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Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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Dairy Market Watch
Newsletter
August 2019

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
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
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
July Utilization (Northeast): Class I = 29.6%; Class II = 25.1%; Class III = 27.2%; Class IV = 18.1%.											
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 30, June 26th)

Cheese: Cheese demand is stable to positive throughout the nation. Midwestern producers suggest state fair season, along with strong retail promotions, are helping prompt strong sales. Additionally, corporate and holiday gift boxes are in the works according to some cheese contacts. Cheese inventories are plentiful, but contacts lack the same concern they did at this time last year. Cheese producers are finding milk mainly at premiums.

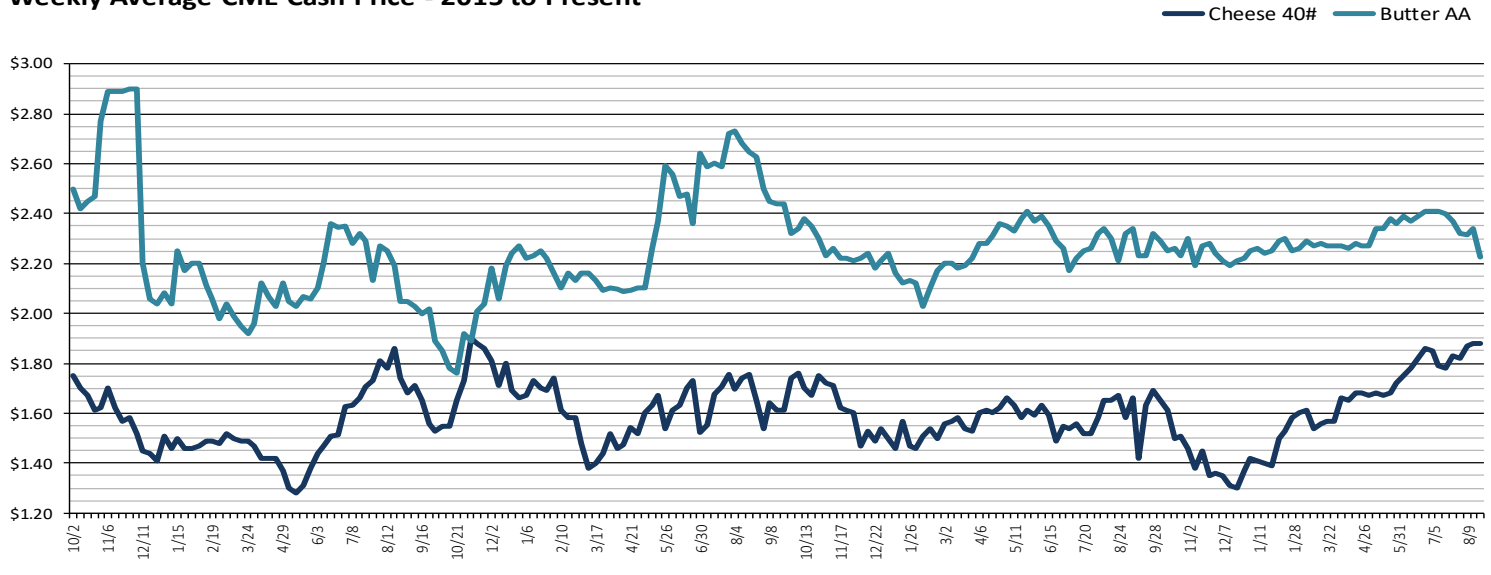
Dry Products: Low/medium and high heat nonfat dry milk (NDM) prices are steady in the Western region and mixed in the East/Central regions. NDM markets are mostly silent throughout the country. Dry buttermilk prices shifted up in all regions. Buttermilk powder is tight, while demand is fair/steady. Dry whole milk prices are steady to lower on light trading. In general, drying schedules have been focused on NDM/SMP production in most balancing plants. Dry whey prices are mostly steady throughout the nation, while inventories are readily available. Lactose prices remained steady, as contacts suggest there are some concerns regarding Q4 contract negotiations. Whey protein concentrate 34% prices are mostly unchanged on a steady market tone. Prices for rennet and acid casein dropped this week. Production is increasing in New Zealand, while EU production of casein is down.

Fluid Milk: Bottlers are taking higher volumes of milk in order to fulfill school pipelines throughout the country. In some areas, balancing plant operators stretch to find some milk, if any. Nationwide, condensed skim prices are still at slight premiums, but availability is beginning to increase. Bottling standardization is very active, resulting in more cream. Butter churners are busier, as cream becomes more and more available.

