



# Dairy Market Watch

## July 2017

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

Funded by Cornell Pro-Dairy. Compiled at Cornell Cooperative Extension of Chautauqua County by Katelyn Walley-Stoll, Community Educator.

Milk Component Prices			Milk Class Prices				Statistical Uniform Price & PPD					MPP
Month	Butterfat	Protein	I (Boston)	II	III	IV	Jamestown, NY		Albany, NY		Albany \$/gal. to farmer	Milk Margin Minus Feed Costs (\$/cwt)*
June 16	\$2.41	\$1.48	\$16.39	\$14.12	\$13.22	\$13.77	\$13.86	\$0.64	\$14.46	\$1.24	\$1.25	\$5.75
July 16	\$2.59	\$1.91	\$16.95	\$15.16	\$15.24	\$14.84	\$15.07	(\$0.17)	\$15.67	\$0.43	\$1.35	\$7.59
Aug 16	\$2.48	\$2.57	\$18.32	\$15.21	\$16.91	\$14.65	\$15.82	(\$1.09)	\$16.42	(\$0.49)	\$1.36	\$9.26
Sep 16	\$2.31	\$2.56	\$19.81	\$14.66	\$16.39	\$14.25	\$15.95	(\$0.44)	\$16.55	\$0.16	\$1.38	\$9.48
Oct 16	\$2.04	\$2.29	\$19.85	\$14.09	\$14.82	\$13.66	\$15.08	\$0.26	\$15.68	\$0.86	\$1.35	\$8.84
Nov 16	\$2.10	\$2.80	\$18.03	\$14.60	\$16.76	\$13.76	\$15.19	(\$1.57)	\$15.79	(\$0.97)	\$1.36	\$9.98
Dec 16	\$2.34	\$2.69	\$20.13	\$15.26	\$17.40	\$14.97	\$16.53	(\$0.87)	\$17.13	(\$0.27)	\$1.43	\$11.10
Jan 17	\$2.53	\$2.18	\$20.70	\$16.36	\$16.77	\$16.19	\$17.06	(\$0.29)	\$17.66	(\$0.89)	\$1.52	\$11.05
Feb 17	\$2.42	\$2.23	\$19.98	\$16.52	\$16.88	\$15.59	\$16.62	(\$0.26)	\$17.22	\$0.34	\$1.48	\$10.58
Mar 17	\$2.42	\$1.82	\$20.15	\$16.21	\$15.81	\$14.32	\$16.15	\$0.34	\$16.75	\$0.94	\$1.44	\$9.35
Apr 17	\$2.35	\$1.69	\$19.30	\$14.81	\$15.22	\$14.01	\$15.24	\$0.02	\$15.84	\$0.62	\$1.37	\$8.54
May 17	\$2.41	\$1.77	\$18.45	\$14.84	\$15.57	\$14.49	\$15.36	(\$0.21)	\$15.96	\$0.39	\$1.38	\$8.61
June 17	\$2.71	\$1.75	\$18.56	\$16.15	\$16.44	\$15.89	\$16.38	(\$0.06)	\$16.98	\$0.54	\$1.41	Not Available

June Utilization (Northeast): Class I = 31%; Class II = 25%; Class III = 26%; Class IV = 18%.

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.

\*At a milk margin minus feed costs of \$8 or less, payments are possible depending on the level of coverage chosen by the dairy producer.

### Dairy Commodity Markets (USDA Dairy Market News – Volume 84, Report 30, July 28<sup>th</sup>)

**Cheese:** Spot milk supplies into cheese plants are balanced in the Northeast, dwindling in the Midwest and generally adequate for Western producers. Domestic cheese demand, outside of regular contracts, is lighter in the East and West. Many cheese producers are bracing for a push in the upcoming weeks, as school summer breaks are nearing their conclusion. Cheese production is steady, with few exceptions, across all regions. Barrel cheese inventories are long, while some block producers report balanced inventories. The elephant in the room, regarding the cheese markets, is the growing block to barrel price chasm on the CME. Some participants are concerned the large spread could become the new normal.

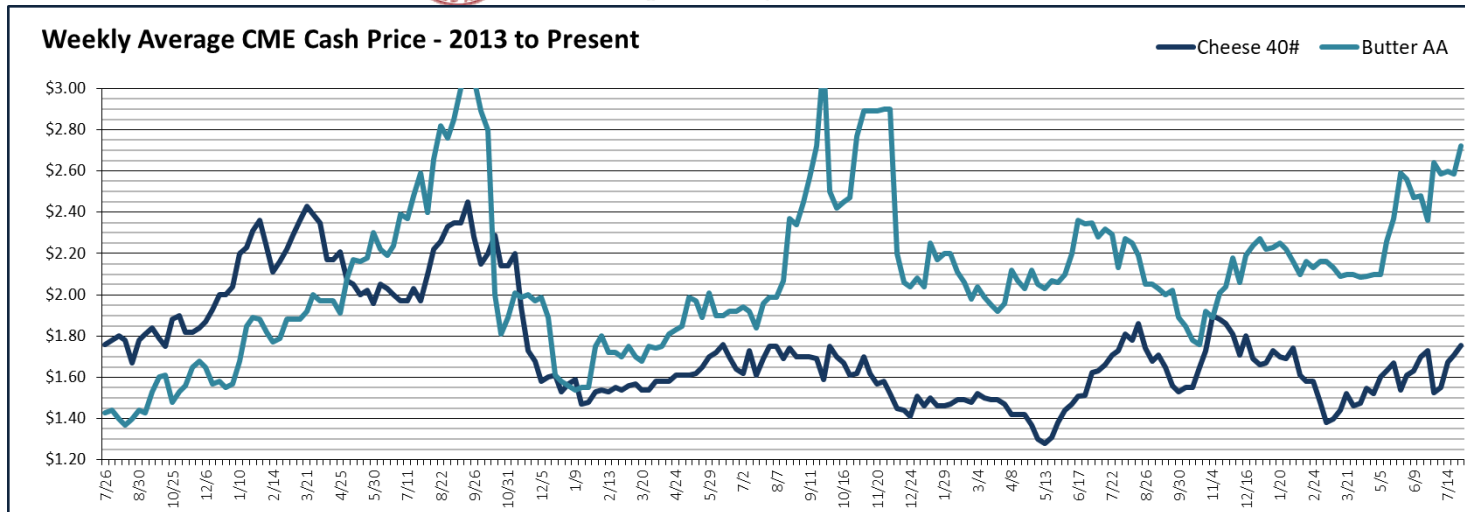
**Organic Dairy Market News:** Projections by some large organic dairy processors are for about 5.5 percent growth in U.S. organic milk production during 2017. Growth closer to 1 percent would be closer to the comfort level of some processors in terms of expanding processing, distribution and sales. There is some apprehension as to the ability of processing capacity and sales, both retail and wholesale, to absorb the entire increase.

