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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.

Dairy Market Watch
Newsletter
April 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 |
| 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 |
| Mar 20 | \$1.92 | \$2.84 | \$20.71 | \$16.75 | \$16.25 | \$14.87 | \$16.59 | \$0.34 | \$17.19 | \$0.94 | \$1.48 |

March Utilization (Northeast): Class I = 30.9%; Class II = 24.9%; Class III = 25.7%; Class IV = 18.5%.

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 17, April 24th, 2020)

Cheese: Cheese production varies from plant to plant, region to region. Milk availability does not. Cheese plant managers are managing output against the widely accessible milk supplies. Some are cutting back, working on projects and updating. Others are running six and seven day workweeks. Spot milk prices ranged from \$6 to \$8 under Class for the second week in a row. Some cheese producers have reported upticks week over week in food service demand, but when compared to previous years, the differences are noteworthy. Retail orders are somewhat busy, as cheese market prices are so low customers are less hesitant to take on a little extra. Regarding storage, multiple contacts report cold storage is and has been a concern. As inventories grow, some cheese producers are looking to age/store cheese loads and wait for greener market pastures.

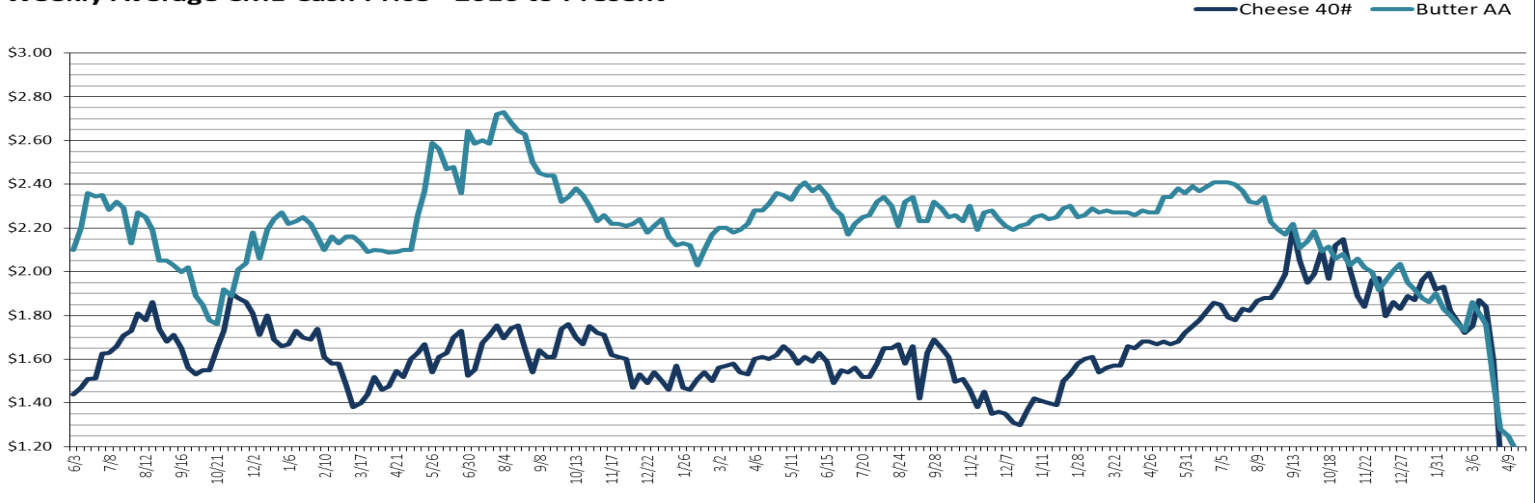
Dry Products: In general, the low/medium heat nonfat dry milk market undertone is weak. Spot sales are light on somewhat softer demand. Production is active as condensed skim volumes continue to increase with heavy seasonal milk output. Drying schedules for high heat nonfat dry milk are irregular, with steady to higher prices reported. Lactose prices are higher. Both domestic and export sales are active. Supplies are tight. In general, casein prices are steady to lower.

Fluid Milk: As seasonally warmer temperatures persist, milk production across the country continues to increase. Cream is abundant and loads are being discounted across the regions. Churning and Class II manufacturing are unable to absorb the available cream.

