Cheese:

- Milk remains ample for cheese production across all regions. However, this week's low end of the spot milk price range shored up from $8.50 to $6.50 under Class, but spot milk trading was quieter in general. Cheese production rates are somewhat steady. Food service sales are mixed, as they have been. That said, some easing of restrictions in restaurants/bars has curd producers reporting heartier orders in recent weeks. Eastern contacts relayed inventories of fresh supplies are edging higher. Cheese market tones are somewhat vulnerable in recent weeks. As market impacts from COVID-19 near their first anniversary, food service purchasing has not fully recovered. Additionally, questions regarding governmental awards and ample milk availability are weaving a thread of uncertainty throughout the cheese narrative.

Fluid Milk:

- Milk production is steady to rising across much of the country. However, major winter storms wreaked havoc across parts of the United States; hardest hit were Texas and the Pacific Northwest. Milk production and manufacturing demand are unbalanced as frigid temperatures, heavy snows, and freezing rains resulted in power outages, staff shortages, and hauling delays.

Dry Products:

- Nonfat dry milk prices are steady to lower across the country. Production is strong as processors are running heavy amounts of condensed skim through the dryers. Prices for dry buttermilk are mixed in the Central and East, but steady in the West. Buttermilk powder production is sporadic, with nonfat dry milk taking most of the dryer time. Dry whole milk production is focused on contractual needs, and prices are steady to higher.

Butter:

- Coming up on the last week of "old crop" butter trading on the CME, market tones rallied last week and early this week. Market prices saw a bullish push of over a quarter from the first day of the month to Thursday. Butter production, nationwide, is very busy. There is a lot of cream moving throughout the U.S. and more cream has been dispersed from the southern portion of the country, where contacts say weather has wreaked widespread havoc throughout the dairy system: from farms to hauling to plants.


#### Cheese:

- Cheese: $1.55, $1.54, $1.53, $1.52, $1.51, $1.50, $1.49, $1.48, $1.47, $1.46, $1.45, $1.44, $1.43, $1.42, $1.41, $1.40, $1.39, $1.38, $1.37, $1.36, $1.35, $1.34, $1.33, $1.32, $1.31, $1.30, $1.29, $1.28, $1.27, $1.26, $1.25, $1.24, $1.23, $1.22, $1.21, $1.20, $1.19, $1.18, $1.17, $1.16, $1.15, $1.14, $1.13, $1.12, $1.11, $1.10, $1.09, $1.08, $1.07, $1.06, $1.05, $1.04, $1.03, $1.02, $1.01, $1.00, $0.99, $0.98, $0.97, $0.96, $0.95, $0.94, $0.93, $0.92, $0.91, $0.90, $0.89, $0.88, $0.87, $0.86, $0.85, $0.84, $0.83, $0.82, $0.81, $0.80, $0.79, $0.78, $0.77, $0.76, $0.75, $0.74, $0.73, $0.72, $0.71, $0.70, $0.69, $0.68, $0.67, $0.66, $0.65, $0.64, $0.63, $0.62, $0.61, $0.60, $0.59, $0.58, $0.57, $0.56, $0.55, $0.54, $0.53, $0.52, $0.51, $0.50, $0.49, $0.48, $0.47, $0.46, $0.45, $0.44, $0.43, $0.42, $0.41, $0.40, $0.39, $0.38, $0.37, $0.36, $0.35, $0.34, $0.33, $0.32, $0.31, $0.30, $0.29, $0.28, $0.27, $0.26, $0.25, $0.24, $0.23, $0.22, $0.21, $0.20, $0.19, $0.18, $0.17, $0.16, $0.15, $0.14, $0.13, $0.12, $0.11, $0.10, $0.09, $0.08, $0.07, $0.06, $0.05, $0.04, $0.03, $0.02, $0.01, $0.00

### Dairy Market Watch Newsletter

**February 2021**

An educational newsletter to keep producers informed of changing market factors affecting the dairy industry.
February milk prices will end a little weaker than January. Class III will drop below $16 to around $15.60 compared to $16.04 in January. Class IV will be around $13.30 compared to $13.75 in January. Cheese prices have been moving up and down all month and will average lower for the month than the January average of $1.5141 per pound for cheddar barrels and $1,747.00 for 40-pound cheddar blocks. Currently barrels are $1.3825 per pound and blocks $1.57.

Where milk prices head for the remainder of the year remain uncertain and cannot be forecasted with a high degree of probability because milk prices can change a lot and quickly with any change in supply or demand. Crucial will be the level of milk production, and how soon the COVID-19 virus comes under control and things start to return more to normal. The level of dairy exports will also be important.

Milk production was running 3% higher than a year ago in November and December. Milk production slowed to just a 1.6% increase in January. Milk cow numbers started to increase month to month back in July and increased another 8,000 December to January. January milk cows were 0.9% higher than a year ago. But the slow down in milk production was due to just a 0.6% increase in milk per cow which in recent months was running 2%. While milk production has slowed it is still at a level to put downward pressure on milk prices.

Milk production is likely to slow as we move through the year. Lower milk prices and higher feed costs will tighten margins over feed cost which could slow the increase in milk per cow. The January cattle inventory showed dairy replacements expected calve within the next 12 months 2% lower than a year before. So, cow numbers may stop increasing by second half of the year. USDA is forecasting cow numbers to average for the year 0.6% higher than 2020 with milk per cow up 1.4% resulting in 2021 milk production up 1.9% from 2020. That is a lot of milk and will keep pressure on milk prices.

Stock levels remain at a relatively high level and need to be drawn down for stronger milk prices. Compared to a year ago, January 31st stocks of butter were 33% higher, American cheese 3% higher and total cheese 3% higher. Butter stocks had increased 20% from December but cheese stocks were about at the same level as December.

Currently Class III futures are below $16 for February and March, returning to the low $16’s by April and in the low to mid $17’s May through December. Class IV dairy futures reach $14 by March, $15 by June and the low $16’s October through December as butter prices are expected to increase. Such a price pattern for now seems reasonable with improved milk prices the second half of the year as milk production slows, milk and dairy product sales improve, and dairy exports are positive. But the possibility that milk prices could end up higher or lower than this remains.