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Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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Allegany, Cattaraugus, Chautauqua, Erie, and Steuben.

Dairy Market Watch
Newsletter
June 2020

An educational newsletter to keep producers informed of changing market factors affecting the dairy industry.

Milk Component Prices			Milk Class Prices				Statistical Uniform Price & PPD				
Month	Butterfat	Protein	I (Boston)	II	III	IV	Jamestown, NY		Albany, NY		Albany \$/gal. to farmer
May 19	\$2.57	\$2.12	\$19.67	\$16.48	\$16.38	\$16.29	\$16.65	\$0.27	\$17.25	\$0.87	\$1.49
June 19	\$2.66	\$2.00	\$20.32	\$17.30	\$16.27	\$16.83	\$17.13	\$0.86	\$17.73	\$1.46	\$1.53
July 19	\$2.68	\$2.40	\$20.43	\$17.61	\$17.55	\$16.90	\$17.68	\$0.13	\$17.28	\$0.73	\$1.58
Aug 19	\$2.65	\$2.44	\$21.14	\$17.60	\$17.60	\$16.74	\$17.82	\$0.22	\$18.42	\$0.82	\$1.59
Sep 19	\$2.49	\$2.86	\$21.10	\$16.93	\$18.31	\$16.35	\$17.63	(\$0.68)	\$18.23	(\$0.08)	\$1.57
Oct 19	\$2.40	\$3.17	\$21.09	\$16.68	\$18.72	\$16.39	\$17.57	(\$1.15)	\$18.17	(\$0.55)	\$1.57
Nov 19	\$2.32	\$3.91	\$21.39	\$16.85	\$20.45	\$16.60	\$18.05	(\$2.40)	\$18.65	(\$1.80)	\$1.61
Dec 19	\$2.19	\$3.65	\$22.58	\$16.81	\$19.37	\$16.70	\$18.13	(\$1.24)	\$18.73	(\$0.64)	\$1.61
Jan 20	\$2.11	\$2.96	\$22.26	\$17.05	\$17.05	\$16.65	\$17.63	\$0.58	\$18.23	\$1.18	\$1.57
Feb 20	\$1.98	\$3.03	\$20.80	\$16.84	\$17.00	\$16.20	\$16.97	(\$0.03)	\$17.57	\$0.57	\$1.51
Mar 20	\$1.92	\$2.84	\$20.71	\$16.75	\$16.25	\$14.87	\$16.59	\$0.34	\$17.19	\$0.94	\$1.48
Apr 20	\$1.32	\$2.48	\$19.89	\$13.87	\$13.07	\$11.40	\$13.77	\$0.77	\$14.37	\$1.30	\$1.24
May 20	\$1.38	\$2.09	\$16.20	\$12.30	\$12.14	\$10.67	\$12.32	\$0.18	\$12.92	\$0.78	\$1.11

May Utilization (Northeast): Class I = 29.8%; Class II = 20.5%; Class III = 27.1%; Class IV = 22.6%.

Class I = fluid milk; Class II = soft products, cream, and yogurt; Class III = cheese (American, Italian), evaporated and condensed products; Class IV = butter and milk powder.

Dairy Commodity Markets (USDA Dairy Market News – Volume 87, Report 26, June 22nd, 2020)

Cheese: Cheese market tones are in unprecedented territory. Following the March/April onslaught of closures and disruptions, restaurants have begun reopening and been refilling pipelines. Retail ordering never lost a step. Therefore, cheese availability tightened up nationwide. All that said, cheesemakers have held onto concerns about the potential market falloff. There was a big drop midweek on the CME block price, but it steadied the following day. Barrel prices have steadily risen all week. Eastern contacts still say lighter milk has limited production schedules there.

