

swnyteam@cornell.edu

Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

swnydlfc.cce.cornell.edu



Prepared by Katelyn Walley-Stoll
Business Management Specialist
716-640-0522 · kaw249@cornell.edu
Funded by PRO-DAIRY.

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

Dairy Market Watch
Newsletter
March 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
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
Feb 20	\$1.98	\$3.03	\$20.80	\$16.84	\$17.00	\$16.20	\$16.97	(\$0.03)	17.57	\$0.57	\$1.51

February Utilization (Northeast): Class I = 29.8%; Class II = 26.0%; Class III = 25.9%; Class IV = 18.3%.

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 12, March 20th, 2020)

Cheese: Throughout the country, retail orders have climbed. For the same reason for the retail push, food service orders have nearly dissolved. The coronavirus epidemic has cleared grocery store shelves of necessities. Notably, the toilet paper industry is thriving. But toilet paper is not alone. Milk, butter, cheese, and yogurt are also clearing from the aisles. That positive push, though, cannot be said for cheese producers who are significantly affected by school closures. School districts are closed into early April (or later) across the board. Spot milk prices were discounted again, this week's range was \$2 to \$6 under Class. Next week's spot milk price for Class III production is in question, as there is a lot of milk but also more pulls from bottlers. Cheese production is also mixed. There are plants running 7-days a week. However, there are some that are closed for scheduled maintenance.

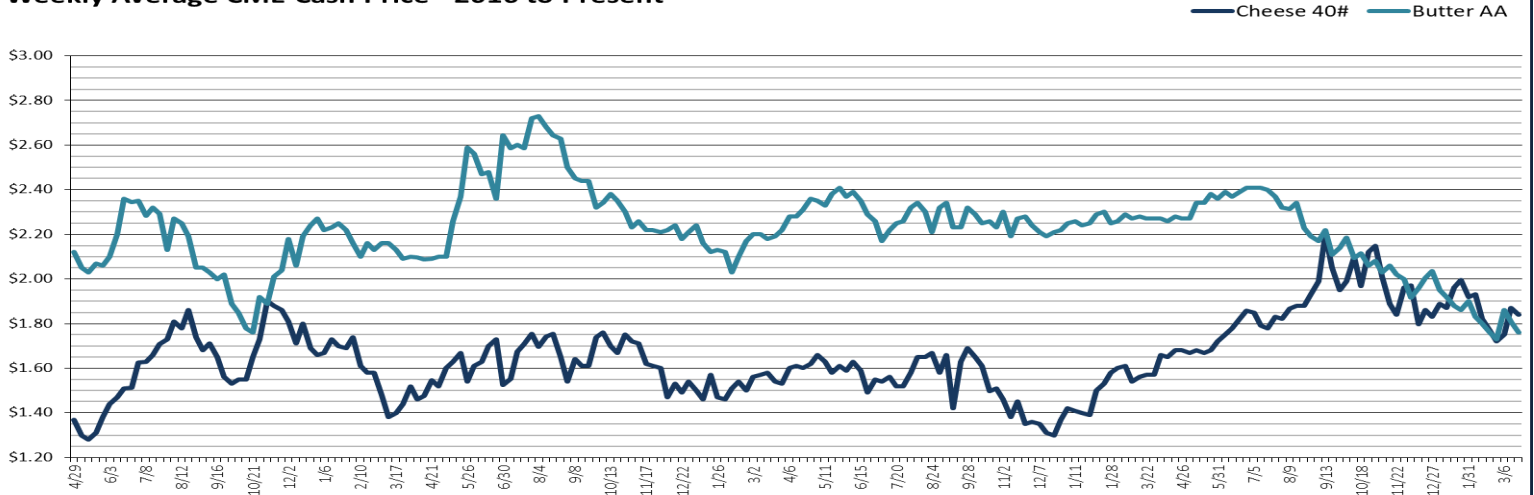
Dry Products: Nationwide, low/medium heat nonfat dry milk (NDM) prices are down on an ambivalent market, mainly driven by the coronavirus crisis. Some contacts say NDM regular production schedules could be impacted soon due COVID-19 spread mitigation practices in some balancing plants. Production is steady to a bit slower this week as the demand for Class I has skyrocketed. Manufacturers' dry whey supplies are available for their customers' needs.

Fluid Milk: Farm milk production is seasonally higher across the country. Despite many schools closed, retail sales of bottled milk have been increasing as citizens stock up and hunker down amid the coronavirus pandemic. Most manufacturers have told office workers to work from home in accordance with social distancing efforts. Industry contacts say they have not experienced any issues with milk collection, transportation or processing, but are constantly monitoring the situation.

