

Dairy Market Watch

March 2018

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.

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)*
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	\$9.08
Aug 17	\$3.01	\$1.55	\$19.97	\$17.56	\$16.57	\$16.61	\$17.18	\$0.61	\$17.78	\$1.21	\$1.48	\$10.27
Sep 17	\$2.86	\$1.70	\$19.96	\$16.80	\$16.36	\$15.86	\$16.74	\$0.38	\$17.34	\$0.98	\$1.49	\$9.99
Oct 17	\$2.11	\$2.66	\$19.69	\$15.95	\$16.69	\$14.85	\$16.29	(\$0.40)	\$16.89	\$0.20	\$1.46	\$10.00
Nov 17	\$2.55	\$2.34	\$19.66	\$15.32	\$16.88	\$13.99	\$15.99	(\$0.89)	\$16.59	(\$0.29)	\$1.38	\$10.39
Dec 17	\$2.50	\$2.03	\$20.13	\$14.49	\$15.54	\$13.51	\$15.56	\$0.12	\$16.16	\$0.72	\$1.39	\$8.12
Jan 18	\$2.45	\$1.66	\$18.69	\$14.11	\$14.00	\$13.13	\$14.55	\$0.55	\$15.15	\$1.15	\$1.31	\$8.11
Feb 18	\$2.34	\$1.62	\$17.50	\$13.44	\$13.40	\$12.87	\$13.73	\$0.33	\$14.33	\$0.93	\$1.24	Not Available

February Utilization (Northeast): Class I = 32%; Class II = 25%; Class III = 26%; 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 85, Report 12, March 23rd)

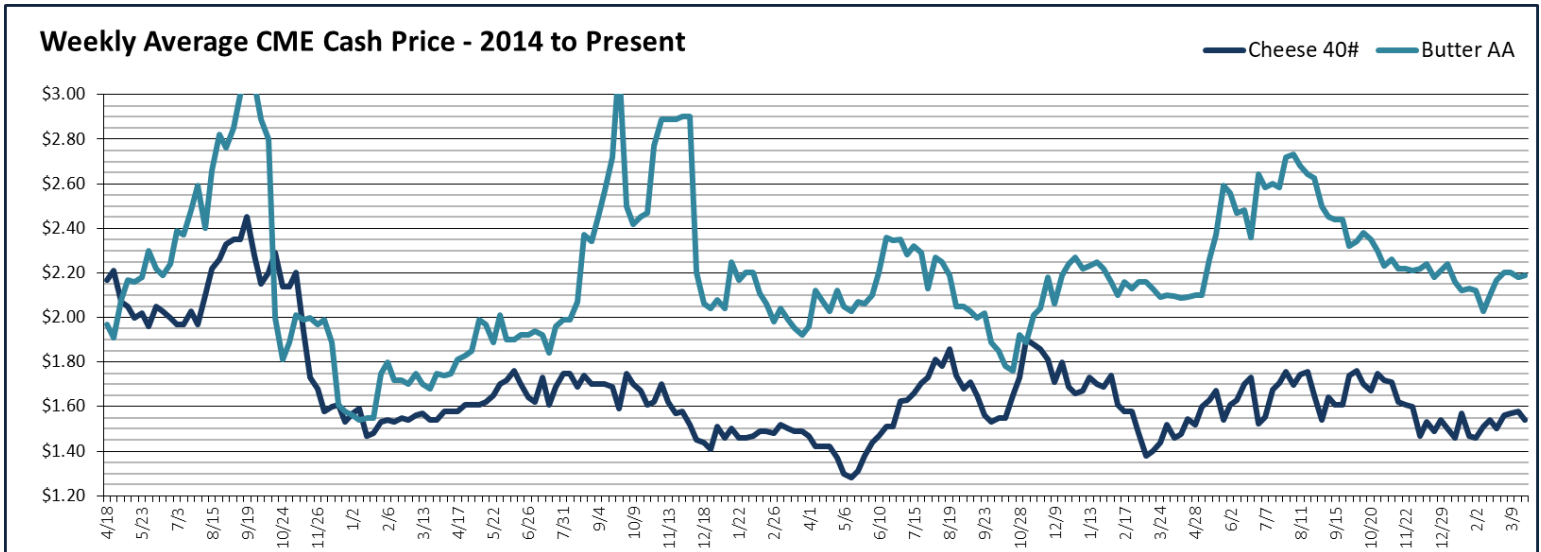
Cheese: The cheese market tone is steady to weakening, with both block and barrel prices decreasing from the start of the week, but stabilizing later on. Northeastern weather conditions continue to affect the dairy industry throughout the region and into the Midwest. Discounted spot milk prices range from \$3 to \$4 under Class. Cheese production varies regionally, with contacts in the East reporting plenty of milk loads for active cheese production despite weather conditions.

