Winter 2020 Dairy Outlook

Dairy Days
January, 2021


Where are we now?
Restaurant Performance & Expectations

Restaurant Performance Index
Values Greater than 100 = Expansion; Values Less than 100 = Contraction

Source: National Restaurant Association

Restaurant Operators' Outlook for General Economic Conditions in Six Months

Source: National Restaurant Association, Restaurant Industry Tracking Survey

Average Daily Production of American Cheese

Updated 1/6/21
Monthly Ending Stocks of Butter

U.S. Dairy Cow Numbers

U.S. Milk per Cow per Day
What drives Class III price

- Cheese
- Protein
- Whey
- Butter

- As a thumb rule: 10X the price of CME cheese blocks and barrels will be the Class III price

"Three C's" of Federal Milk Marketing Order Pricing

**AMS monthly announced prices**

- **Commodity**
  - Cheese Price
  - Butter Price
  - Dry Whey Price
  - Nonfat Dry Milk (NFDM) Price

- **Component**
  - Protein Price
  - Butterfat Price
  - Other Solids Price

- **Class**
  - **Class I Price**
  - *Class II Price*
  - *Class III Price*
  - *Class IV Price*

*Announced on or before the 5th of the following month
**Announced on or before the 22nd of the preceding month*
**Advanced Pricing**

- September
- October
- November

October prices based on two weeks - September 11 and September 18

September 22 release date for October Milk Prices

**Class and Component Pricing**

- September
- October
- November

October prices based on five weeks - October 2 through October 30

November 4 release date for October Milk Prices

---

**Values as a % of 100 lbs. Producer Milk**

@ 3.67% BF; 3.16% Protein; 5.70% OS; 330,000 SCC

---

**Central Order Averages**

January 2000 thru September 2020

- Protein: 49.06%
- Butterfat: 41.85%
- Other Solids: 6.72%
- PPD: 2.27%
- SCC: 0.10%
Component Share of Milkcheck Value

- Butterfat
- Protein
- Other Solids

CFAP Payments YTD in 2020

CFAP 1 Payment
Formula is equivalent to $6.20/CWT<sup>*</sup>

CFAP 2 Payment
Formula is equivalent to $2.157/CWT<sup>*</sup>

CFAP CY 2020 weighted average payment rate is equivalent to $2.471/CWT<sup>*</sup>

Using total US milk production, CFAP 1 & 2 weighted average payment rate is equivalent to $1.675/CWT<sup>*</sup> on CY 2020 milk production.

<sup>*</sup> Subject to payment limits
Total Federal Dairy Support in 2020

<table>
<thead>
<tr>
<th>Program</th>
<th>Million Dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>CFAP 1</td>
<td>$1,773</td>
</tr>
<tr>
<td>CFAP 2</td>
<td>$1,057</td>
</tr>
<tr>
<td>Dairy Margin Coverage (DMC)</td>
<td>$200</td>
</tr>
<tr>
<td>Farmers to Families Food Box</td>
<td>$1,260</td>
</tr>
<tr>
<td>Sec. 32 &amp; Other Purchases</td>
<td>$610</td>
</tr>
<tr>
<td>SBA - Paycheck Protection Program &amp; EIDL</td>
<td>No Data</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>&gt;$4.89 Billion</strong></td>
</tr>
</tbody>
</table>

Market Impact of USDA 2020 Purchases

**USDA Dairy Product Purchases for Food Donation**

- Dairy Products: 1.7 Billion Lbs.
- Percent of U.S. Milk Production: 6.5%
- Impact on All-Milk Price: +$3.35/cwt
- Impact on Dairy Farm Income: +$3.1 Billion

Net Farm Income w/ and w/o Federal Support

- **39% Federal Support Share of NFI**
- **$46.5 Billion** Government Payments in 2020
- Includes Ad Hoc Support, Farm Program and Conservation Payments
- **$73B** Farm-Related Net Farm Income from Crop and Livestock Sales Minus Federal Support

Source: USDA ERS, Farm Bureau Calculations
Actual and Forecast Dairy Margin

Historic middle third of margin values from Jan, 2010 to present.
DMC Margin

Updated 1/29/21

---

Questions?

Fred M. Hall
NW Iowa Extension Dairy Field Specialist
Iowa State Uni. Extension Dairy Team
Ph: 712.737.4230
Email: fredhall@iastate.edu

400 Central Ave., NW Ste. 700
Orange City, IA 51041