Friday CME Cash Prices					
Dates	6/30	7/7	7/14	7/21	7/28
Butter	\$2.64	\$2.58	\$2.60	\$2.58	\$2.72
Cheese (40# Blocks)	\$1.52	\$1.55	\$1.67	\$1.70	\$1.75

**Fluid Milk:** In the U.S., the summer heat and high humidity/precipitation are favoring lower to steady milk yield. In general, milk supplies are in line with balancing needs. Class I sales are mixed.

**Dry Products:** Across regions, low/medium heat nonfat dry milk (NDM) prices are lower on the top of the range, but held steady on the mostly price series this week. A few suppliers are offering spot loads at higher prices, but interest is limited. Overall, spot trading activity is steady to moderate in the market. International demand is increasing as industry contacts report end users are actively bidding. The market undertone is on solid ground.

**Butter:** Butter sales activity in retail and food service are stable throughout the United States as advertisements promote higher priced butter. International markets are showing more interest and orders from end users have been active because of higher butter prices overseas. Ice cream producers and other Class II processors are using a lot of cream, however, cream is available to butter makers. Butter production schedules are full to unfilled. Due to fairly high cream prices, a number of butter processors are trading their cream. Inventories are balanced to building. Some manufacturers are bulking up storage and holding on to their stock for immediate and year-end holiday needs. Market participants point out that current butter market prices are at higher prices than recent years. Some contacts suggest the market prices will continue to maintain the lead over historical prices.



*Excerpt from "Dairy Situation and Outlook, July 20, 2017"  
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension*

Increased milk production this past spring resulted in higher cheese production that lowered cheese prices. Compared to a year ago, the production of cheddar cheese in May was 6.9% higher and total cheese production 4.0% higher. Cheese sales have been running higher than a year ago, but the increase has been lower than a year ago. Cheese exports have increased with May exports 48% higher than a year ago and year-to-date exports 22% higher. But, stocks of cheese have grown with May 31st stocks of American cheese 11.8% higher than a year ago and total cheese stocks 7.3% higher. On the CME cheddar barrels declined \$0.18 per pound from the start to the end of June and averaged \$1.3972 for the month. The 40-pound block price declined \$0.2125 per pound from the start to the end of June and averaged \$1.6022 for the month. The good news is both barrels and blocks have increased during July. July 20th prices were \$1.41 and \$1.705 respectively for barrels and blocks. But, the stock of barrels have been much longer than blocks resulting in an unusual long period with a price spread between blocks and barrels of 20 cents or more.

Dry whey averaged \$0.4488 per pound June and have weakened some to \$0.43. Butter averaged \$2.5688 per pound in June and has ranged from \$2.585 to \$2.645 during July with the current price of \$2.61. Nonfat dry milk averaged \$0.89 per pound in June, but was as low as \$0.84 in July with the current price at \$0.86. Both May 31st dry whey and butter stocks were lower than a year ago respectively by 1.4% and 3.5%. But nonfat dry milk stocks were 21.6% higher. May exports of all three products were higher than a year ago with dry whey exports up 7%, butter up 178% and nonfat dry milk/skim milk powder up 31%.

After July both the Class III and Class IV price should start to increase again driven by a slower growth in milk production and continued improvement in exports. Extreme heat in the West has negatively impacted milk production in California. Very wet conditions in the Northeast and Midwest has made the harvesting of hay difficult lowering its quality. Lower forage quality may dampen the increase in milk per cow this fall and winter. If the increase in milk production stays below 2% and exports continue to improve milk prices will strengthen.

USDA estimated June milk production to be 1.6% higher than a year ago. This makes two consecutive increases of less than 2% with May up just 1.8%. Milk cow numbers have been increasing each month starting back in October of last year. June milk cow numbers were 78,000 more than a year ago, an increase of 0.8%. The slowdown in milk production is due to a relatively low increases in milk per cow. Compared to a year ago milk per cow was just 0.7% higher.

If milk continues to increase less than 2% and exports continue to improve, the Class III price could be back to near \$16.50 by August and reaching the low \$17's for October and November with an average for the year \$16.45 to \$16.75 compared to \$14.87 in 2016. The August Class IV price could be near \$16.60 and in the \$17's September through November and averaging \$15.90 to \$16.10 for the year compared to \$13.75 in 2016. But, any changes in milk production or exports could push these prices either higher or lower.