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Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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Allegany, Cattaraugus, Chautauqua, Erie, and Steuben.

Dairy Market Watch
Newsletter
September 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
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
Aug 19	\$2.65	\$2.44	\$21.14	\$17.60	\$17.60	\$16.74	\$17.82	\$0.22	\$18.42	\$0.82	\$1.59

August Utilization (Northeast): Class I = 30.4%; Class II = 25.4%; Class III = 27.4%; Class IV = 16.8%.
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 39, September 27th)

Cheese: Cheese production is generally active in the entire country. Midwestern milk supplies are tighter, ranging from \$.25 to \$1.75 over Class. Even still, many producers suggest production there is steady, and more are using condensed skim/nonfat dry milk for fortification. Cheese supplies are balanced to heavy, while demand reports range. Pizza cheese orders are still healthy, while some cheesemakers suggest recent market highs, and current downward pricing directions, are keeping buyers on the sidelines. For block makers, current market conditions are concerning.

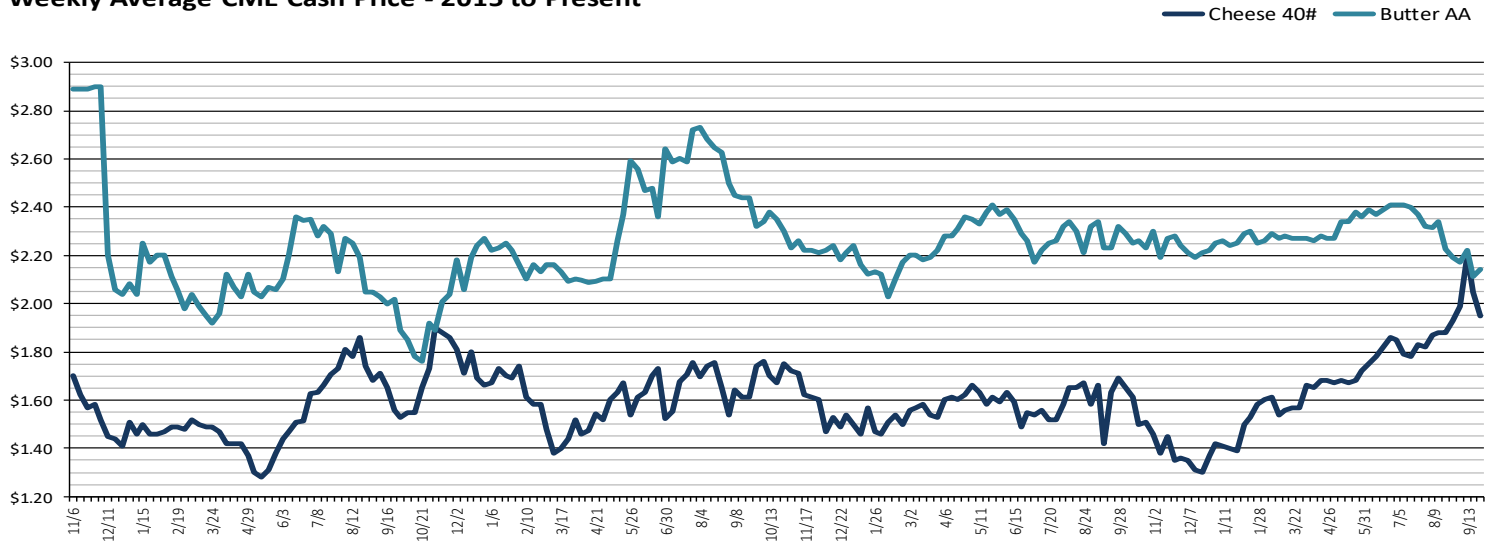
Dry Products: Low/medium heat nonfat dry milk (NDM) spot prices are mixed. The demand has picked up in the United States as many buyers are willing to purchase spot loads at increased prices. Market conditions have strengthened. acid casein dropped this week. Production is increasing in New Zealand, while EU production of casein is down. High heat NDM prices are steady to a bit higher. Outside of contracts, spot sales remain light. Dry buttermilk prices are mostly steady in the country. Interest is steady to strong. Dry whole milk prices shifted up on the bottom of the price range. The demand is stable and improving ahead of the upcoming year-end holidays. Whey powder spot prices are mixed throughout the regions.

