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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
September 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
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
Apr 20	\$1.32	\$2.48	\$19.89	\$13.87	\$13.07	\$11.40	\$13.77	\$0.77	\$14.37	\$1.30	\$1.24
May 20	\$1.38	\$2.09	\$16.20	\$12.30	\$12.14	\$10.67	\$12.32	\$0.18	\$12.92	\$0.78	\$1.11
June 20	\$1.86	\$4.53	\$14.67	\$12.99	\$21.04	\$12.90	\$14.51	(\$6.53)	\$15.11	(\$5.93)	\$1.30
July 20	\$1.95	\$5.62	\$19.81	\$13.79	\$24.54	\$13.76	\$17.93	(\$6.61)	\$18.53	(\$6.01)	\$1.60
Aug 20	\$1.63	\$4.44	\$23.03	\$13.27	\$19.77	\$12.53	\$16.87	(\$2.90)	\$17.47	(\$2.30)	\$1.51

August Utilization (Northeast): Class I = 28.6%; Class II = 26.3%; Class III = 27.8%; Class IV = 17.3%.

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 39, September 25th, 2020)

Cheese: The \$.90+ spread between blocks and barrels continues to perplex market bulls. Historical patterns indicate the two market prices will converge, so the elephant in the room is in what manner the convergence occurs, whether block prices retreat or barrel prices strengthen or a meeting in the middle. Cheese production remains mostly busy throughout the country, as milk supplies are generally plentiful. Spot prices in the Midwest remained \$2 under to \$1.50 over Class. Demand is mixed, but food service orders have ticked up week to week. Mozzarella and other pizza-style cheese producers are saying orders have been increasing, as pizza orders have remained strong despite COVID-19 related restrictions.

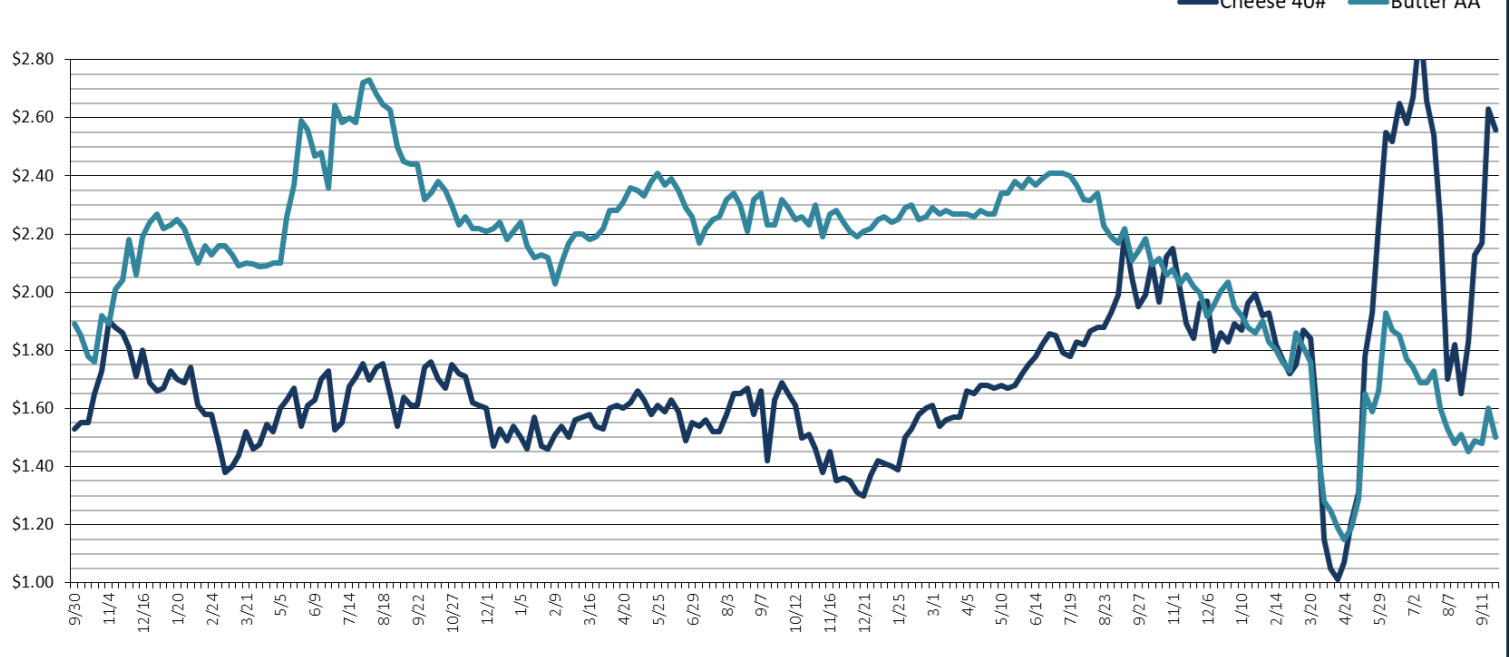
Dry Products: Low/medium heat nonfat dry milk (NDM) prices firmed in all regions this week, on lighter production schedules and more interest from Mexico. Buttermilk powder prices declined in all regions. Buttermilk powder availability is and has been variable among the regions. Dry whey prices are steady to higher. Some international buyers are willing to take on additional whey loads. The lactose price range expanded, while the mostly series held steady. Demand is mixed, as traders are working on Q4 contracts. Acid casein prices slightly decreased, while rennet casein prices remain unchanged. Some buyers are holding off purchases to see where prices lead.

