+0.011	-0.001