



Dairy Market Watch

June 2019

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				
Month	Butterfat	Protein	I (Boston)	II	III	IV	Jamestown, NY		Albany, NY		Albany \$/gal. to farmer
May 18	\$2.62	\$1.86	\$17.69	\$14.47	\$15.18	\$14.57	\$14.99	(\$0.19)	\$15.69	\$0.41	\$1.35
June 18	\$2.66	\$1.74	\$18.50	\$15.48	\$15.21	\$14.91	\$15.55	\$ 0.34	\$16.15	\$0.94	\$1.39
July 18	\$2.52	\$1.48	\$18.61	\$15.20	\$14.10	\$14.14	\$14.99	\$0.89	\$15.59	\$1.49	\$1.34
Aug 18	\$2.60	\$1.62	\$17.40	\$15.07	\$14.95	\$14.63	\$15.06	\$0.11	\$15.66	\$0.71	\$1.35
Sep 18	\$2.54	\$2.00	\$18.10	\$15.13	\$16.09	\$14.81	\$15.56	(\$0.53)	\$16.16	\$0.07	\$1.39
Oct 18	\$2.56	\$1.72	\$19.58	\$15.54	\$15.53	\$15.01	\$16.04	\$0.51	\$16.64	\$1.11	\$1.43
Nov 18	\$2.53	\$1.34	\$18.77	\$15.63	\$14.44	\$15.06	\$15.47	\$1.03	\$16.07	\$1.63	\$1.39
Dec 18	\$2.50	\$1.14	\$18.30	\$15.67	\$13.78	\$15.09	\$15.12	\$1.34	\$15.72	\$1.94	\$1.36
Jan 19	\$2.50	\$1.19	\$18.37	\$15.74	\$13.96	\$15.48	\$15.27	\$1.31	\$15.87	\$1.91	\$1.37
Feb 19	\$2.53	\$1.78	\$18.55	\$16.13	\$13.89	\$15.86	\$15.50	\$1.61	\$16.10	\$2.21	\$1.39
Mar 19	\$2.55	\$1.63	\$19.23	\$16.61	\$15.04	\$15.71	\$16.02	\$0.98	\$16.62	\$1.58	\$1.43
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

May Utilization (Northeast): Class I = 30%; Class II = 23%; Class III = 26%; Class IV = 21%.

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 86, Report 25, June 21st)

Cheese: Cheese production is at full speed now. School hiatuses have diverted more fluid milk into Class III and other processing facilities in all regions. After weeks of historically puny Class III spot milk discounts, Midwestern prices reached \$3 under Class this week. That said, most pricing fell closer to the \$1 under Class point. More milk and active production will add to inventories, which contacts, even in the Western region, are stating are less abundant than they have been. There is no dearth of cheese, but any reports of tightening supplies are only positive for market conditions. Relatedly, block prices have remained strong, continuing their bullish trajectory. Meanwhile, barrels have vacillated since early May. This week, however, barrels have gained some on block prices and tightened the large price gap, while also broaching \$1.70 for the first time in over five weeks. Current markets have cheese producers feeling a little less pressure, as buying interest has steadied and/or improved across the country. Market tones are cautiously optimistic.

Dry Products: Low/medium heat nonfat dry milk prices are steady to a bit down. For prices at the top of the range, there is more resistance to purchasing. Trading activities are slower this week and demand from Mexico is stable to declining. Some customers are adopting the wait-and-see approach. High heat nonfat dry milk prices edged higher at the bottom of the range in the East and Central, but remained even in the West. Interest varies by regions.

Fluid Milk: Fluid milk output is mixed in the East as production is steady to higher in the Southeast, declining in the Mid-Atlantic and Florida, and variable in the Northeast. Class I sales are steady to slow throughout the country.

Butter: As many Class II processors, especially ice cream makers, continue pulling strong on butterfat supplies, cream volumes are becoming less available for butter churning. Some manufacturers are still using the microfixing output process to meet their clients' immediate needs for print butter. At this point, the butter market tone is unsettled, but expected to firm throughout the summer season as milk butterfat levels are reaching the lower point of the year. Requests from retailers and food service are fair/good.

Friday CME Cash Prices					
Dates	5/24	5/31	6/7	6/14	6/21
Butter	\$2.38	\$2.36	\$2.39	\$2.37	\$2.39
Cheese (40# Blocks)	\$1.68	\$1.72	\$1.75	\$1.78	\$1.82



Excerpt from "Dairy Situation and Outlook, June 18, 2019"
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

The good news is milk prices continue to improve. The Class III price which was as low as \$13.89 in February will improve about \$2.40 in June to around \$16.30. The Class IV price which was as low as \$15.48 in January will improve about \$1.30 to around \$16.80 in June. Much lower milk production is the driver for improved milk prices. The continued exiting of dairy producers and the slaughter of cows running 5.0% higher than a year ago is reducing the size of the dairy herd.

Butter and cheese sales continue to show modest growth. But, fluid (beverage) milk sales continue the downward trend with April sales 3.1% lower than a year ago and year-to-date sales 2.5% lower. While lower than a year ago, dairy exports are supportive of milk prices. With lower milk production exports do not need to be as high to support milk prices. For the first four months of the year exports on a volume basis were the third highest with 2018 being the highest and 2014 the second highest. Much lower exports to China is the major factor for reduce volume of exports. China's retaliatory tariffs and the African swine fever resulted in April exports to China being 64% lower than a year ago. Cheese exports have held up. While April cheese exports were one percent lower than a year ago, year-to-date exports are 7% higher. April exports were down 25% for nonfat dry milk/skim milk powder, 71% for butterfat and 31% for total whey products. Yet on a total solids basis exports were equivalent to 14.4% of milk production.

Milk prices should improve further as we progress through the rest of the year. USDA now forecasts milk production for the year to be just 0.3% higher than 2018, the result of cow numbers averaging 0.7% lower and milk per cow 1.0% higher. It looks like feed prices will be higher. Alfalfa hay prices will be higher. Current hay stocks are tight and there are reports of significant winter kill in some areas along with a challenge of harvesting quality first cutting due to wet weather. Delayed corn planting and unplanted acres means higher corn prices. Tighter feed supplies, lower quality forages along with higher feed prices will likely continue to reduce cow numbers and dampen milk per cow this fall and winter.

Butter and cheese sales are expected to continue to show modest growth. While exports will be lower exports will still support to milk prices. It doesn't look like the trade dispute with China will end soon. In May U.S. increased tariffs on China's goods and China in turn increased tariffs levied on U.S. dairy products. But, in May U.S. eliminated tariffs on steel and aluminum from Mexico and Mexico in turn eliminated its tariffs on U.S. cheese. This could be positive for cheese exports later this year and going into 2020.

As of now we could see the Class III price in the low \$17's by August and in the mid to high \$17's by fourth quarter. Some are predicting Class III even in the \$18's. Class IV could be in the low \$17's by July and in the mid \$17's fourth quarter. If this holds true, Class III would average about \$16.30 for the year compared to \$14.61 in 2018 and the Class IV price would average about \$17.00 compared to \$15.09 in 2018.