



Milk pricing systems

Presented by:



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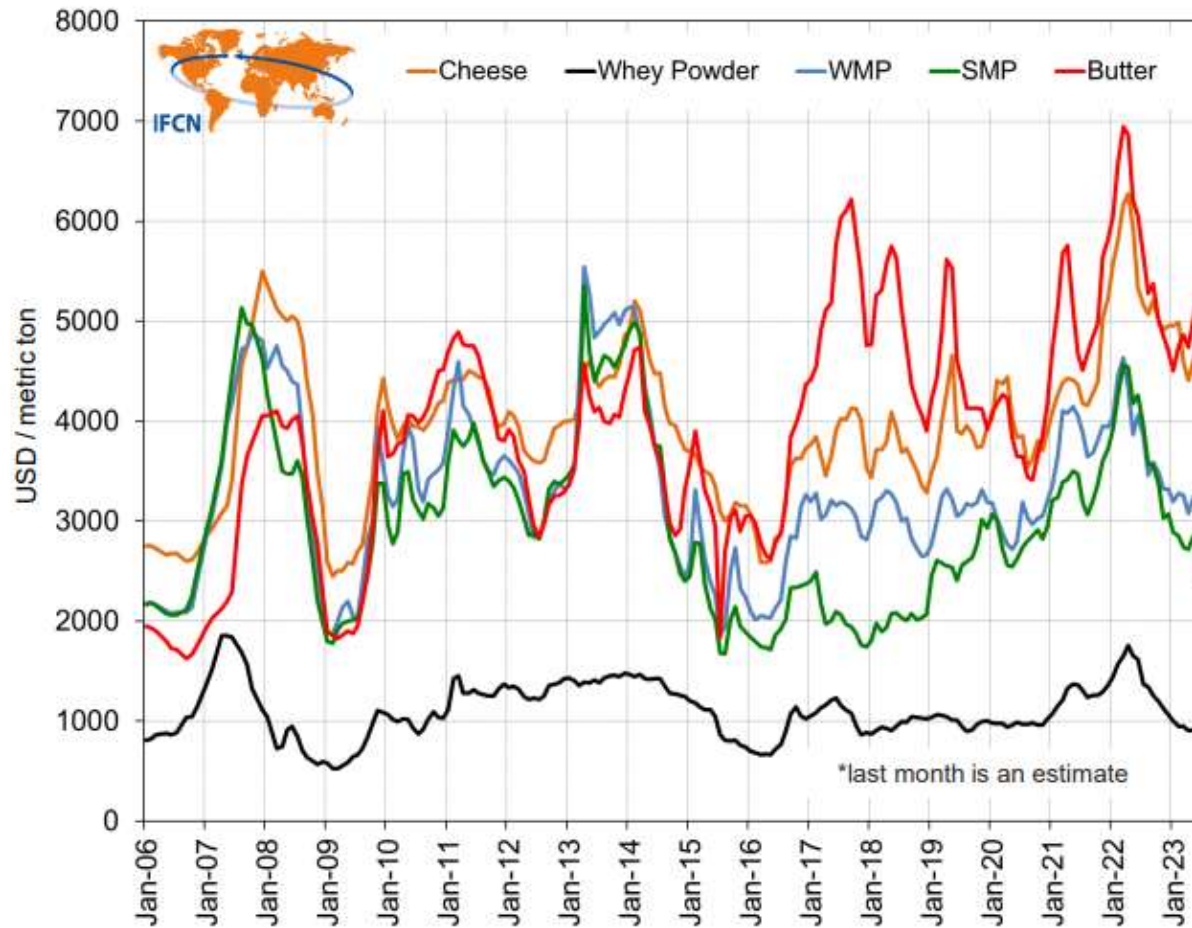
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Dairy Econ Workshop

