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# Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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A partnership between Cornell University  
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Allegany, Cattaraugus, Chautauqua, Erie, and Steuben.

**Dairy Market Watch**  
Newsletter  
August 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
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
June 20	\$1.86	\$4.53	\$14.67	\$12.99	\$21.04	\$12.90	\$14.51	(\$6.53)	\$15.11	(\$5.93)	\$1.30
July 20	\$1.95	\$5.62	\$19.81	\$13.79	\$24.54	\$13.76	\$17.93	(\$6.61)	\$18.53	(\$6.01)	\$1.60

July Utilization (Northeast): Class I = 28.1%; Class II = 24.7%; Class III = 28.4%; Class IV = 18.8%.

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 34, August 21st, 2020)

**Cheese:** Cheese production is steady to strong throughout the country. Typically, in mid to late August, milk supplies get diverted from summer cheese production into bottling for school district orders. However, with many schools throughout the United States preparing for virtual/at-home learning, at least to start the school year, more milk remains in Class III manufacturing. Even as cheese production runs apace, inventories are not yet overly problematic. That being said, contacts relay cheese plant managers are leery of growing inventories, as some are opting out of relatively low spot milk prices. Uncertainty is the best description of current markets. Retail demand has been steady to improved, while undoubtedly food service orders are well below what they have been in previous years.

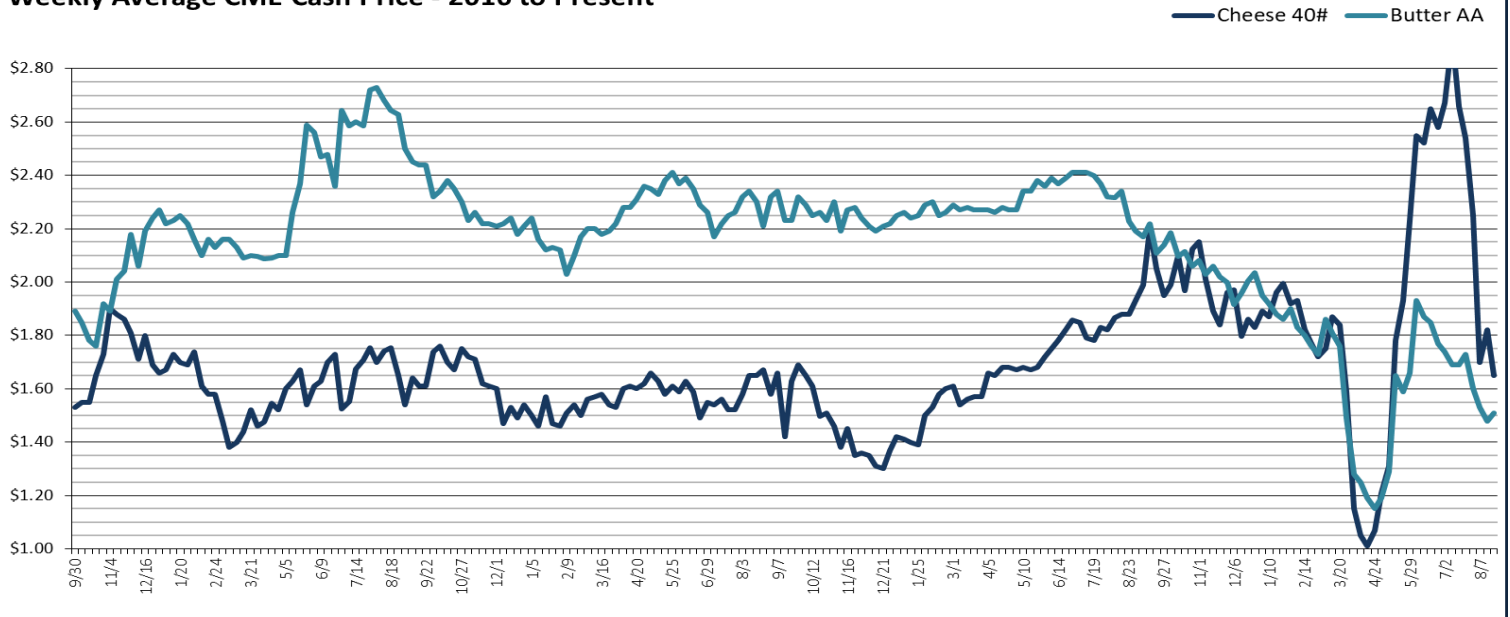
**Dry Products:** Low/medium heat nonfat dry milk (NDM) prices are steady to higher. Buyers' demands are mixed. Exports to Mexico are fair/good. Some market participants question the bullishness of the current market. High heat NDM prices are steady to higher on slow spot trading activity. Dry buttermilk prices are mostly unchanged. Spot trading activity is slow. Market activity is expected to improve ahead of the upcoming fall baking season. Dry whole milk prices are lower on the top of the price range. Buyers' interests are fairly light.

