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Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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A partnership between Cornell University
and the CCE Associations in these five counties:
Allegany, Cattaraugus, Chautauqua, Erie, and Steuben.

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Dairy Market Watch
Newsletter
January 2020

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
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
Sep 19	\$2.49	\$2.86	\$21.10	\$16.93	\$18.31	\$16.35	\$17.63	(\$0.68)	\$18.23	(\$0.08)	\$1.57
Oct 19	\$2.40	\$3.17	\$21.09	\$16.68	\$18.72	\$16.39	\$17.57	(\$1.15)	\$18.17	(\$0.55)	\$1.57
Nov 19	\$2.32	\$3.91	\$21.39	\$16.85	\$20.45	\$16.60	\$18.05	(\$2.40)	\$18.65	(\$1.80)	\$1.61
Dec 19	\$2.19	\$3.65	\$22.58	\$16.81	\$19.37	\$16.70	\$18.13	(\$1.24)	\$18.73	(\$0.64)	\$1.61

December Utilization (Northeast): Class I = 31.8%; Class II = 20.9%; Class III = 26.0%; Class IV = 21.3%.

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 87, Report 4, January 24th)

Cheese: Milk into cheese vats remains available for active production rates throughout the country. Prices on the spot milk market ranged from Class III to \$1.50 under Class. In comparison, last year's range was \$.50 under to \$1 over, while the range was larger in 2018: \$3 under to \$1 over Class III. Cheese market tones are gaining a little ground after what has been a capricious start to the year, as block prices rolled over \$2 this week. That said, the block-over-barrel price gap reached over \$.40 last week. Marketers expect the historically large price chasm to diminish. The question remains as to how the price gap shores itself up: whether it be block prices decreasing, barrel prices increasing, or a culmination of the two. Generally, markets are uncertain with both bullish and bearish accents. Prices have moved higher this week overall, but the bearish gap looms.

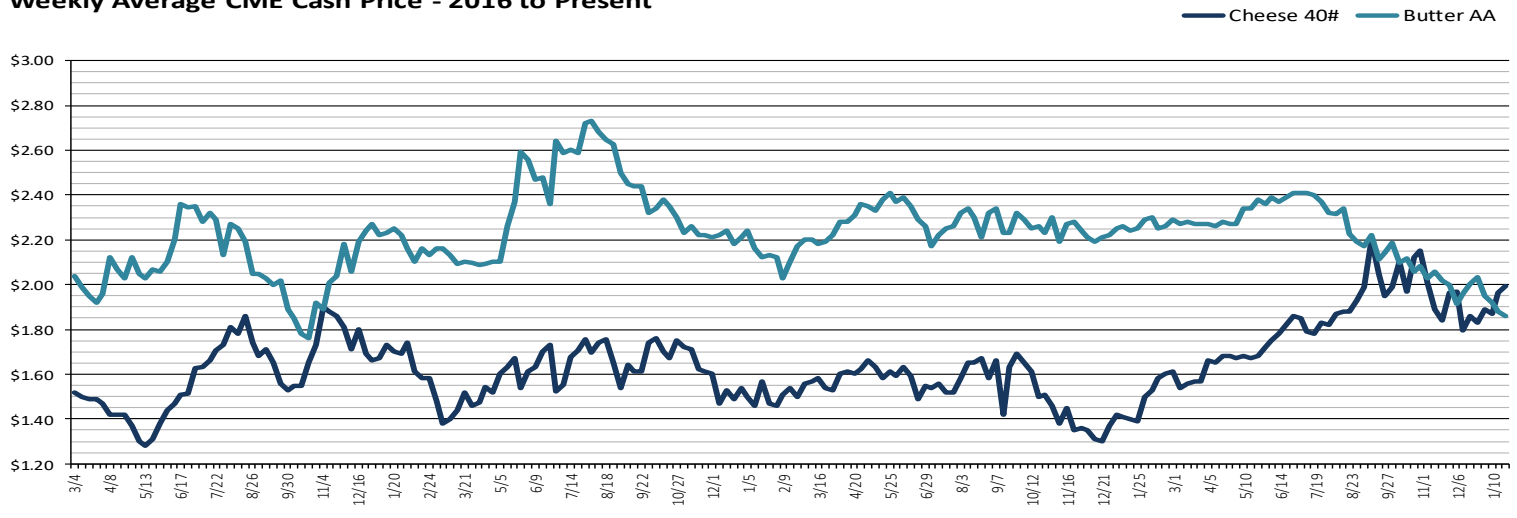
Dry Products: Low/medium heat nonfat dry milk prices are steady to higher in the eastern half of the U.S. and higher in the western half. Condensed skim is easy to locate and production is active. But NDM stocks are highly committed through Q1 and Q2 contracts, which is limiting availability in some spot markets. High heat NDM prices are steady to lower in the Central and East, but steady to higher in the West. The NDM market tone is bullish. Dry buttermilk prices are steady to higher.

