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## WEEKLY DAIRY OUTLOOK

March 23, 2020

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

As of March 20, 2020, closing cash prices on dairy products and their translation into component and class prices were:

	Mar 13, 2020	Mar 20, 2020	Change	Month to date
<b>CME cheddar cheese</b>				
- blocks (\$/lb)	\$ 1.8725	\$ 1.8375	- \$ 0.0350	\$ 1.8200
- barrels (\$/lb)	\$ 1.5000	\$ 1.4300	- \$ 0.0700	\$ 1.4692
<b>CME butter (\$/lb)</b>	\$ 1.8125	\$ 1.7550	- \$ 0.0575	\$ 1.8075
<b>CME Dry whey (\$/lb)</b>	\$ 0.3475	\$ 0.3300	- \$ 0.0175	\$ 0.3417
<b>CME Nonfat dry milk (\$/lb)</b>	\$ 1.0525	\$ 0.9875	- \$ 0.0650	\$ 1.0517
-----	-----	Projected Prices	-----	-----
<b>Butterfat (\$/lb)</b>	\$ 1.987	\$ 1.918	- \$ 0.069	\$ 1.981
<b>Protein (\$/lb)</b>	\$ 2.744	\$ 2.648	- \$ 0.096	\$ 2.616
<b>Other solids (\$/lb)</b>	\$ 0.153	\$ 0.135	- \$ 0.018	\$ 0.147
<b>Class III (\$/cwt)</b>	\$ 16.03	\$ 15.40	- \$ 0.63	\$ 15.59
<b>Class IV (\$/cwt)</b>	\$ 14.56	\$ 13.76	- \$ 0.80	\$ 14.53

### Comments

- Last week, the USDA released its milk production report for the month of February. According to this report, U.S. milk production in February stood at 17.9 billion pounds, up 1.7% from the prior year (all data reported here are corrected for leap year). The 5 States with the greatest relative increase were: Colorado, +7.5%; Texas, +7.0%; Idaho, +5.5%, Kansas, +5.4%; and South Dakota, +4.7%. The 5 States with the largest relative decline were: Utah, -3.4%; Illinois, -2.8%; Iowa, -2.1%; Vermont, -1.6%; and Wisconsin, -0.8%. Particularly noteworthy was the 2.6% increase for California, the top dairy producing State. Annualized, the 2.6% increase translates to a 1 billion pounds of additional milk from California alone – a lot of milk by any measure.
- The USDA revised its estimate of the national dairy herd for January. Based on the new estimate, there were an additional 18,000 cows being milked in January 2020 compared to January 2019. For February, the USDA estimates an additional 9,000 head being milked. These increases occurred in spite of record-high milking cow slaughter in January. This would not have been possible just a few years ago, but sexed-semen has literally been a game changer when it comes to the replacement herd. The pipeline of replacement animals has also been changed by drastic improvements in reproduction. Many herds could now give birth and raise considerably more replacement heifers than what is required just to maintain the milking herd in steady state for cow number.



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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 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>March</b>	1.712	178.425	36.850	112.500	16.26	14.89
<b>April</b>	1.699	180.000	35.850	99.750	16.08	13.96
<b>May</b>	1.624	185.750	33.750	98.600	15.32	14.10
<b>June</b>	1.647	183.275	33.700	100.175	15.52	14.30
<b>July</b>	1.695	185.850	34.000	101.900	15.92	14.55
<b>August</b>	1.707	188.450	33.075	103.050	16.11	14.92
<b>Average</b>	1.681	184.750	34.479	102.663	15.87	14.45
<b>Change</b>	-0.026	-3.979	-1.125	-5.246	-0.285	-0.638

<sup>1</sup> Futures prices on the Chicago Mercantile Exchange

Based on the 6-month average futures prices of dairy products, the implied 6-month average prices for milk components are: butterfat, \$2.03/lb; protein, \$2.63/lb; and other solids, \$0.15/lb.