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# Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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A partnership between Cornell University  
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Allegany, Cattaraugus, Chautauqua, Erie, and Steuben.

**Dairy Market Watch**  
Newsletter  
February 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
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
Jan 20	\$2.11	\$2.96	\$22.26	\$17.05	\$17.05	\$16.65	\$17.63	\$0.58	\$18.23	\$1.18	\$1.57

January Utilization (Northeast): Class I = 31.1%; Class II = 23.2%; Class III = 26.3%; Class IV = 19.4%.  
*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 8, February 21st, 2020)

**Cheese:** Cheese markets are still uncertain, as prices continue their convergence from the \$.40+ block to barrel price gap. Cheese inventory levels are steady to growing, with plentiful milk supplies in every region. Some cheesemakers are not taking on extra milk, thus production is steady. Others, though, are clearing the extra milk at the marked discounts. Some Midwestern cheesemakers are not adding to production days, in light of the current market situation. Speaking of, buying has slowed but not halted and spot sales were reportedly slower.

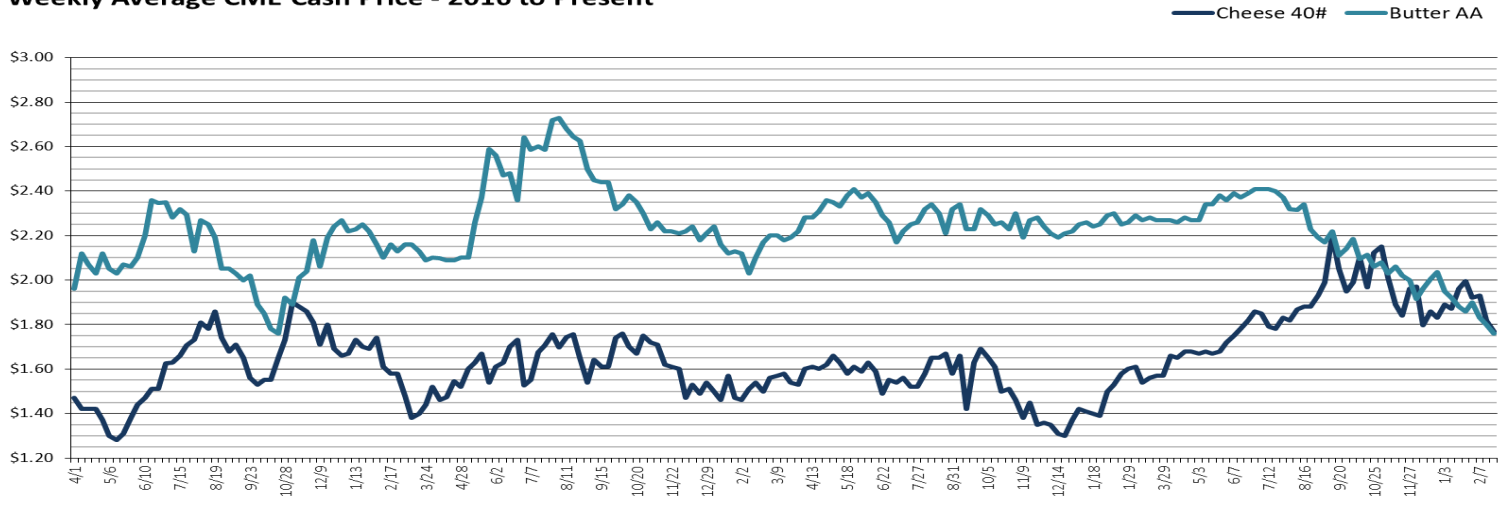
**Dry Products:** Coronavirus concerns are pervading some dry dairy product markets this week. Low/medium heat nonfat dry milk (NDM) shifted lower in all regions on somewhat bearish markets. A number of contacts say plentiful milk supplies and widely available condensed skim, for drying, are adding to nonfat dry milk stocks. Interestingly, dry buttermilk prices were steady to higher. Dry whole milk prices are up, as bakery demand is expected to improve. WPC 34% and lactose prices are mostly steady, but lactose's top end of the range pushed a little higher. Markets of WPC 34% and lactose are currently in a somewhat comfortable place, but bearish hints are clouding the markets namely due to coronavirus fears. Acid and rennet casein price ranges expanded, but coronavirus fears have casein marketers concerned, as well.