Fluid Milk: Class I demand is steady in most parts of the country. Midwestern contacts suggest Class I pulls are lighter and compare bottling during the early school year to be more in line with off-season demand. Milk production rates are similar to last week. Florida milk production remains lighter, while contacts in other parts of the Southeast suggest slight upticks on milk yields. In some areas, condensed skim loads are readily available and are traveling to other regions for buyers' immediate needs. Contacts suggest both cream and milk are plentiful/balanced for both Class I and other uses

Butter: Across the country, butter production remains active as processors prepare to cover demands for the baking season and for the year-end festivities. Retail demand has increased week over week ahead of the busy fall season, and food service has continued its slog higher, but still lacks when compared to previous years.

Friday CME Cash Prices					
Dates	8/28	9/4	9/11	9/18	9/25
Butter	\$1.45	\$1.49	\$1.48	\$1.60	\$1.50
Cheese (40# Blocks)	\$1.83	\$2.13	\$2.17	\$2.63	\$2.56

Weekly Average CME Cash Price - 2016 to Present



Dairy Outlook: September 2020

PennState Extension

This is an excerpt from the originally published Outlook available here: <https://extension.psu.edu/dairy-outlook-september-2020>

Class III highs are receding, and prices in the short term are normalizing. Unknowns of fall consumer and restaurant demands continue to add volatility to futures markets.

The Mystery of Today's Milk Market Continues

Given the turbulence of the milk markets, and the markets in general, it is hard to predict where things are going with any reasonable sense of assurance. Class III prices have receded from the summer spike which caused most Pennsylvania farms to be impacted by a larger than usual negative Producer Price Differential. Class I and IV milk have improved from the lows of the spring, but are still off the anticipated pace from the end of 2020. Numerous factors continue to influence these futures, but for the time being, it appears both Class III and Class IV are normalizing in the \$17/cwt. and \$14/cwt. range respectfully for the rest of 2020. The Pennsylvania All Milk Price should stabilize around \$19.25/cwt. for the same period if those prices come to fruition.

The Good and Bad of U.S. Dairy Consumption Trends

USDA recently released the 2019 dairy production consumption data per capita. Figure 1 outlines how fluid milk, total milk product (adjusted by milk fat equivalent), and annual U.S. milk production per capita have trended since 1975. No surprise, fluid milk has steadily decreased over the past 45 years, going from roughly 250 lbs. per person in 1975 to only 150 lbs. in 2019. Despite the drop in fluid milk, total dairy consumption has been steadily climbing for the same time. For the same period, average annual U.S. milk production had kept pace with that demand, until the early 2000s. Since then, U.S. production has outpaced per capita consumption. This isn't necessarily a concern, given this data does not reflect any export data for the same time period. When examining the recent trends in commercial disappearance versus milk production, the last two months have

seen slightly better disappearance than that months production. However, given the continued influences of changing consumer demands and government interventions, supply and demand will continue to be fragile for the foreseeable future. There are some positive trends from consumer markets that exist beyond the reduced fluid milk and stagnant yogurt trends. Figure 3 takes a closer look at butter and total cheese (American, other than American, and Cottage) for the past twenty years. In that time, per capita consumption has increased nearly 26% for total cheeses (from 32 total pounds to nearly 42.5 lbs) and butter has increased by 38% (going from 4.5 lbs. in 2000 to over 6 lbs. in 2019). Hopefully these trends will continue to improve under the pandemic related shifts in eating patterns by consumers.

Figure 1: U.S. Fluid Milk, Dairy Product, and Milk Production per Capita from 1975-2019 (USDA, 2020)