Butter: Throughout the nation, butter makers are actively churning as the market remains flooded with cream. Even though plants are running at full capacities, it is becoming harder to clear all the cream available in the market. The hope is that ice cream production will increase soon and absorb some of the cream. Butter demands from the food service sector are lethargic as most restaurants are on hold due to COVID-19. In contrast, requests from grocery stores are reported as fair/good. Across the country, this week, bulk prices are ranging from 4.0 cents below the market to 7.0 cents above the market.

| Friday CME Cash Prices | | | | | |
|------------------------|--------|--------|--------|--------|--------|
| Dates | 3/27 | 4/3 | 4/9 | 4/17 | 4/24 |
| Butter | \$1.49 | \$1.28 | \$1.25 | \$1.19 | \$1.15 |
| Cheese (40# Blocks) | \$1.59 | \$1.15 | \$1.05 | \$1.01 | \$1.07 |

Weekly Average CME Cash Price - 2016 to Present



Struggle, Price Bottoms, and Silver Linings

By Katelyn Walley-Stoll, Cornell University Cooperative Extension

Struggle. This has been a prevailing theme, it seems to me, for April 2020. We've seen families struggling to create new routines and manage anxiety. Employees who've been laid off struggle to navigate unemployment systems, and those who have essential jobs are struggling to find child care and stay healthy. Communities struggle with balancing health and safety while also looking at potentially devastating economic downturns. I know I've struggled to put together the mountain of information that is coming in on dairy markets for this commentary in a meaningful way. But, I also know that farm owners are struggling. Farms are being bombarded with information while trying to adapt to this rapidly changing situation. Some face production restrictions, illness or employee health concerns, and dreary balance sheets. Almost all are struggling with the question of "Just how bad will this get?" while talking to lenders and family members. And I know that farmers are people, too. Hardworking people dedicated to protecting the health and safety of family, employees, animals, and their community. It's been a struggle to balance the doom and gloom with the optimism that sunshine, warmer temperatures, and spring plowing seem to bring. Yet, while we face an unprecedented decline in milk prices, there are also the little bumps in the road to deal with - a backordered part, a sick animal, or a broken stall divider.

So, just how bad will this get? We don't quite know. Some are saying that we've already hit rock bottom, others offer caution while waiting to see what export markets do, and we don't know yet how quickly the current price decline and production restrictions/limitations will shift total milk production (balancing supply and demand). In this "Average Daily U.S. Milk Production" chart, we can see the increase in milk production that happened in this year's first quarter. As Andy Novakovic, Cornell University, stated in a recent update: "On the one hand, the strong increase is not surprising in that prices were strengthening during the last half of 2019 and looking good in January and February... At this point, USDA has estimated that the increasing

percentages for production reflect increasing growth rates in both yield and cow numbers, with 3/4 of the increase attributed to higher yields. This puts into perspective why cooperatives and even some non-cooperative handlers are telling their farmers to slow down". In their recent Dairy Outlook Podcast, Bob Cropp and Mark Stephenson, University of Wisconsin, discussed that we are probably close to the bottom. This is going to depend on how quickly milk production slows, when the economy opens back up, and what the export market looks like. We've already seen a \$6 drop in Class III and Class IV futures since early January. There is also a concern about dairy product storages that are building, especially as global distribution chains move slowly and experience bottlenecks. But, they did comment that it looks like we could back in the \$15's with some price strengthening in the second half of the year. USDA price forecasts show a \$3.90 drop in Class III to \$12.75, a \$3.60 drop in Class IV to \$12.15, and a projected all-milk price of \$14.35 for 2020. Last month's forecast was \$18.25.

There are some silver linings to search for through all of this. USDA's New Coronavirus Food Assistance Program did include \$2.9 billion earmarked for dairy. How this will be distributed entirely, and in what amounts, still is in the air as more details continue to filter through, but some estimates show a \$1-\$2/cwt payment to farms. The Federal Product Purchase Program and the Nourish New York initiative will both work to move dairy into food banks and emergency food assistance streams. And through all of this, I've found hope in looking at how consumers are choosing dairy. They are stockpiling cheese, wondering how to support their local dairy farm, and stress-eating ice cream. People are thinking about where their food comes from and the farmers that grow and produce what they feed their families. Maybe this will bring about a time of continued consumer support as folks line up in the hundreds to participate in local dairy drives and share posts on social media in the thousands about supporting the industry. Hang in there and stay safe!