**Fluid Milk:** Eastern milk is tight in some areas for some operations. Milk output has bottomed out in Florida, where hot weather has taken a toll on cow comfort. Bottlers are receiving most loads in parts of the East. Class I demand slightly picked up as some schools order supplies. Condensed skim markets are fairly stable. Some customers are requesting additional spot loads. Cream supplies are slightly increasing.

**Butter:** Throughout the country, butter manufacturing is mostly steady this week. In some regions of the country, cream volumes for churning are becoming more accessible as pulls from Class II processors begin to ease somewhat. In the east, moderate increases in butter purchases are reported for both retail and foodservice accounts. Conversely, in the Central and West regions, food service and retail demands are sluggish as some restaurants and school districts face COVID-19 setbacks.

Friday CME Cash Prices					
Dates	7/24	7/31	8/7	8/14	8/21
Butter	\$1.73	\$1.60	\$1.53	\$1.48	\$1.51
Cheese (40# Blocks)	\$2.54	\$2.25	\$1.70	\$1.82	\$1.65

## Weekly Average CME Cash Price - 2016 to Present



### August 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/august-2020-dairy-situation-outlook/>

Unfortunately, milk prices are headed lower with the August Class III around \$19.45 and possibly heading to the \$16's for the remainder of the year. Both 40-pound cheddar blocks and cheddar barrels have weakened considerably. The 40-pound cheddar blocks got as low as \$1.58 per pound and are now \$1.71. Cheddar barrels are now \$1.375. Unless prices strengthen some Class III could fall below \$16. Current Class III September futures are \$15.41. What has changed since June and July to result in lower cheese prices? On the supply side milk production declined 0.5% in May and was up just 0.8% in June as dairy cooperatives implemented base excess plans on their producers. But dairy producers have responded to the higher milk prices in May and June. July milk production was 1.5% higher than a year ago. After cow numbers declined for 4 months July cow numbers increased by 2,000 head and were 0.4% higher than a year ago. Milk per cow improved being 1.1% higher than a year ago.

But several things happened on the demand side. The bright spot is home consumption of dairy products has and continues to run well above year ago levels. Restaurants partially reopened and there was a need to buy cheese and replenish their stocks. But in July the surge in the coronavirus resulted in restaurants being instructed to cut back on their openings. It also looks like food service will be negatively impacted as many schools and colleges open this fall with virtual learning, high school and college fall sports being cancelled, professional sports to have no fans in the stands and conferences and other major events being cancelled. These moves hurt beverage milk, cheese and butter sales. Under the Farmers to Families Food Box program that operated from May 15<sup>th</sup> to June 30<sup>th</sup> the government purchased a lot of cheese. The second round of Farmers to Families Food Box program is operating from July 1 to August 31<sup>st</sup> but the amount of cheese purchased will be reduced.

Demand was also boosted by higher dairy exports in May and June. With the exception of butter nonfat dry milk/skim milk powder and cheese were below world market prices in May and early June.

World customers took advantage of these lower prices and increased purchases. May dairy product exports were the most in two years with record exports of nonfat dry milk/skim milk powder, improved exports of cheese and whey products.

There remains a lot of uncertainty as to where milk prices are headed for the remainder of the year and for next year. Until the coronavirus comes much more under control and things return more to normal the demand for dairy products will be depressed. Dairy exports could continue to do fairly well as U.S. prices have now come more competitive with world prices. Also, world milk production in other major exporters continues to increase at a relatively slow rate which could give U.S. opportunities for more exports. But with the worldwide spread of the coronavirus there is a concern worldwide recession could dampen demand. The level of U.S. milk production will be very important. USDA is forecasting 2021 milk production to increase 1.9%, adjusted for leap year in 2020, the result of just 0.1% more milk cows and 1.8% more milk per cow. If this materializes, it will take favorable dairy exports to support higher milk prices.

Class III futures are now in the \$15.41 for September and the \$16's for the remainder of the year. But prices could strengthen some with milk production seasonally lower in August and September. Also as in the past the demand for cheese and butter is expected to increase during the holiday season. There is also a third round of the Farmers to Families Food Box that runs from September 1 to October 31, but at lower purchases than the first two rounds.

Class IV futures will be near \$13.10 for August and in the low \$14's November and December. Butter stocks are plentiful, but butter prices could strengthen some during the holiday season. Nonfat dry milk/skim milk powder exports could also stay above year ago levels, both of which could strengthen the Class IV price.