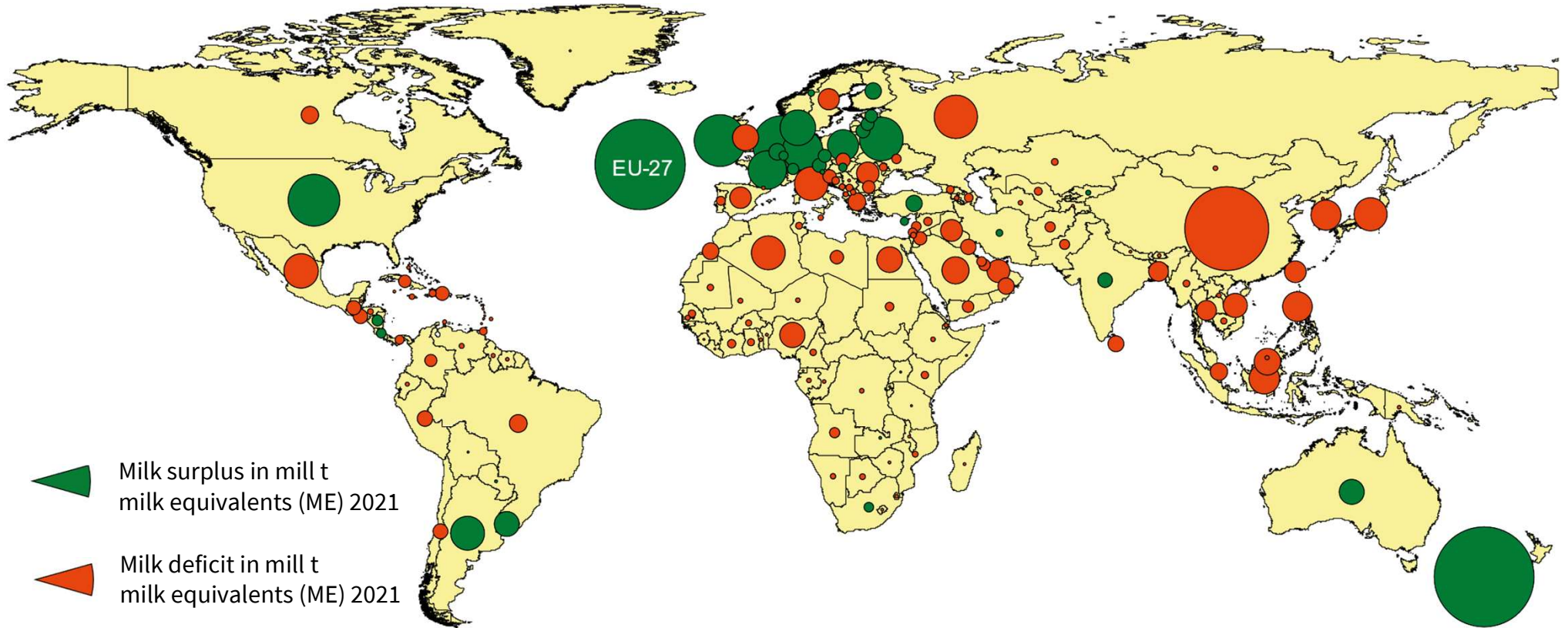
25th October 2023, Madison; USA



World dairy commodity prices



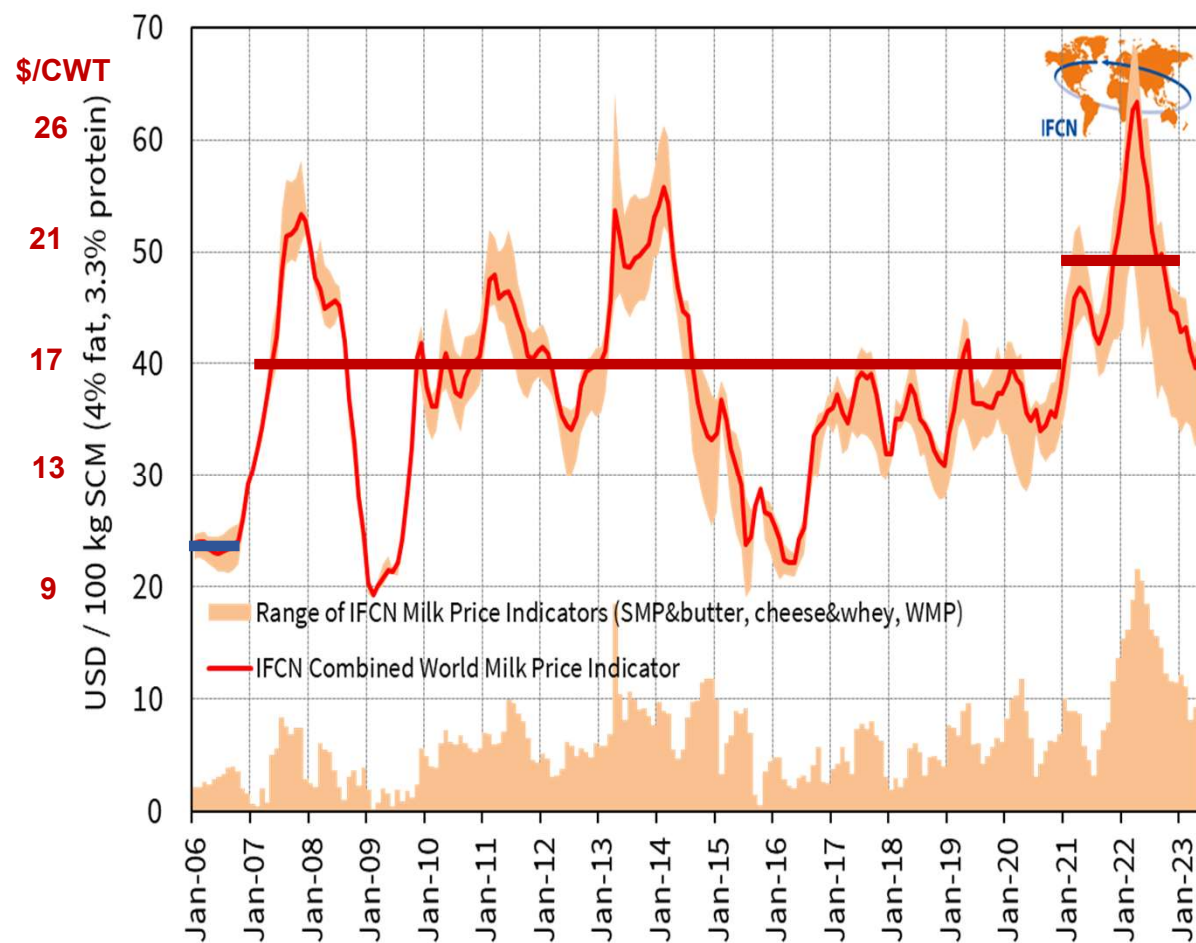
**Easy to
monitor
if a
market
place
exist.**

Simplified dairy price driver: Milk surplus and deficit by country



-  Milk surplus in mill t milk equivalents (ME) 2021
-  Milk deficit in mill t milk equivalents (ME) 2021

World milk price – simplified



Method:

IFCN world milk price is based on the dairy commodity prices – mainly Oceania

- a) Butter/SMP (NFDM) (\approx Class IV)
- b) Cheese/whey and (\approx Class III)
- c) Whole milk powder;

Value per kg milk is based on commodity prices and standard processing costs for dairy products.