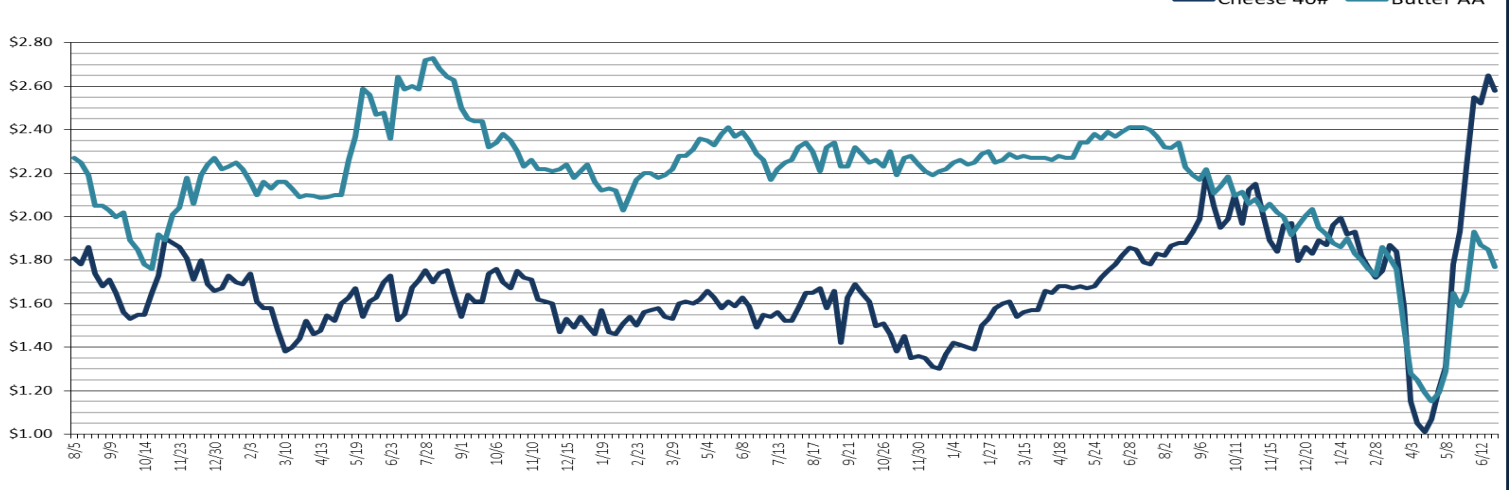
Dry Products: Central and East low/medium heat nonfat dry milk (NDM) prices slipped across the board. Trading activity was busier, but more prices are beginning to slip under \$1. Some end users are looking for discounts. Buttermilk powder markets are currently in good order. Ice cream production is up, while churning has decreased. Eastern NDM supplies continue to be limited outside of contracted orders. The market remains stable, while demands from dry mix manufacturers and bakers are reported as fair/good. Spot prices for national dry whole milk are steady to higher. Some sales, based on specific brands, pushed up the top of the pricing range. Cash sale trading activity is reported as light to moderate. The production of dry whole milk is irregular as most plant managers focus on SMP/ NDM manufacturing.

Fluid Milk: Some have relayed May 2020 monthly output was significantly lower year to year. That said, production has increased farm to farm in spite of the summer weather. Warmer weather is expected later this week and into the weekend. Some expect milk yields to remain somewhat flat as a result. Dairy farmers continue to report component levels, namely protein, are lower year to year. Class I demand remains flat and well below this time last year. Bottlers are also expecting lighter intakes next week, as well. Cheesemakers are finding spot milk loads as low as \$2 under Class.

Butter: Although, cream volumes are headed into heavier ice cream and cheese production, butter manufacturing remains active across the nation. In some instances, micro-fixing is the modus operandi in order to fill hearty butter print needs. With the recent news of possible COVID-19 spikes, uncertainty in the market continues, even as staged food service openings occur.

