

Weekly Dairy Market Outlook

(Continued from Page A16)

March 2000, milk production was up 4.0 percent and imports (on a milkfat basis) were down 13.3 percent.

Commercial disappearance, a proxy for demand, was up 4.4 percent on a milkfat basis this same period. These numbers suggest we sold slightly more than we produced. So why are milk prices still relatively low? We began the quarter with large carry in stock levels. As a result, we also ended the quarter the same way.

Still, sales of dairy products were very good the first quarter of 2000.

Butter consumption was up 6.4 percent; American cheese consumption was up 3.5 percent, and Other cheese consumption was up 8.5 percent. Nonfat dry milk consumption, however, was down 21.9 percent.

Still, my bet is that the following events will unfold: demand for milk and dairy products continues strong, butter

prices remain high, U.S. cow numbers peak and begin to decline, and milk per cow slows with the summer heat. If those things happen, we should see higher milk prices this summer!

Finally, USDA announced June advance prices based on the following two-week average product prices on a per pound basis: butter \$1.1140, nonfat dry milk \$1.0100, cheese \$1.1011, and dry whey \$0.1755. These prices were used to compute the Class I base price of \$11.70 per cwt. The latter is derived from the advanced Class IV skim milk

pricing factor of \$7.70 per cwt and the advanced butterfat pricing factor of \$1.2195 per pound. Class I differentials are added to the Class I base price. The Class II skim milk price for June is \$8.40 per cwt (the Class II nonfat solids price is \$0.9333) and is based on the advanced Class IV skim milk pricing factor of \$7.70

Corrections: last week I

implied that the current futures contract for butter is cash settled. It is not! That's why the new Class IV contract may have a big following; it is cash settled and will likely follow the butter price.

For more information on dairy markets, see my website at: <http://www.aers.psu.edu/dairyoutlook/>

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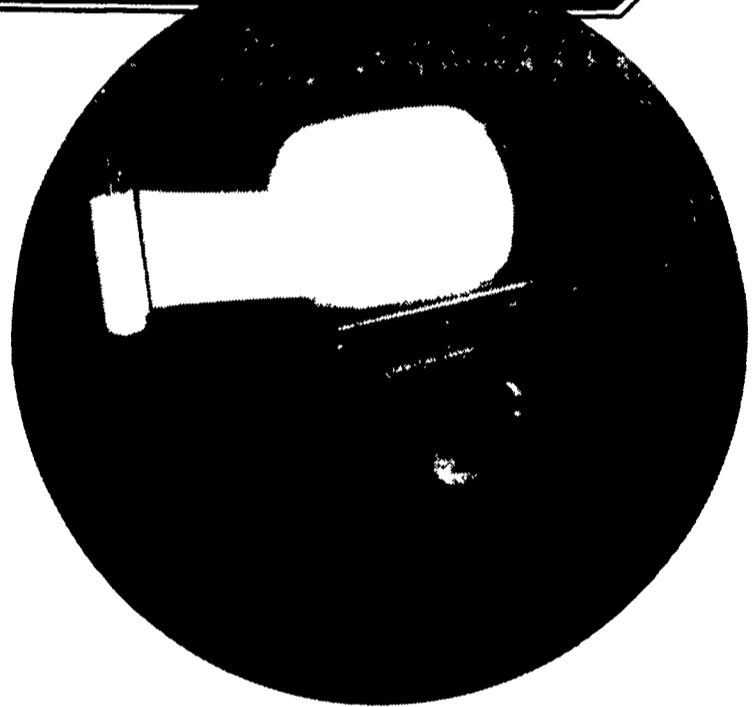
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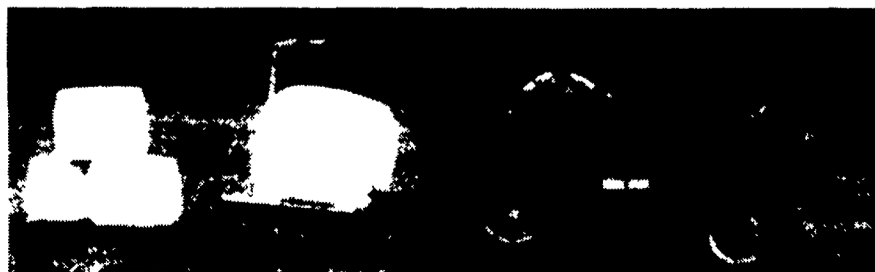
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