

Dairy Market Watch

August 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)*
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	\$8.97
July 17	\$2.95	\$1.22	\$19.84	\$17.48	\$15.45	\$16.60	\$16.86	\$1.41	\$17.46	\$2.01	\$1.51	Not Available

July Utilization (Northeast): Class I = 30%; Class II = 25%; Class III = 28%; Class IV = 17%.

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 34, August 25th)

Cheese: Milk availability into cheese vats is experiencing a seasonal decline across the nation. Spot milk prices ranged from \$1 under to \$1 over Class III. Eastern food service and retail cheese demand is fair to good. Late last week and early this week, barrel prices caught up and briefly surpassed block prices on the CME. However, prices have since dropped for both types. Many market participants expected a correction from Monday's peak and remain cautiously optimistic about the market tone.

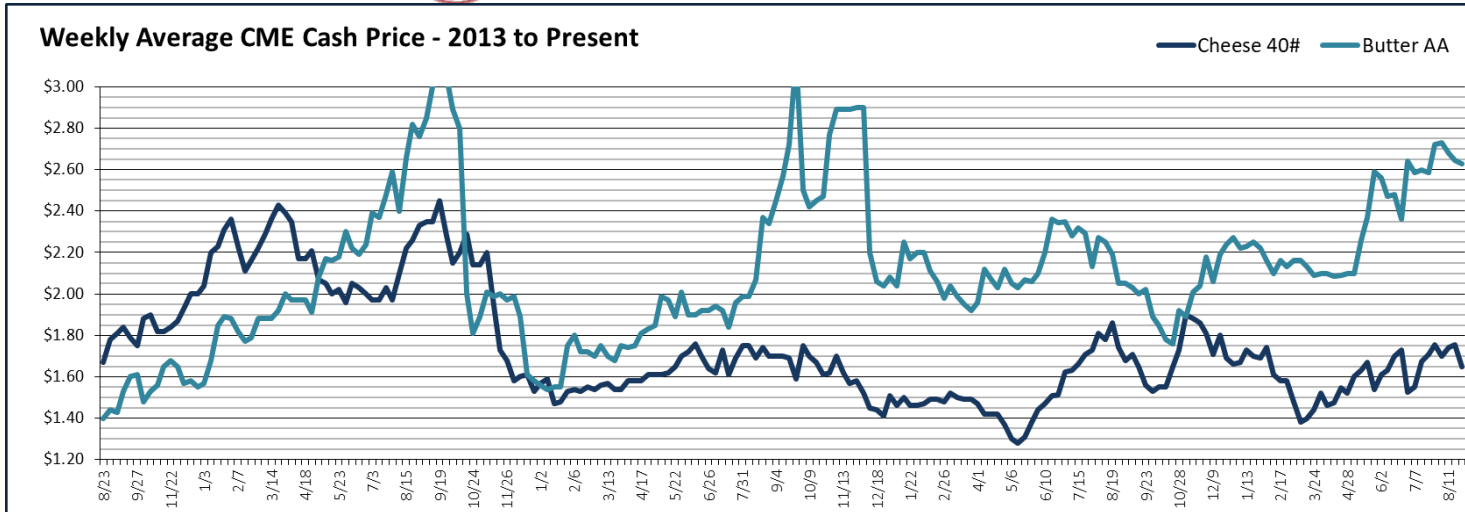
Butter: The United States butter demand is steady to strong as sales into educational and retail channels are active. Spot sales activity is mixed. A number of manufacturers report sales are good and growing. However, some market participants report seeing minimal sales as buyers and end users are waiting to see near term price direction. Throughout the regions, cream supplies are available for contractual needs. In the Northeast, cream availability outside of commitments is slim as the demand for cream is high. Butter production is mixed as butter makers are working hard to find the right economic balance for their production.