Fluid Milk: Farm milk production is unchanged throughout most of the country. Market participants relay milk yields in the Pacific Northwest and parts of Idaho, Utah and Colorado are beginning to decline. Even still, dairy manufacturing remains busy with plentiful milk. In addition, manufacturers in the upper Midwest are finding spot offers are harder to come by. As bottlers have begun to clear more milk, milk for cheese and other production is tighter.

Butter: Butter production is generally steady across the nation as cream volumes are in line with churning needs. However, a few butter makers in the Central region continue requesting cream from the West. Nationwide, the interest in butter is currently lackluster, but expected to improve ahead of the upcoming fall and year-end holidays. Compared to a few months ago, less inventories are building into cold storage as most of it continues clearing into warehouses, restaurants, and grocery stores.

Friday CME Cash Prices					
Dates	8/30	9/6	9/13	9/20	9/27
Butter	\$2.19	\$2.17	\$2.22	\$2.11	\$2.14
Cheese (40# Blocks)	\$1.93	\$1.99	\$2.20	\$2.05	\$1.95

Weekly Average CME Cash Price - 2015 to Present



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

Lower cheese production, tighter cheese stocks, modest growth in cheese sales plus slightly higher cheese exports all contributed to higher cheese prices and improved Class III prices. Cheddar barrels improved to \$1.94 per pound on September 16 only to dropped way back to \$1.7850 on September 18. The 40-pound block price improved to \$2.375 per pound on September 16 only to drop back to \$2.1175 on September 18. A 40-pound block price at \$2.00 per pound has not been seen since November of 2014. In 2014 cheese prices topped out in September with 40-pound blocks at \$2.45 per pound and barrels at \$2.43 resulting in a record high Class III price of \$24.60 for September. Dry whey has also showed some strength since the end of July when it was \$0.34 per pound to now \$0.3975.

The Class III price was a low of \$13.89 in February, improved to \$17.60 in August and will be near \$18.25 for September compared to \$16.09 a year ago. Cheese and dry whey prices could still increase some as we approach the holiday season resulting in an October Class III price near \$19 with November and December staying in the \$18's.

Higher butter production, building stocks and lower exports has lowered butter prices. As a result the Class IV price which was \$16.74 in August will be near \$16.30 for September compared to \$14.81 a year ago. Butter prices also could still recover some as we approach the strong sales period during the holidays and nonfat dry milk prices should hold close to the current level resulting in a Class IV price \$16.60 to \$16.75 October through December.

Milk prices for the remainder of this year and into next year will depend on the level of milk production, domestic sales and exports. USDA is forecasting milk production 1.5% higher next year, the result of 0.2% more milk cows and 1.3% more milk per cow. But, milk production could be lower than this. While milk prices are now showing improvement this does not offset the

financial stress and loss of equity dairy farmers have experienced from low milk prices for the past four and half years. The number of milk cows may not increase. We can expect dairy farmers to continue to exit the dairy industry and not a lot of dairy herd expansions. Also this year's crop season has been a challenge with wet and cool weather delaying planting, acres planted, crop yields and forage quality could reduce the increase in milk per cow.

Domestic sales could weaken some if the economy slows as some are predicting. Both the consumer confidence index and the restaurant performance index have fallen. The lower volume of dairy exports this year was mostly due to lower exports to China. Lower exports of whey products and lactose accounted for much of the reduced exports to China, the result of retaliatory tariffs and the African Swine Fever which drastically reduced their swine herd. But, higher exports to Mexico, Middle East/North Africa and South America, and except for July higher exports to Southeast more than offset the reduced volume of exports to China. The possible slowing of the world economy could impact exports next year. Mexico, European countries, South America, South Korea, China and others are experiencing slower economic growth. But, USDA is still forecasting exports to be higher next year. This is very possible since world milk production is not expected to show much growth next year leaving opportunities for U.S. exports.

Current dairy futures are not overly optimistic for milk prices going into next year. Class III drops below \$17 by January and doesn't reach \$17 again until August and only in the low \$17's for the remainder of the year. But, with a smaller increase in milk production and a level of domestic sales and exports to support milk prices I am of the opinion milk prices could do better than this with 2020 milk prices averaging one dollar or more higher than this year.