Butter: With the spring holiday demand window starting to close, butter production varies per region. The majority of print butter orders needed for the holidays have been fulfilled. Butter demand is relatively steady. Inventories are mixed. Some contacts suggest that inventories are low to in balance, while others suggest that inventories are growing. While cream for Class IV remains available, large amounts of cream are clearing into Class II. The market tone is steady with bullish behavior as buyers and sellers enter a post-holiday mode.

Fluid Milk: Reports from all areas of the country suggest higher milk outputs, as spring flush is ongoing and/or coming depending upon region. Snowstorms in the Northeast are continuing to hinder trucking. Spring break, either upcoming or already in progress, is also creating rerouting issues around the country. All reported spot milk loads headed into cheese manufacturing were discounted this week. Spot milk loads as low as \$4 under Class were reported.

Dry Products: Low/medium heat nonfat dry milk (NDM) prices are mixed. Production is relatively steady. High heat NDM prices are steady to lower throughout the country. Inventories are mixed. Demand is steady to slightly higher in order to meet customers' needs for the upcoming spring holiday baking season. The overall NDM market tone is showing signs of weakness. Dry buttermilk prices are mixed. Some processors moved from holiday churning to post-holiday demand schedules, decreasing production. The dry buttermilk market is unsettled. Dry whole milk prices held steady on a stable market. Production is slightly up ahead of upcoming spring holiday needs. For the most part, dry whey prices are unchanged. Production is active throughout the nation. Inventories are steady to growing. The market tone is unsettled to steady. Prices for whey protein concentrate 34% are relatively unchanged.

Friday CME Cash Prices					
Dates	2/23	3/2	3/9	3/16	3/23
Butter	\$2.17	\$2.20	\$2.20	2.18	\$2.19
Cheese (40# Blocks)	\$1.50	\$1.56	\$1.57	\$1.58	\$1.54



*Excerpt from "Dairy Situation and Outlook, March 20, 2018"
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension*

March milk prices will end up higher than February. Butter and cheese prices will average higher in March, while both nonfat dry milk and dry whey prices remain low with no increase. Higher cheese prices will increase the Class III price to around \$14.30 compared to \$13.40 in February. Higher butter prices will increase the Class IV price to around \$13.25 compared to \$12.87 in February. While stocks of dairy products remain relatively high improved domestic sales and dairy exports helped to strengthen prices.

While stocks of dairy products remain relatively high improved domestic sales and dairy exports helped to strengthen prices. Compared to a year ago, January 31st stocks were: butter +1.0%, American cheese +2.2%, total cheese +7.0%, dry whey +28.6% and nonfat dry milk +50.0%. Domestic commercial disappearance of butter during January was up 6.3%, American cheese up 3.0% and other cheese varieties up 2.3% while beverage milk sales were 0.6% lower. Compared to January a year ago, exports of nonfat dry milk/skim milk powder were up 3%, cheese up 19%, total whey up 18%, but butter was down 6%. On a total solids basis January exports were equivalent to 13.9% of milk production compared to 13.1% a year ago.

Milk prices for the rest of the year will of course continue to depend upon domestic sales, dairy exports and the level of milk production. With continued improvement in the economy, domestic sales should be positive for milk prices. Dairy exports will continue to face stiff competition for markets mainly from the EU as their milk production continues to show strong growth. As far as other major exporters milk production is up just slightly in Australia but lower in New Zealand and Argentina. On the positive side U.S. dairy products remain very price competitive on the world market. U.S. prices of butter, cheese, nonfat dry milk/skim milk powder and dry whey are all lower than EU or Oceania prices. The world economy also is improving. So U.S. should see some growth in dairy exports during 2018.

So a key factor to where milk prices will be headed will be the level of milk production. Despite low milk prices milk production is not slowing down. Compared to a year ago, milk production was up 1.8% for both January and February. Milk cow numbers have increased each month since last October for a total increase of 15,000 head. February cow numbers were 45,000 head higher than a year ago for an increase of 0.5%. Slaughter dairy cow numbers are running about 3% higher than a year ago despite very unfavorable slaughter cow prices, but dairy replacements are at a level to grow the cow herd. Milk per cow was up 1.3%.

Unless milk production slows down and/or dairy exports show greater increases it appears that milk prices will continue to slowly improve. Class III could improve to the \$15's by July and possible top out near \$16 by October and average for the year no higher than \$15.00 compared to \$16.17 last year. The Class IV price could improve to the \$14's by July but remain below \$15.00 and average no higher than \$14.00 compared to \$15.16 last year. But, hopefully, lower milk production and higher exports will push milk prices higher.