

HPAI Hard on Milk Production

In late January, a severe health issue struck dairy cows in Texas, primarily in the Panhandle, leaving veterinarians and dairy producers baffled for weeks. The illness, highly contagious and mostly affecting second-lactation cows or those 150 days in milk, was a mystery. After weeks of intensive epidemiological



Longer-term questions regarding conception and future milk production have yet to be answered.

testing and tracing, USDA made a significant breakthrough, confirming that the animals had contracted a highly pathogenic avian influenza (HPAI) variant spread by wild birds, primarily waterfowl. This month, the severity of the outbreak was further underscored when a Minnesota goat herd was also found to be affected by HPAI, according to the University of Minnesota. Typically, avian flu cases in the environment peak in the spring during bird migration and trend lower in the summer, which is significant for dairies.

Culling in some regions picked up and milk production fell in March, with anecdotal reports suggesting output in the Texas Panhandle could have been down between 1.5 million and 2.5 million pounds per day at times. As avian influenza spreads, it will likely have a similar impact on herds elsewhere. Reports

vary as to how much milk-affected cows—not all positive cows exhibit a production decline—bounce back, but some reports indicate that once cows have recovered, after a few weeks, output will also recover, just not all of it. Longer-term questions regarding conception and future milk production have yet to be answered.

USDA's Monday press release noted: "At this stage, there is no concern about the safety of the commercial milk supply or that this circumstance poses a risk to

consumer health. Dairies are required to send only milk from healthy animals into processing for human consumption; milk from impacted animals is being diverted or destroyed so that it does not enter the food supply. In addition, pasteurization has continually proven to inactivate bacteria and viruses, like influenza, in

Continued on page 2

Ken's Corner



*by Ken Meyers
President, MCT Dairies Inc.*

My how things can change. Last year at this time, spot dairy product prices often traded for the equivalent of \$10-12/cwt. of milk less than their corresponding class prices. This year, according to weekly USDA reports, spot milk prices have been trading at a premium to

class prices—and that was before any impact from HPAI was factored in.

U.S. milk production was already lagging last year's levels in January and February, and for the two months combined, production was down 1.26% after adjusting for leap day. HPAI could drag March and April milk production lower as well in affected states—and that assumes the spread is mostly contained. However, given that wild birds, primarily waterfowl, are the carriers, containing the disease could prove problematic.

At the very least, HPAI could stunt spring flush in some states at a time when milk production is already on the decline. The outlay needed for dairies to prevent, mitigate, and treat HPAI will add another layer of costs at a time when many dairies are stretched thin. If the disease spreads rapidly to other states, U.S. milk production could tumble, pushing milk prices skyward and offering relief to those herds lucky enough to remain HPAI free. **MCT**

Only Butter Market Shows Strength

Butter prices continue to climb slowly. While many market watchers are expecting prices to retreat after

the Easter holiday, every sell-off has been met with new rounds of buying, sending futures prices higher.

As of March 25, only second-quarter butter futures remained in the \$2.80 range, with summer and fall months higher. Sentiment in the nonfat dry milk market soured when New Zealand milk production bounced back in February. A prolific cheese seller returned to the CME in late March, causing blocks to drop into the \$1.30 range for the first time in months. **MCT**

MCT Forecast							
	Block*	Barrel*	Class III	Butter*	Class IV	Whey**	NFDM**
Mar	1.4550	1.5050	15.10	2.8175	20.11	0.4825	1.1975
Apr	1.5700	1.5625	15.87	2.8075	19.86	0.4725	1.1750
May	1.6875	1.7100	17.09	2.8525	20.03	0.4600	1.1725
Jun	1.7775	1.7875	17.89	2.8700	20.19	0.4575	1.1800
Jul	1.8625	1.8375	18.61	2.9250	20.72	0.4650	1.2150
Aug	1.8875	1.8775	18.94	2.9425	21.16	0.4675	1.2575

* CME prices.
**NASS prices.

...no expected impact on dairy demand

continued from page 1

milk. Pasteurization is required for any milk entering interstate commerce.” Given consumer awareness of bird flu and its impact on the food supply as well as the use of pasteurization for dairy products, the probability that this HPAI outbreak in dairies will have a negative impact on demand is low. Furthermore, dairies are removing affected animals from the milking herd.

Unfortunately for affected farms, the impact on milk production can be significant. Reports suggest that 2-10% of the cows on an affected dairy can manifest the most severe symptoms, less rumination and declining production. However, affected dairies in Texas quickly responded, implementing various measures to mitigate the spread of disease through their herds. Typically when a dairy experiences a contagious disease outbreak, producers dry cows off early and treat or cull sick animals, which they did in Texas. Cases have also been confirmed in New Mexico, Kansas, and Michigan. In several other states, veterinarians and animal health officials are now monitoring probable cases.

While markets started to hear rumblings of

trouble in early March, so far prices do not appear to have reacted to potential shortfalls later this year. CME cheese futures, however, are forecasting a price spike later in 2024. Spot prices at the end of March were in the low \$1.40s, while AUG24 futures closed just shy of \$1.82/lb. on March 25—a nearly 40-cent premium to spot markets. CME nonfat dry milk prices also boomeranged from mid-month lows, and futures regained ground in this month’s final week of trading. Supply constraints tend to lift prices, but given 2024’s so-so demand, markets could remain balanced if demand continues to trend with supply.

Currently, dairy product supplies are sufficient. According to USDA, butter stocks increased 0.6% and cheese was up 1.75% compared to the previous year. Once spring flush passes and output falls seasonally, less milk will be available to processing plants for several weeks and that could combine with summer heat to pressure milk output even lower. For now, buyers and sellers are cautiously monitoring the situation, and prices appear poised to jump if the number of confirmed cases ramps up and HPAI spreads to more states. **MCT**



The information contained in this newsletter is for general guidance only. It is not intended to constitute or substitute investment, consulting or other professional advice or services. The information presented is not an offer to buy or sell commodities. Compass accumulates then distributes opinions, comments and information from and based upon other public and reliable sources, but it cannot warrant or guarantee the accuracy of any of the data included in the newsletter. From time to time, MCT Dairies, Inc. may hold futures positions in commodities discussed in the newsletter. Always contact a registered financial advisor before making any decisions. MCT Dairies, Inc. shall not be held liable for any improper or incorrect use of the information contained in the Compass or for any decision made or action taken in reliance on the information in this newsletter. Reproduction with permission only. **MCT Dairies, Inc., 97 Main St., Chatham, NJ 07928 (973) 258-9600 fax: (973) 258-9222 www.mctdairies.com.** For more information, email info@mctdairies.com.