



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

## WEEKLY DAIRY OUTLOOK

November 15, 2021

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 5<sup>th</sup> and November 12<sup>th</sup>, and their implied component prices.**

	Nov 5, 2021	Nov 12, 2021	Change	Month to date
<b>CME cheddar cheese</b>				
- blocks (\$/lb)	\$ 1.5850	\$ 1.7500	+ \$ 0.1650	\$ 1.6675
- barrels (\$/lb)	\$ 1.5025	\$ 1.4975	- \$ 0.0050	\$ 1.5000
<b>CME butter (\$/lb)</b>	\$ 1.9350	\$ 1.9500	+ \$ 0.0150	\$ 1.9425
<b>CME Dry whey (\$/lb)</b>	\$ 0.6600	\$ 0.6700	+ \$ 0.0100	\$ 0.6650
<b>CME Nonfat dry milk (\$/lb)</b>	\$ 1.5700	\$ 1.5500	- \$ 0.0200	\$ 1.5600
-----	-----	Implied Prices	-----	-----
<b>Butterfat (\$/lb)</b>	\$ 2.136	\$ 2.154	+ \$ 0.018	\$ 2.145
<b>Protein (\$/lb)</b>	\$ 2.128	\$ 2.367	+ \$ 0.239	\$ 2.248
<b>Other solids (\$/lb)</b>	\$ 0.475	\$ 0.485	+ \$ 0.010	\$ 0.480
<b>Class III (\$/cwt)</b>	\$ 16.54	\$ 17.38	+ \$ 0.84	\$ 16.96
<b>Class IV (\$/cwt)</b>	\$ 19.53	\$ 19.42	- \$ 0.11	\$ 19.48

### Comments

- The USDA reported that milk collections in Australia and New Zealand continue to lag last year's collections. It is wet down under... The rain should lead to greater pasture growth in future months – hence better milk yields – but the seasonality of calvings, especially in New Zealand, makes it unlikely that production gains during the summer months (January to March) will fully compensate for the production losses during the spring months (September to December). This is important to U.S. dairy producers because New Zealand is the largest dairy exporting country. Curtailed production in New Zealand means greater potential export markets for U.S. dairy products.
- Inflation is gradually becoming a concern at home. The Consumer Price Index (CPI) was up 6.2% in October. Food (+6.2%), clothing (+4.3%), and furnishing (+6.1%) price increases seem small compared to energy prices, up a whopping 30% from last year. Corn prices, with December futures closing above \$5.75/bu on Friday, are 50% to 60% above 'normal' prices. Thus, although \$18+/cwt Class III and \$19+/cwt Class IV prices would normally ensure good margins on most dairy operations, this is currently not the case. Fortunately, if one looks at the positive side of things, Class IV prices exceeding Class III prices implies above average Producer Price Differentials (PPDs) in months to come.
- Based on current futures, butterfat and other solids prices should be above averages in the next 6 months, while protein prices should be near their long-term average.

**Table 2. 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>.**

	<b>Cheese (\$/lb)</b>	<b>Butter (\$/cwt)</b>	<b>Dry Whey (\$/cwt)</b>	<b>NDM (\$/cwt)</b>	<b>Class III (\$/cwt)</b>	<b>Class IV (\$/cwt)</b>
<b>November</b>	1.751	195.000	59.050	146.800	18.00	18.68
<b>December</b>	1.697	194.250	62.250	151.250	17.63	19.11
<b>January</b>	1.736	194.250	65.000	151.500	18.19	19.14
<b>February</b>	1.777	194.375	64.000	151.500	18.51	19.18
<b>March</b>	1.796	198.500	64.750	150.400	18.64	19.21
<b>April</b>	1.800	198.500	64.000	149.250	18.62	19.06
<b>Average</b>	1.760	195.813	63.175	150.117	18.27	19.06
<b>Weekly Change</b>	+0.010	+3.129	+2.117	-1.292	+0.18	+0.09

<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 3.

**Table 3. Translation of futures dairy product prices into futures component prices.**

	<b>Butterfat (\$/lb)</b>	<b>Protein (\$/lb)</b>	<b>Other Solids (\$/lb)</b>	<b>Nonfat Solids (\$/lb)</b>
<b>November</b>	2.154	2.729	0.403	1.287
<b>December</b>	2.145	2.564	0.436	1.331
<b>January</b>	2.145	2.690	0.464	1.334
<b>February</b>	2.146	2.821	0.454	1.334
<b>March</b>	2.196	2.829	0.462	1.323
<b>April</b>	2.196	2.842	0.454	1.311
<b>Average</b>	2.164	2.746	0.446	1.320
<b>Weekly Change</b>	+0.038	-0.008	+0.022	-0.013