Fluid Milk: Milk production nationwide is steady to increasing. Relatively tame winter weather is keeping cows comfortable across much of the country, but below normal temperatures have kept milk output in check in Florida. Milk flows are above projections in the Pacific Northwest and mountain states and increasing throughout the West and Midwest. Heavy milk and cream volumes are keeping processors busy. Class I sales are steady to higher as educational institutions settle into regular routines and the remaining colleges return from winter break.

Butter: Across the nation, butter production is very active, driven by large cream volumes available for churning. In some instances, retailers are replenishing stocks following the winter holidays and preparing for the spring holidays. Prompted by lower prices, some bulk butter buyers are laying on coverage for near-term needs, while other end users are feeling pleased with their current holdings.

Friday CME Cash Prices					
Dates	12/27	1/3	1/10	1/17	1/24
Butter	\$2.04	\$1.95	\$1.92	\$1.88	\$1.86
Cheese (40# Blocks)	\$1.83	\$1.89	\$1.87	\$1.96	\$2.00

Weekly Average CME Cash Price - 2016 to Present



Excerpt from USDA's "Livestock, Dairy, and Poultry Outlook" LDP-M-307
January 16, 2020, Economic Research Service

Based upon recent weak growth in milk production per cow, the 2020 annual forecast for milk production has been lowered 0.4 billion pounds to 222.0 billion pounds. Export forecasts for 2020 have been raised due to higher expected exports of NDM and cheese. Price forecasts for butter, dry whey, and Cheddar cheese have been lowered for 2020, but the price forecast for NDM has been raised. The all-milk price forecast for 2020 is \$19.25 per hundredweight, \$0.15 lower than last month's forecast.

USDA National Agricultural Statistics Service (NASS) estimated November U.S. milk production at 17.440 billion pounds, 0.5 percent higher than November 2018. The estimate for the average size of the milking herd for November is 9.331 million head, unchanged from the latest October estimate. Average daily milk per cow was 62.3 pounds per day in November, only 0.8 percent higher than November 2018 but 0.1 percent lower than October. This was the first time since 2004 that average daily milk per cow declined from October to November.

Based on recent price weakening and lower expected domestic demand, 2020 price forecasts for Cheddar cheese and butter have been lowered to \$1.835 per pound (-3.0 cents) and \$1.960 per pound (-6.0 cents), respectively. With higher expected demand for NDM exports and relatively low NDM stock levels, the NDM price forecast for 2020 has been raised 2.5 cents to \$1.255 per pound. The dry whey price forecast has been lowered 0.5 cents to \$0.340 per pound. With the lower expected cheese price, the Class III milk price forecast for 2020 has been lowered \$0.30 to \$17.35 per cwt.

With the lower butter price forecast more than offsetting the higher NDM price forecast, the Class IV milk price forecast has been lowered by \$0.05 to \$16.90 per cwt. The all-milk forecast for 2020 has been lowered to \$19.25 per cwt, \$0.15 lower than last month's forecast.

Takeaways from the Dyson School's Agricultural and Food Business Outlook, By Katelyn Walley-Stoll, SWNYDLFC

On January 17th, 2020, Cornell University hosted their annual Ag and Food Business Outlook. This event discusses short and long term outlooks for agricultural products to help attendees better understand the critical issues that face our region.

Mark Stephenson, Director of Dairy Policy Analysis with University of Wisconsin-Madison, led the afternoon's session focused on Dairy with a presentation titled "A Better Outlook...with a couple of Asterisks". As part of his outlook, he stated that we could see \$20 milk again in 2020, with a couple of things to keep an eye out for.

One area of concern is the general US and World economies. During a time of economic recession, either domestically or globally, our export markets could be affected negatively. If export capacity decreases, our domestic stock could increase. Then, a big price drop is seen to unload some excess. Even a 2% decrease in exports has the potential to flood our markets. A general economic downturn is one thing that could prevent a complete price recovery.

And, no surprise, we are continuing to see a decline in the fluid milk market. With the recent announcement of the bankruptcy of both Dean Foods and Borden's, we are seeing the effect of tight fluid milk margins and aging plant infrastructure. More and more consumers are turning away from fluid milk as a primary beverage. However, other dairy products, and the overall per capita product consumption, are increasing as items like cheese, butter, and yogurt become even more popular.

We are also seeing a structural change in the standard milk cycle. This latest price depression will continue to have a long tail, and higher milk prices won't fix everything. The industry will continue to settle into a new equilibrium, and time will tell if the general pattern of slowing milk production is here to stay.