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## WEEKLY DAIRY OUTLOOK

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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 February 12 and February 19 and their implied component prices.

	February 12, 2021	February 19, 2021	Change	Month to date
<b>CME cheddar cheese</b>				
- blocks (\$/lb)	\$ 1.5575	\$ 1.5375	- \$ 0.0200	\$ 1.5782
- barrels (\$/lb)	\$ 1.4900	\$ 1.4125	- \$ 0.0775	\$ 1.4675
<b>CME butter (\$/lb)</b>	\$ 1.3975	\$ 1.5500	+ \$ 0.1550	\$ 1.4042
<b>CME Dry whey (\$/lb)</b>	\$ 0.5452	\$ 0.5475	+ \$ 0.0050	\$ 0.5417
<b>CME Nonfat dry milk (\$/lb)</b>	\$ 1.1125	\$ 1.0925	- \$ 0.0200	\$ 1.1083
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		Implied Prices		
<b>Butterfat (\$/lb)</b>	\$ 1.482	\$ 1.669	+ \$ 0.187	\$ 1.493
<b>Protein (\$/lb)</b>	\$ 2.753	\$ 2.398	- \$ 0.355	\$ 2.738
<b>Other solids (\$/lb)</b>	\$ 0.354	\$ 0.359	+ \$ 0.005	\$ 0.353
<b>Class III (\$/cwt)</b>	\$ 15.43	\$ 15.06	- \$ 0.37	\$ 15.42
<b>Class IV (\$/cwt)</b>	\$ 13.31	\$ 13.79	+ \$ 0.48	\$ 13.31

### Comments

- Average prices were up at the last Global Dairy Trade (GDT) auction last Tuesday. Overall, the GDT price index went up 3.0% from the prior auction, and stood at 1,170 points, the highest level for the index since April 15, 2014. To provide additional reference points, the index was at its lowest point on August 4, 2015 when it stood at 514 points, and was at its highest on April 16, 2015, standing then at 1,573 points. Average prices of the major dairy commodities were as follows:
  - Butter: US\$ 2.33/lb +2.0%
  - Cheddar: US\$ 1.94/lb +2.4%
  - Skim milk powder: US\$ 1.45/lb +0.3%
  - Whole milk powder: US\$ 1.64/lb +4.3%
- Total commercial cheese disappearance in December, at 1,105 billion pounds, was the lowest it has been since 2016, and down 3.6% from December 2019. Predictably, total cheese stocks, at 1,397.9 million pounds, were up 5.7% from 2019. The data for commercial butter disappearance were more encouraging, at 186.7 million pounds in December, an increase of 5.2% from last year. Butter stocks, however, remain large at 273.8 million pounds.
- Sometimes we forget how much the dairy landscape has changed in just 20 years. The following table shows the astonishing increase in commercial demand for cheese over the last 20 years. Although most people think of fluid milk when we say “milk”, cheese is now by far the dominant vehicle of dairy consumption in the U.S., with approximately 60% of the total national milk production being transformed into cheese.

Table 2. Total commercial cheese disappearance in the United States: 2000 vs. 2020.

	2000	2020	% change 2020 vs 2000
American cheese (million lbs)	3,598.6	5,301.6	+ 47.3%
Other cheese (million lbs)	4,890.4	8,082.7	+ 65.3%
Total (million lbs)	8,489.0	13,384.3	+ 57.7%

Table 3. 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)
February	1.582	137.000	50.100	112.250	15.62	13.46
March	1.636	160.350	52.000	109.025	16.36	14.12
April	1.690	169.000	50.550	112.000	16.86	14.65
May	1.742	172.050	49.000	114.000	17.24	14.94
June	1.776	175.475	48.250	116.475	17.56	15.19
July	1.790	175.000	48.925	118.600	17.57	15.48
Average	1.703	164.813	49.804	113.725	16.87	14.64
Change	-0.020	+2.671	+0.062	-1.708	-0.12	+0.01

<sup>1</sup> 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 4.

Table 4. Translation of futures dairy product prices into futures component prices.

	Butterfat (\$/lb)	Protein (\$/lb)	Other Solids (\$/lb)	Nonfat Solids (\$/lb)
February	1.451	2.924	0.311	0.945
March	1.734	2.800	0.331	0.913
April	1.839	2.864	0.316	0.943
May	1.876	2.992	0.300	0.962
June	1.917	3.058	0.292	0.987
July	1.912	3.110	0.299	1.008
Average	1.788	2.958	0.308	0.960
Change	-0.032	-0.097	+0.001	-0.017