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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
May 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
Apr 19	\$2.54	\$1.99	\$19.01	\$16.38	\$15.96	\$15.72	\$16.19	\$0.23	\$16.79	\$0.83	\$1.45
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	(\$1.15)	\$14.37	(\$0.55)	\$1.24

April Utilization (Northeast): Class I = 29.8%; Class II = 20.3%; Class III = 24.1%; Class IV = 25.8%.

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 21, May 22nd, 2020)

Cheese: COVID-19 has presented cheesemakers with a metaphorical roller coaster in regards to supply, demand, production and milk availability. Cheese producers are busier. Some stocks built up in the past month are obligated to customers who bought when markets were much lower, but heavy inventories are much less of a concern as markets have shot up since one month ago. Milk supplies are lighter as dairy farmers are now culling more cattle, and weekly milk yields are declining. This week marks the first time this year without a reported sub-Class III spot milk price. Week 21 has brought many variances in spot milk prices over the years.

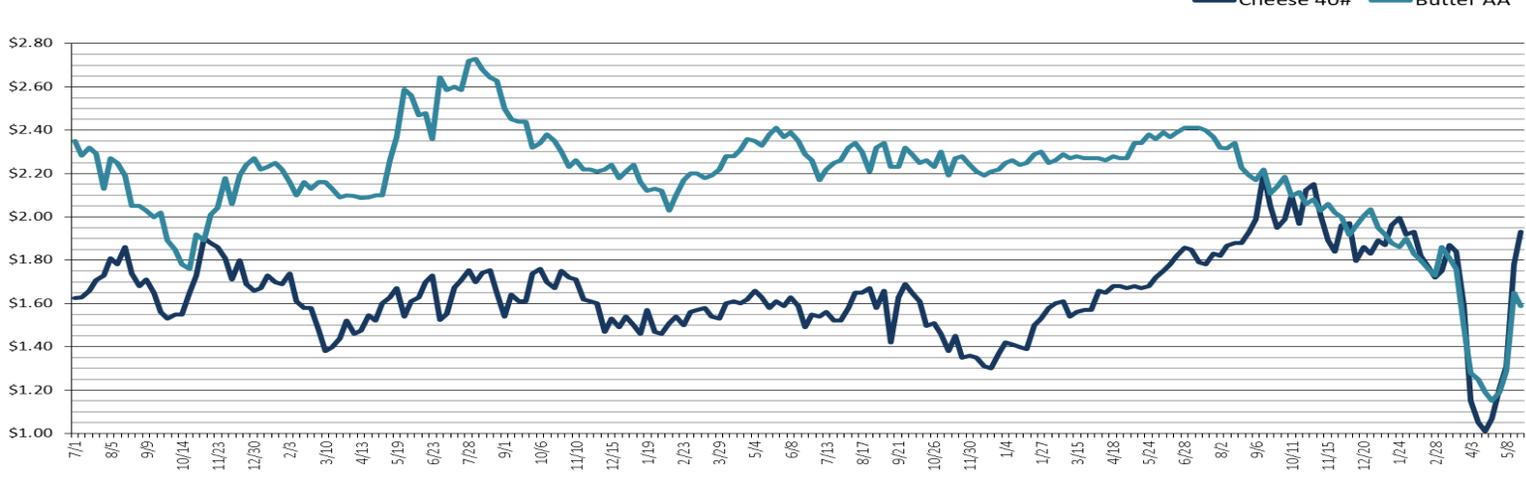
Dry Products: Low/medium nonfat dry milk spot prices are higher in a bullish market. Less milk available in the market and active Mexican buying adds to the firm conditions. Dry buttermilk prices are unchanged. Domestic demand is somewhat quiet. Dry whole milk continues to have steady pricing. Inventories are balanced to meet contractual and spot needs. Dry whey spot prices are mixed across the country. Production is stable to higher. Inventory is adequate. Whey protein prices are steady to lower. Inventories are comfortable to snug, but become more available for interchangeable brands. Lactose prices are higher. Demand from standardization and infant formula customers is solid.

Fluid Milk: Milk production across the country ranges from lower to steady, conditional to the locality in the United States. Many farms are on the downside of peak production, bringing closure to the flush. Class I milk sales are mostly stable, with upticks in New Mexico and California. Cream availability tightened to the tune of ice cream production, as thrifty butter makers, shopping for surplus loads, found current multiples unfavorable.

