



Normand St-Pierre, Ph.D., P.A.S.
 Director, Research and Technical Services
 normand.st-pierre@perdue.com

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 April 16 and April 23 and their implied component prices.

	April 16, 2021	April 23, 2021	Change	Month to date
CME cheddar cheese				
- blocks (\$/lb)	\$ 1.7800	\$ 1.7925	+ \$ 0.0125	\$ 1.7944
- barrels (\$/lb)	\$ 1.6900	\$ 1.8050	+ \$ 0.1150	\$ 1.6750
CME butter (\$/lb)	\$ 1.8500	\$ 1.7700	- \$ 0.0800	\$ 1.8363
CME Dry whey (\$/lb)	\$ 0.6750	\$ 0.6200	- \$ 0.0550	\$ 0.6463
CME Nonfat dry milk (\$/lb)	\$ 1.2150	\$ 1.2525	+ \$ 0.0375	\$ 1.2156
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		Implied Prices		
Butterfat (\$/lb)	\$ 2.033	\$ 1.936	- \$ 0.097	\$ 2.016
Protein (\$/lb)	\$ 2.853	\$ 3.161	+ \$ 0.308	\$ 2.870
Other solids (\$/lb)	\$ 0.490	\$ 0.434	- \$ 0.056	\$ 0.461
Class III (\$/cwt)	\$ 18.44	\$ 18.70	+ \$ 0.26	\$ 18.26
Class IV (\$/cwt)	\$ 16.12	\$ 16.10	- \$ 0.02	\$ 16.07

Comments

- The USDA issued its *Milk Production* report for March last week. Total milk production in the top 24 dairy States was estimated at 18.843 billion pounds, up 2.0% from March 2020. Milk per cow-day averaged 67.87 lbs/d during the month, up 0.90 lbs/d from March 2020. The USDA revised February production at 16.858 billion pounds, up 2.5% from February 2020 on a 28 day basis. For all 50 States, estimated milk production stood at 18.843 billion pounds, up 1.8% from last year. Milk production from January to March of 2021 is up 1.0% from the same 3 months last year. During that same period, the U.S. added 80,000 cows to its dairy herd, a 0.85% increase. Sixteen States added cows. The following States each added more than 10,000 cows: CO, IN, MI, MN, SD, and TX.
 - The 5 States with the largest relative increase in production from March 2020 were: SD +13.4%; IN +10.0%; MN 7.6%; CO +4.4%, and TX +3.9%.
 - The 5 States with the largest relative decrease were: FL -7.3%; VT -4.3%; AZ -3.1%; UT -2.6; and NM -2.4%.
 - The 5 States with the largest absolute increase were (in million pounds): WI +80; MN +65; CA +56; TX +50; and IN +36.
 - The 5 States with the largest absolute decrease were (in million pounds): NM -18; FL -16; PA -14; AZ -14; and VT -10.
- The USDA *Cold Storage* report for March was released last Thursday. Total natural cheese stocks in refrigerated warehouses on March 31, 2021 were up 2.1% from the previous month and up 6.7 percent from March 31, 2020. Butter stocks remained the same as what

they were at the end of February , but were up 14.5% from a year ago. Details are provided in Table 2.

Table 2. USDA March 31, 2021 Cold Storage report.

	Stocks in all warehouses (1,000 pounds)			March 2021 as a percent of	
	March 31 2020	February 28 2021	March 31 2021	March 2020	February 2021
Butter	309,360	354,595	354,624	+14.5	+0.0
Natural cheese					
American	776,360	817,178	831,795	+7.1	+1.8
Swiss	23,272	21,692	22,707	-2.4	+4.7
Other	574,875	597,383	611,753	+6.4	+2.4
Total natural cheese	1,374,507	1,436,253	1,466,255	+6.7	+2.1

- China imported record volume of cheese and whey in March, up 74% and 77%, respectively from a year ago. During the first 3 months of 2021, China’s import of whole milk powder and skim milk powder increased by 22% and 35.5%, respectively when compared to the same period last year. Meanwhile, New Zealand’s stockpile of dairy products is gone. Europe’s milk production was down in January and February. The U.S. is now well-positioned to increase its export of dairy products, assuming that containers and ocean vessels can be found. Additional exports are badly needed so that our domestic markets do not get swamped from the strong increases we are experiencing in milk production.

Table 3. 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)
April	1.708	178.000	61.600	117.125	17.64	15.52
May	1.825	180.475	64.600	122.400	18.89	16.10
June	1.834	181.775	64.550	128.750	19.08	16.47
July	1.860	185.575	61.500	131.000	19.10	16.75
August	1.875	186.000	58.475	132.425	19.10	16.98
September	1.884	186.525	55.700	133.475	18.96	17.20
Average	1.831	183.058	61.071	127.579	18.80	16.50
Change	+0.010	-5.862	+0.967	+4.133	+0.063	+0.123

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 4.

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

	Butterfat (\$/lb)	Protein (\$/lb)	Other Solids (\$/lb)	Nonfat Solids (\$/lb)
April	1.948	2.807	0.429	0.993
May	1.978	3.152	0.460	1.046
June	1.994	3.165	0.460	1.109
July	2.040	3.200	0.428	1.131
August	2.045	3.243	0.397	1.145
September	2.051	3.265	0.424	1.096
Average	2.009	3.139	0.424	1.096
Change	-0.071	+0.108	+0.010	+0.041