**Fluid Milk:** Even with some actual winter weather rearing its head in parts of the country, namely Midwestern dairy country, milk output reports continue to suggest steady to growing supplies. Bottling demand is steady to lower. Even with ice cream producers a little more active, cream supplies are abundant nationally. Condensed skim markets are showing continued weakness, with plentiful supplies. Contacts suggest both fluid milk and cream are in, for lack of a better term, an early flush-like state.

**Butter:** Throughout the nation, print/bulk butter production remains very active as copious cream volumes, at relatively low-priced, continues to balance into churns. In general, bulk butter inventories are steadily building into cold storage for later use, especially during the summer season when butter fat is usually scarce. Butter demands from retailers, wholesalers, and food service vary in every region from fair to good.

Friday CME Cash Prices					
Dates	1/24	1/31	2/7	2/14	2/21
Butter	\$1.86	\$1.90	\$1.83	\$1.80	\$1.76
Cheese (40# Blocks)	\$2.00	\$1.92	\$1.93	\$1.82	\$1.77

## Weekly Average CME Cash Price - 2016 to Present



Excerpt from USDA's "Livestock, Dairy, and Poultry Outlook" LDP-M-308  
February 18, 2020, Economic Research Service

The all-milk price forecast for 2020 has been lowered to \$18.85 per hundredweight, \$0.40 lower than last month's forecast. Based on recent price weakness and lower expectations for cheese and butter demand, 2020 price forecasts for butter and cheese have been reduced. The dry whey price forecast has been raised slightly, and the nonfat dry milk price forecast is unchanged. The 2020 export forecast on a skim-solids milk-equivalent basis has been raised due to higher expected exports of nonfat dry milk/skim milk powder.

On January 15, 2020, the United States and China signed an agreement called the Phase One trade deal. For dairy products, the agreement addresses several nontariff issues. These include changes related to U.S. facility and product registration; changes to regulations concerning imports of certain U.S. dairy products (including extended shelf-life milk, fortified milk, infant formula, ultra-filtered milk, and permeate powder); and transparency and due process provisions with respect to geographical indications and common food names.

On January 29, President Trump signed legislation to implement the U.S.-Mexico-Canada Agreement (USMCA), which would replace the North American Free Trade Agreement. Under the agreement, Mexico's zero tariffs for U.S. dairy products would be preserved. Canada would agree to allow greater access to U.S. dairy imports, and the United States would agree to allow greater access to dairy imports from Canada. Canada would also agree to make changes to its classified pricing system with respect to milk used to produce certain dairy ingredients.

The 2019/20 price forecasts for corn and soybean meal are both unchanged from the January forecast, at \$3.85 per bushel and \$305 per short ton, respectively. The alfalfa hay price in December 2019 was \$175 per short ton, \$2 higher than November but \$4 lower than December 2018. The 5-State weighted average price for premium alfalfa hay in December was \$200 per short ton, \$9 lower than the November price.

Excerpt from "Dairy Farmers of America Reaches Agreement with Dean Foods" from [dairybusiness.com](http://dairybusiness.com), February 17, 2020

Dairy Farmers of America, Inc. (DFA) announced today an agreement has been reached with Dean Foods (Dean) for the farmer-owned Cooperative to become the stalking horse bidder to acquire a substantial portion of Dean's assets and business.

The two parties have been working to reach an agreement since DFA became aware of Dean's plan to initiate voluntary Chapter 11 reorganization proceedings.

As part of the proposed deal, DFA has agreed to pay a base purchase price of \$425 million, and assume various liabilities, subject to certain adjustments, to acquire 44 of Dean's facilities and associated direct store delivery system, as well as certain corporate and other assets and functions.

While the parties have reached an agreement on the terms of the asset purchase, the transaction remains subject to various approvals, including approval from the Bankruptcy Court overseeing Dean's Chapter 11 reorganization and the U.S. Department of Justice.

"As Dean is the largest dairy processor in the country and a significant customer of DFA, it is important to ensure continued secure markets for our members' milk and minimal disruption to the U.S. dairy industry," said Rick Smith, President and Chief Executive Officer. "As a family farmer-owned and governed cooperative, no one has a greater interest in preserving and expanding milk markets than DFA. We are pleased that we have come to an agreement on a deal that we believe is fair for both parties."

DFA is advised in this matter by Latham & Watkins, LLP, Bryan Cave Leighton Paisner, LLP and Houlihan Lokey.