



Milk Market News and Summary

February 4, 2011

January Class IV - \$ 16.42/cwt. UP \$1.39 from last month.

Class IV projection for February is **\$18.73**

January Class III - \$13.48//cwt. Down \$0.35 from last month.

Class III projection for February is \$15.80

THE FACTS

DECEMBER MILK PRODUCTION, was up 2.8% from December 2009. Production per cow was 33 pounds above December 2009. The number of milk cows on farms in the 23 states was 8.39 million head, 74,000 head more than December 2009, and 15,000 head more than November 2010.

BUTTER-- the NASS butter price average for January was \$1.8428/lb. up \$0.19 from last months average price. The week ending January 29, NASS butter price was \$ 2.07/lb. 23cents higher than January average price. The CME spot Butter price on February 4 was \$2.10. The NASS and CME prices shows butter will be steady around the \$2.00/lb level. The February Butter futures price is currently \$2.0375.

COLD STORAGE (NASS): On December 31, 2010, U.S. cold storage holdings of butter totaled 81.9 million pounds, 38% less than last December, but 17% higher than November. Commercial butter inventory for December was the lowest since 2005

NONFAT--The January average NASS price was \$1.2530/lb. up \$0.07 from the previous month's average price. The January 29 week ending NASS nonfat price was \$1.28/lb up 2.5 cents from the previous month's average NASS price. The CME spot price on February 4, was \$1.6900/lb. for Extra Grade Nonfat up 47 cents from a month ago. The NDM Futures market for February is currently \$137 with March futures at \$1.54/lb. The market is firm with demand fair to good with generally light offerings My Nonfat forecast for February is \$1.40/lb.

MY SUMMARY

What a difference a month makes! On January 3, 2011 the futures markets for butter and nonfat showed steady pricing throughout much of the year. But on January 4th the markets begin to panic on supply concerns, this fear escalated through the month to bring us to where we are today, expecting a Class IV price of 18.73 for February!

To illustrate the dramatic change that has taken place in the Butter and Non-fat markets over the past month I have copied a few heading from this past months CME Daily Dairy Reports: As of January 3, 2011 futures still showed minimal change through out the 1st quarter of 2011.

Jan 4, 2011 [Sizable gain on GDT auction](#)

"Butter, NDM, whey and Class IV futures rallied today on firm spot markets and a jump in Global Dairy Trade auction prices. Class IV futures gained 41¢, achieving \$16 in almost every month."

Jan.5, 2011 [Butter, powder moving higher](#)

“Winning prices on yesterday’s Global Dairy Trade auction were up 11% from mid-December for both SMP and AMF. Global commodity markets have tightened over the last month primarily due to adverse weather in Oceania, which has forced manufacturers to cut supply forecasts for the season. Buyers are growing increasingly concerned that product will become scarce and are bidding more aggressively to contract for 2011 needs”

Jan. 6, 2011 [Butter jumps 20¢](#)

“ \$1.95 was the magic number that finally induced a seller to part with a load of butter on the spot market. Today’s bids took the price up 20¢ -- the biggest one-day jump since November 2004. With Nov. 30 stocks-to-use at about 16 days -- half the average of the previous four years – and tight international butterfat markets, those with butter on hand are hanging onto it. USDA’s Dairy Market News reported Oceania butter trading for \$2.00-\$2.18 this week, with expectations of little supply available for the rest of the season.”

Jan. 7, 2011 [Butter tops \\$2.00](#)

“There is no precedent for \$2.00 butter in January, raising concerns about where the market will go from here. “Butter producers and handlers are now questioning what impact current firm prices will have on domestic demand and sales,” says USDA’s Dairy Market News. NDM and Class IV futures also surged this week”.

Jan. 11, 2011 [Jump in cheese sends Class III higher](#)

“Cheese buyers were more determined today, bidding blocks up 7.5¢ without attracting a seller. It was the biggest one-day gain since May 21, 2008”

Jan. 13, 2011 [Exports on pace for record volume in 2010](#)

“U.S. suppliers exported 125,610 tons of milk powders, whey, lactose, cheese and butterfat in November, down 8% from the prior month (on a 30-day month), but still up 28% from a year ago. In Dairy Market News’ weekly survey, NDM and whey prices continued to firm. “Higher international pricing trends and adverse weather conditions in Oceania are being assessed and are impacting U.S. [NDM] market prices.”

Jan. 20, 2011 [FEB-MAR milk futures +49.5¢ \(Class III\)](#)

Jan 21, 2011 [MAR, APR milk limit-up \(+75¢\) \(Class III\)](#)

“Butter, cheese, NDM and whey futures increased significantly as well.”

Jan. 27, 2011 [Milk futures pull back \(Class III\)](#)

“The disparity in the value of butter and powder vs. cheese – the January Class IV price will be close to \$3.00 more than the Class III price, the largest spread since December 2000 – is encouraging more manufacturing milk to move into butter/powder vs. cheese. “Cheese prices have been increasing rapidly at the CME Group cash market, in part to keep from losing milk to Class IV due to higher Class IV milk prices,” says Dairy Market News . Class IV futures for MAR-JUL average \$19.39.”

Jan 31 [Farm profitability tightens](#)

“Farm profitability tightened this month according to USDA’s “Ag Prices” report. This put the “Income over Feed Cost” at \$7.15/cwt., a decrease of \$1.12 from December”.

Feb.3, [Western NDM price surges](#)
 “Since the beginning of the year, price has increase 45¢”

My latest forecasted Class IV prices have been adjusted higher for 2011, as shown in the graph below. I have added a mid month forecast of Jan 18, and a new February forecast. These latest forecasts show how volatile the markets have become this past month.



Class IV forecast for 2011as of February 4, 2011

2011

February \$18.73, March \$19.42, April \$19.52, May \$18.65 June \$18.19, July \$17.75, August \$17.57, September, \$17.29, October \$17.15, November \$17.08, December \$16.94

Dale Johnson.