Butter: Butter makers say near-term retail butter demand is strong across the country. Manufacturers report certain retail account orders are several times higher than typical. Consumers have been stocking up on basic needs due to the coronavirus outbreak. While the swell of retail business has kept butter production active, food service accounts are diminishing. In general, butter inventories are steady to growing.

Friday CME Cash Prices					
Dates	2/21	2/28	3/6	3/13	3/20
Butter	\$1.76	\$1.73	\$1.86	\$1.81	\$1.76
Cheese (40# Blocks)	\$1.77	\$1.72	\$1.75	\$1.87	\$1.84

Weekly Average CME Cash Price - 2016 to Present



Dairy Market Response to COVID-19 and Early Spring Flush

By Katelyn Walley-Stoll, Cornell University Cooperative Extension

It's been a month. Looking back to price forecasts in December and January editions of Dairy Market Watch, producers were looking to expect \$20 milk in 2020, with a close eye on export markets and projected milk production increases. With a more productive than expected start to our seasonal spring flush, and the COVID-19 pandemic, price projections have dropped drastically with future declines expected. Some forecasters have even gone as far as to avoid making any type of estimates with these uncertain times.

While grocery shelves are emptied of fluid milk, yogurt, and cheese as American families prepare for social distancing and, in some cases, shelter in place orders, it would be easy to think that this increase in demand could only lead to heartier milk checks. But, as businesses shut down, unemployment rises rapidly, and stock markets react to uncertainty, we are headed into a period of global economic decline that could mirror the 2008 Great Recession. Market buyers see prices dropping and are reluctant to purchase in large quantities, knowing that continued virus spread and increased spring flush milk loads will further drive prices down. As public schools close, which account for 8% of our total fluid milk consumption and a large portion of cheese orders, fluid milk markets are unsteady. Even though many are offering meal deliveries/pickups to their student populations, it won't be a one-for-one replacement. While milk production, and the food system as a whole, is safe and has been deemed essential, there are uncertainties surrounding workforce availability. Employees may become sick themselves, or stay home to care for sick family members or children home from school. Many plants have increased their hiring in anticipation, which will have cash flow implications as the year continues. Still, areas of the country are trying to meet fluid milk demand with limited production capacity and aging infrastructure. Additionally, as restaurants and food services close, or are limited to delivery/pick-up only options, cheese and butter demand has decreased. With an uncertain economy, the average consumer will also be more reserved with their purchases.

On a worldwide view, many of our main export market economies were already on the edge of economic downturn, the virus being the very large straw that broke the camel's back. Dry Products have also dropped on the futures markets with ample products available for buyers. As it stands now, Class IV futures have dropped below \$14

through the next few months, rising to \$15 by the end of the year. Class III is projected to

hit a low of \$14.50 this summer, and doesn't rise about \$16 for the remainder of the year, averaging \$15.92. This would be a drop of at least \$1 as compared to 2019 for our 2020 averages. These numbers are constantly changing, responding to stock market shifts and virus impact estimates. If global economies improve over the year, and COVID-19 responses in place "flatten the curve", we could see prices rally, at least partially, towards the end of the year. But – this will have to coincide a slow in milk production increases. Using the indicators of our early spring flush, declining beef market prices, and producers trying to create more sound balance sheets following years of low prices, make this unlikely.

These are stressful times during what should have been a year of optimism and recovery. Farm owners should have a disaster plan in place and implement social distancing recommendations immediately. The average farm owner, and farm workforce, is at risk for contracting COVID-19 – we are not immune no matter how many salt blocks you licked as a kid. Employees of the farm might also be facing illness, childcare conflicts, and general anxiety over the situation. Be prepared to up your communications (from a safe distance), cross-train employees, and handle issues as they arise. If your cash flow is already looking tight, have a conversation with your banker sooner rather than later. Keep an eye out for upcoming relief packages that your farm business might qualify for. Most importantly, reach out. While we might need to stay away from people physically, the phones are still working. Call your neighbor, call your mentor, call your farm advisor, call NY FarmNet (1-800-547-3276). Reach out and stay connected!

Reference: Bob Cropp and Mark Stphenson. March 2020 Dairy Situation and Outlook.

<https://dairymarkets.org/PubPod/Podcast/Outlook/>

May-20 CME Milk Contract Prices Over Past 120 Days