Friday CME Cash Prices					
Dates	7/28	8/4	8/11	8/18	8/25
Butter	\$2.72	\$2.73	\$2.68	\$2.65	\$2.63
Cheese (40# Blocks)	\$1.75	\$1.70	\$1.74	\$1.76	\$1.65

Fluid Milk: Cows' milk production is mixed across the country depending on varying climatic conditions in each region. However, farm milk intakes are expected to seasonally improve throughout the fall season. Bottled milk requests from schools are strong as most educational institutions are reopening. Compared to the past few weeks, condensed skim volumes are less available while demands from NDM/SMP and ice cream processors are fair to good. In the same way, cream sales to ice cream manufacturers are active, but are less intense compared to the previous month. Cream is relatively available for butter churning.

Dry Products: Low/medium heat nonfat dry milk (NDM) prices are steady on the range and mostly price series in the Central and East, while the range and the mostly price series in the West were mixed. Low/medium heat NDM demand was light and the spot market was fairly quiet. Low/medium heat NDM production is mixed from region to region, while inventories are adequate to long.

Organic Dairy Market News: During July 2017, organic whole milk utilization totaled 14.1 million pounds, up from 12.3 million pounds one year earlier. The July, 2017 butterfat content was 3.28 percent, down from 3.29 percent in 2016. Organic reduced fat milk utilization for July this year, 18.4 million pounds, was down from 18.5 million pounds one year earlier.



Excerpt from "Dairy Situation and Outlook, August 18, 2017"

by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

After taking a dip down in July milk prices will increase again in August. The July Class III price fell \$0.99 from June to July to \$15.45, but may increase about a dollar in August to near \$16.45. The Class IV price did increase \$0.52 from June to July to \$16.60, but may be unchanged for August. Slower growth in milk production, good domestic sales of butter and cheese and higher dairy exports strengthen dairy product prices which pushed milk prices higher in August.

USDA estimated July milk production to be 1.8% higher than a year ago. This marks the third straight month the increase has been less than 2% which is supportive of higher milk prices. U.S. dairy exports in the first half of the year were the most in three years due to record exports of nonfat dry milk/skim milk powder and whey products and a 24 percent year-to-date increase in cheese exports.

Butter prices have held due to lower production, good sales and higher exports. In June butter production was 4.8% lower than a year ago and 1.7% lower year-to-date. As a result, stocks of butter declined May to June and were 5.5% lower than a year ago. But, cheese production has been higher than a year ago. June production of cheddar cheese was 2.8% higher with year-to-date 6.0% higher. Total cheese production for June was 3.2% higher and 2.7% higher year-to-date. With good cheese sales and higher exports stocks of cheese declined May to June, but were still 7.0% higher than a year ago for American cheese and 5.3% higher for total cheese. Relatively strong production in June compared to a year ago for nonfat dry milk at 11.6% and dry whey at 9.8% resulted in relatively higher June stocks putting pressure on prices. Compared to a year ago nonfat dry milk stocks were 28.9% higher and dry whey stocks 12.2% higher.

Seasonal improvement in butter and cheese sales along with expected continued improvement in exports should add further strength to the Class III price for September and October reaching into the \$17's. Higher butter prices should keep the Class IV price in the \$16's. These higher milk prices will be supportive if the growth in milk production remains below 2%. The 1.8% increase in July milk production was the result of 0.8% more cows and just a 1.0% increase in milk per cow. Unlike last year a lower increase in milk per cow is slowing the increase in milk production. Compared to a year ago, the increase in milk production is considerably lower in the Northeast and Midwest with mixed changes in the West. Compared to July a year ago, Northeast milk production was slightly lower in New York, Pennsylvania and Ohio with Michigan up just 2.9%.

USDA has lowered their forecast for 2017 milk production for each of the past five monthly forecasts due to an expected lower increase in milk per cow reducing the impact of more cows. USDA is forecasting an average of 0.8% more cows, but just a 0.7% increase in milk per cow resulting in 2017 milk production 1.6% higher than last year. Wet weather in both the Northeast and Midwest, with the exception of South Dakota which has experienced a drought, harvesting quality hay has been hampered which could impact milk per cow in these two major milk producing regions. Looking further down the road we could see the Class III price falling back to the mid \$16's first quarter of next year. But, there remains a lot of uncertainty as to final prices. Prices will depend upon the actual level of milk production, domestic sales and exporters.