

Weekly Dairy Market Outlook

U.S. milk production will actually decline from 167.7 billion pounds in 2000 to 167.5 in 2001 (see Table 3). They are forecasting an average Class III price in 2001 of \$11.10 per cwt, an increase of \$0.95 per cwt from 2000. The mean Class IV price forecast for 2001, however, is expected to decline \$0.30 per cwt to \$11.40. They are forecasting the U.S. average all-milk price will increase \$0.25 per cwt to \$12.70 in 2001.

I find it hard to believe that the milk supply will actually decline in 2001 relative to this year. My guess is that a 1-2 percent rate of growth in the milk supply for 2001 is possible. I do agree that the Class III price will increase in 2001 relative to this year, but an increase of \$0.95 per cwt is a bit high. Here are my thoughts. Let's start with my estimate of \$10.07 per cwt for the Class III price in 2000. That is a very

conservative estimate. I am going to assume that USDA will modify the formula for the Class III price (adjust the make allowance for protein) by early next year.

That could add another \$0.20-\$0.50 per cwt. And, a reduction in the rate of growth in the milk supply coupled with a moderately strong economy could add an additional \$0.20-\$0.30 per cwt to the Class III price. Add that all up and my estimate is the Class III price will be \$10.47-\$10.87 per cwt. That will average \$10.67 per cwt for 2001, up \$0.60 per cwt from the year before.

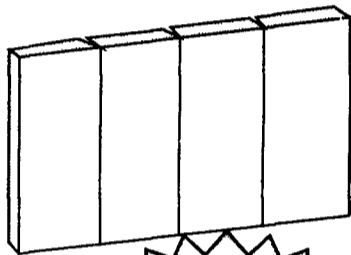
USDA's forecast for a lower Class IV price for 2001 looks reasonable since a tilt in the butter/powder support prices sometime next year looks inevitable.

You can find other useful information about the dairy industry on my website at: <http://www.aers.psu.edu/dairyoutlook/>

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Wheat

248 3/4	249	246	247 1/4	247 3/4	247 1/2	-22
266 1/2	266 1/2	263 1/2	265	264 1/2	264 3/4	-22
275 3/4	276 1/4	274	275		275	-22
286	286	283 1/2	284 1/2	285	284 3/4	-22
			292 1/2 n		292 1/2	-22
303	304	302	303 3/4		303 3/4	-22
			324 n		324	Unch

Table 2. NASS Weekly US Average Survey Prices

	9-Sep-00	2-Sep-00	26-Aug-00	19-Aug-00	12-Aug-00
Cheese:					
500 lb Barrels 1/	1.1551	1.1106	1.0795	1.0785	1.1071
40-lb. blocks	1.2609	1.2310	1.1896	1.1965	1.1875
Butter	1.1510	1.1772	1.1600	1.1623	1.1648
Nonfat dry milk	1.0209	1.0176	1.0136	1.0109	1.0139
Dry whey	0.1837	0.1855	0.1918	0.1915	0.1939

Source: Dairy Product Prices, NASS, USDA

(<http://usda.mannlib.cornell.edu/reports/nassr/price/dairy/1999/>).

1/ Adjusted to 39% moisture.

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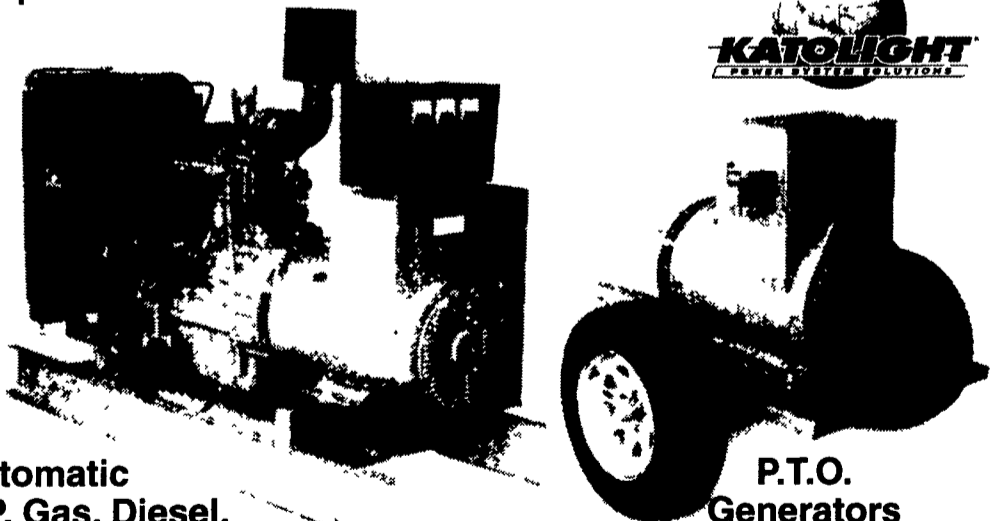
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