Butter: The national butter market continues slowly recuperating from the effects of COVID-19. In general, butter sales into food service are gradually recovering as some restaurants slowly reopen across the country. Print butter sales into retail accounts are reported as strong. Cream churning is expected to be very active throughout the holiday weekend. Bulk butter inventories are ample and steadily building into cold storage.

Friday CME Cash Prices					
Dates	4/24	5/1	5/8	5/15	5/22
Butter	\$1.15	\$1.19	\$1.29	\$1.65	\$1.59
Cheese (40# Blocks)	\$1.07	\$1.21	\$1.31	\$1.78	\$1.93

Weekly Average CME Cash Price - 2016 to Present



Price Optimism and CFAP Sign-Ups

By Katelyn Walley-Stoll, Cornell University Cooperative Extension

As published in their May 18th Livestock, Dairy, and Poultry Outlook, USDA is forecasting the 2020 All-Milk price to be \$14.55/cwt, which is an increase from last month's \$14.35/cwt forecast. They also are looking at 2021's all-milk price to be \$15/cwt.

Bob Cropp in his monthly Dairy Situation and Outlook, is estimating that things will be a bit higher for the all-milk price, by at least another \$1, with Class III into the high \$16's. There is hope that the market will continue to recover slowly, especially if it follows at least part of the upward trend we're seeing on the futures market. From his report: "Milk price forecasts can change rather dramatically from one month to another. This is the situation between the April price forecast and the May forecast. In April it looked like the May Class III price would be about \$11.00. The particularly good news is that it now looks like the May Class III price will be near \$12.35. This increase is the result of unexpected rather strong rally in cheese prices. On the CME since the beginning of May, barrel cheese increased by \$0.66 per pound and 40-pound blocks by \$0.72. Since the beginning of May, butter has increased \$0.45 per pound and nonfat dry milk \$0.20. But since the increase has been mostly since the past 10 trading sessions, the May Class IV price will also be higher than forecasted in April, but only about \$10.65 versus \$10.15."

While there is hope to be found in the recent market upticks, it's unlikely that these prices will hold as high as the futures markets are trading. There, June and July Class III futures are in the \$17's and \$16's for the rest of 2020. There are some positive things on the horizon as restaurants begin to slowly reopen, and USDA increases their Section 32 purchases while also rolling out the food box program. We're also on the decline of this season's "Spring Flush", and are starting to see the effect of cooperatives' production restrictions/base milk implementations as farmers reduce milk production and increase culling. April's milk production was only 1.4% higher than a year ago, whereas March's production increased by 2.8%. There continues to be some milk dumping, although that seems to have subsided for the most part. However, as global economies head into recession, this could reduce both domestic purchases and export market sales. Additionally, there is the uncertainty of how community infection rates will change as businesses begin to open again and whether this will cause a second round of shut downs.

Don't forget to contact your local Farm Service Agency office to fill out your farm's Coronavirus Food Assistance Program (CFAP) application. This will provide eligible producers up to \$250,000 in direct payments based on their documented production and a national payment rate. The benefit for dairies equates out to a \$6.47/cwt payment based on first quarter production. You can also work with FSA staff to value livestock sale losses and crop inventories for payments in those commodity areas as well. While this won't make up for the entire loss producers will see in 2020, this will provide a significant cash infusion to help farms cash flow their business. It's important to know that FSA office staff are working remotely, so please start with a phone call to them to learn more about their process to get application items submitted, or to learn more about the eligibility of your specific operation.

Resources and For More Information:

Dairy Situation and Outlook, May 20, 2020 by Bob Cropp. <https://fyi.extension.wisc.edu/dairy/dairy-situation-and-outlook-may-20-2020/>

Dairy Situation and Outlook Podcast, May 2020 by Mark Stephenson & Bob Cropp. <https://dairymarkets.org/PubPod/Podcast/Outlook/>

USDA's New Direct Payments Program for Dairy Farmers, by Chris Wolf, Mark Stephenson, and Andrew Novakovic. <https://dairymarkets.org/PubPod/Pubs/IL20-02.pdf>

Livestock, Dairy, and Poultry Outlook, USDA ERS. <https://www.ers.usda.gov/webdocs/outlooks/98463/ldp-m-311.pdf?v=6533.4>

Sep-20 CME Milk Contract Prices Over Past 120 Days