Friday CME Cash Prices					
Dates	5/29	6/5	6/12	6/19	6/26
Butter	\$1.66	\$1.93	\$1.87	\$1.85	\$1.77
Cheese (40# Blocks)	\$2.23	\$2.55	\$2.52	\$2.65	\$2.58

Weekly Average CME Cash Price - 2016 to Present



June 2020 Dairy Situation & Outlook

By Bob Cropp, Professor Emeritus, University of Wisconsin-Madison

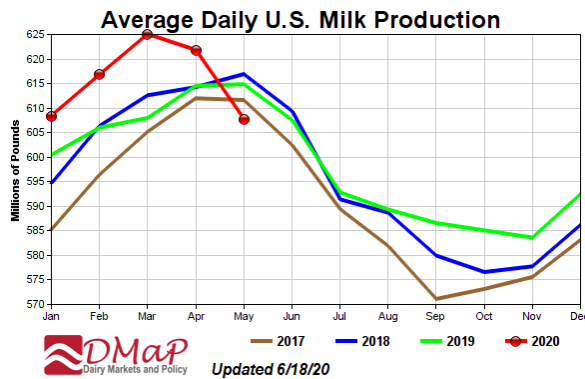
This is an excerpt from the originally published Outlook available here: <https://fyi.extension.wisc.edu/dairy/june-2020-dairy-situation-outlook/>

Milk prices have been volatile, but it looks like volatility will be a record in 2020. In January, the Class III prices was \$17.05. By May it had fallen to \$12.14. But it looks like June will be above \$20. Class IV has also been volatile with January at \$16.65 falling to \$10.67 in May and will be about \$13.35 in June.

What factors drove these big changes in milk prices?

The sharp drop in prices in May was the result of the COVID-19 virus shutting down schools, universities, restaurants, and food service which caused a big drop in the sales of milk, cheese, and butter. Milk production was also at a relatively high level with March production 2.8% higher than the year before resulting in more milk than milk plants could handle with the loss of sales. Dairy farmers were asked to lower milk production and some were asked to dump milk. But then in May and continuing in June sales of milk, cheese, and butter while not back the levels prior to COVID-19 started to improve. Restaurants are slowly reopening, and food service sales are increasing. Restaurants and food service needed to place rather big orders of cheese and butter to restock their supplies. With people staying at home retail sales of milk, cheese and butter increased. By May 15th and into June the Farmers to Family Food Box Program kicked in and the government bought rather large quantities of milk and cheese. And on the supply side dairy cooperatives implemented base excess plans to their producers to reduce milk production. So, all these activities tightened the supply demand situation and milk prices responded. This shows we can have big changes in milk prices from relatively small changes in supply and demand. USDA's milk production report showed dairy farmers did reduce milk production.

On the CME 40-pound block cheddar was as high as \$2.0225 per pound in January. Got as low as \$1.00 in April and as high as \$2.585 in June and is now \$2.50. Cheddar barrels were as high as \$1.50 per pound in January, got as low as \$1.00 in April and as high as \$2.425



in June and is now \$2.28. The price of whey also impacts the Class III price but has not shown any real strength in May or June. The Class IV price is driven by the price of butter and nonfat dry milk. Butter was as high as \$1.90 per pound in January. Got as low as \$1.10 per pound in April and as high as \$2.015 in June and is now \$1.8075. Nonfat dry milk was as high as \$1.24 per pound in January. Got as low as \$0.80 in April and was as high as \$1.05 in June and is now \$1.02.

The big question is how long can these milk prices hold? A big part of the answer is milk production. Hopefully, dairy farmers do not respond to higher milk prices by increasing production again. We are entering the seasonal low in milk production during July through September. So, milk production will be declining and hopefully stay below year ago levels over the next few month. The question is will schools and universities reopen. It looks like some will and some may stay with online instruction. Will restaurants be allowed to open to a larger capacity and will consumers be willing to go to restaurants. USDA has announced it will extend purchases of dairy products under the Food Box Program in July and August which would be positive for milk prices. This fall cheese and butter plants will build stocks to meet the seasonal increase in demand for the holidays. Will there be a second surge in COVID-19? So, there is a lot of uncertainty as to milk prices for the remainder of the year. But prices should remain rather strong for the next 2 or 3 months at least. Beyond that there is more uncertainty. Dairy futures currently are rather optimistic. Class III futures is \$20 in July, \$18's in August, high \$17's in September before trailing off to the \$16's by November and December. Dairy producers should consider taking advantage of these prices with risk management tools such as the Dairy Revenue Protection Program, Class III futures and options, forward contracting some of their milk with a milk buyer because there is a greater probability that milk prices could fall from these current futures prices than increase.