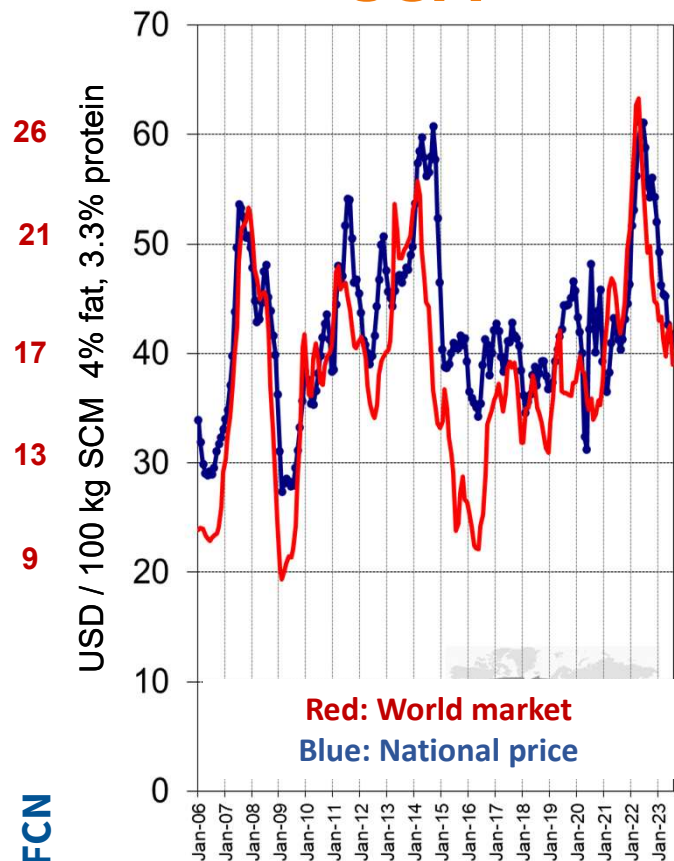
Red line is built on weighting the three valuation with the trade share of these commodities on the world market.

Source: IFCN world milk price is based on the dairy commodity prices butter/SMP, cheese/whey and whole milk powder; mainly Oceania prices

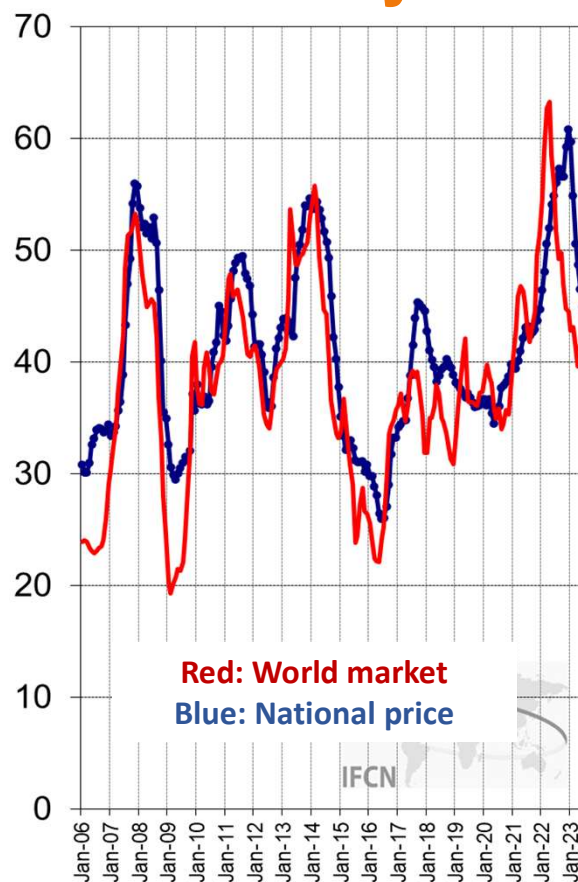
World milk price drive national prices

\$/CWT

USA



Germany



Patterns

1. The red line is the “commodity value of a kg milk on the world market.
2. The red line drives farm gate milk prices – especially in net export countries
3. In some cases the blue line disconnects from the red line.

My closing with inspirational humor



Disclaimer

Please note
that I am far away to judge if this “joke”

can have any direct connection
with the topic of FMMO in USA today.



Wisdom from Dakota Indians

**When you discover that
you are riding a dead horse
the best strategy is to dismount.**



However, in business, education, government a whole range of far more advanced strategies often employed such as:

1. Buying a stronger whip.
2. Changing riders.
3. Threatening the horse with termination.
4. Appointing a committee to study the horse.
5. Arranging to visit other sites to see how they ride dead horses.
6. Lowering the standards so that dead horses can be included.
7.