Butter: Cream availability for butter manufacturing is improving in the East and Central regions, but remains tight in the West. Looking at the big picture, nationwide, milk fat levels are transitioning from being at the lowest point of the year to gradually improving as temperatures begin to drop. In addition, with most schools reopening, bottling standardization is very active, resulting in more cream volumes for churning. Print/ bulk butter requests from retailers, wholesalers, and the food service sector are fair/good.

Friday CME Cash Prices					
Dates	7/26	8/2	8/9	8/16	8/23
Butter	\$2.37	\$2.32	\$2.32	\$2.34	\$2.23
Cheese (40# Blocks)	\$1.83	\$1.82	\$1.87	\$1.88	\$1.88

Weekly Average CME Cash Price - 2015 to Present



Excerpt from "Dairy Situation and Outlook, August 20, 2019"
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

Milk prices have shown improvement since early in the year. Class III was a low of \$13.89 in February and increased \$3.66 by July to \$17.55. Class IV was \$15.48 in January and increased \$1.52 to \$16.90 in July. But, with small changes in dairy product prices, August will see a small increase in the Class III price and a small decrease in the Class IV price.

Class III futures shows September peaking at about \$17.80 and then declining fourth quarter and ending in December about \$17.00. Class IV futures remain below \$17 for the remainder of the year. But, milk prices could do better than this for the fourth quarter for several reasons. Butter and cheese will be in the strong seasonal sales period thanksgiving through the holidays. Schools will be starting increasing fluid milk sales leaving less milk for dairy product production.

Compared to a year ago, the June Dairy Product report showed butter production up some to 3.1%, but cheddar cheese 1.9% lower, dry whey 6.3% lower and nonfat dry milk just 2.7% higher. The dairy stock situation has tightened. Milk production will show some seasonal strength but remain below year ago levels.

Lower dairy exports have dampened the increase in milk prices some. But, with lower milk production exports don't need to be as high to support milk prices. According to US Dairy Export Council loss of exports to China due to retaliatory tariffs and African swine fever, plus strong competition from European and New Zealand, resulted in the volume of exports for the first half of the year to be down 14% from last year. Cheese exports have been the bright spot with exports 4% higher than a year ago for the first half of the year with record volumes to South Korea, Southeast Asia, and Central America. But, June cheese exports took a turn to 12% lower. For the first half of the year, nonfat dry milk exports were 15% lower, the result of losing market share to European suppliers and New Zealand. For the first half of the year dry whey exports were 25% lower due almost entirely to exports to China down 58%. On a total milk solids basis, U.S. Exports were equivalent to 14.1% of U.S. milk solids production for the first half of the year

compared to 16.7% a year ago.

USDA's milk production report estimated July milk production to be down 0.2% from a year ago, the net result of almost one percent fewer milk cows and an increase in milk per cow of just 0.9%. Milk cow numbers continue to decline dropping 9,000 head June to July.

Milk prices in 2020 will depend a lot on the level of milk production. USDA is forecasting milk production to be 1.6% higher due to milk cow numbers averaging 0.2% higher and milk per cow 1.4% higher. But, this level of milk production could be on the higher side. There may be no increase in the number of milk cows. Dairy cow slaughter continues to run higher than a year ago. Dairy herds exiting the industry continues to run relatively high. Financial stress for more than four years will hinder dairy expansions. The number of dairy replacements are lower standing at 44.1 per 100 milk cows, the lowest since depressed milk price in 2009. There is concern about feed quality. Stocks of quality hay are tight. Corn and soybean meal prices will be average higher. The result may lower the increase in milk per cow. There is some concern as to whether the U.S. economy will slow and impact dairy product sales. There is also concern that the world economy could slow impacting dairy exports.

USDA is still forecasting 2020 exports to be 5.3% higher on a milk fat basis than 2019 and 4.4% higher on a total milk solids basis. So there is a lot that can sway milk prices higher or lower. Dairy futures are currently not overly optimistic about 2020 milk prices. Class III futures stay below \$17 through July and only get to the low \$17's the remainder of the year. Class IV futures are in the high \$16's first quarter than the \$17's the remainder of the year. USDA likewise is not overly optimistic as to how much higher milk prices will be in 2020. USDA forecasts Class III to average \$16.55, just \$0.25 higher than the forecast for this year, and Class IV to average \$16.45, just \$0.15 higher. But, there still is a good probability milk prices could strengthen the last half of the year and end averaging better than this.