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Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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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
October 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
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
Sep 20	\$1.59	\$3.39	\$21.69	\$13.16	\$16.43	\$12.75	\$15.65	(\$0.78)	\$16.25	(\$0.018)	\$1.40

September Utilization (Northeast): Class I = 30.2%; Class II = 25.6%; Class III = 27.9%; Class IV = 16.3%.

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 43, October 19th, 2020)

Cheese: Cheese production rates continue fairly robustly in most of the country. COVID-19 related quarantines for some plant employees in the Midwest have a handful of plant managers processing with lighter crews. Milk production continues to seasonally increase with cooler weather. Therefore, milk is available for Class III production. Additionally, retail demand is strong ahead of the holiday season. Cheese inventories are reportedly tight on the barrel side, as barrels are reported as balanced to somewhat tighter, as well. Barrel prices continue to push toward those of block prices. That said, questions remain regarding government purchasing past the end of this month.

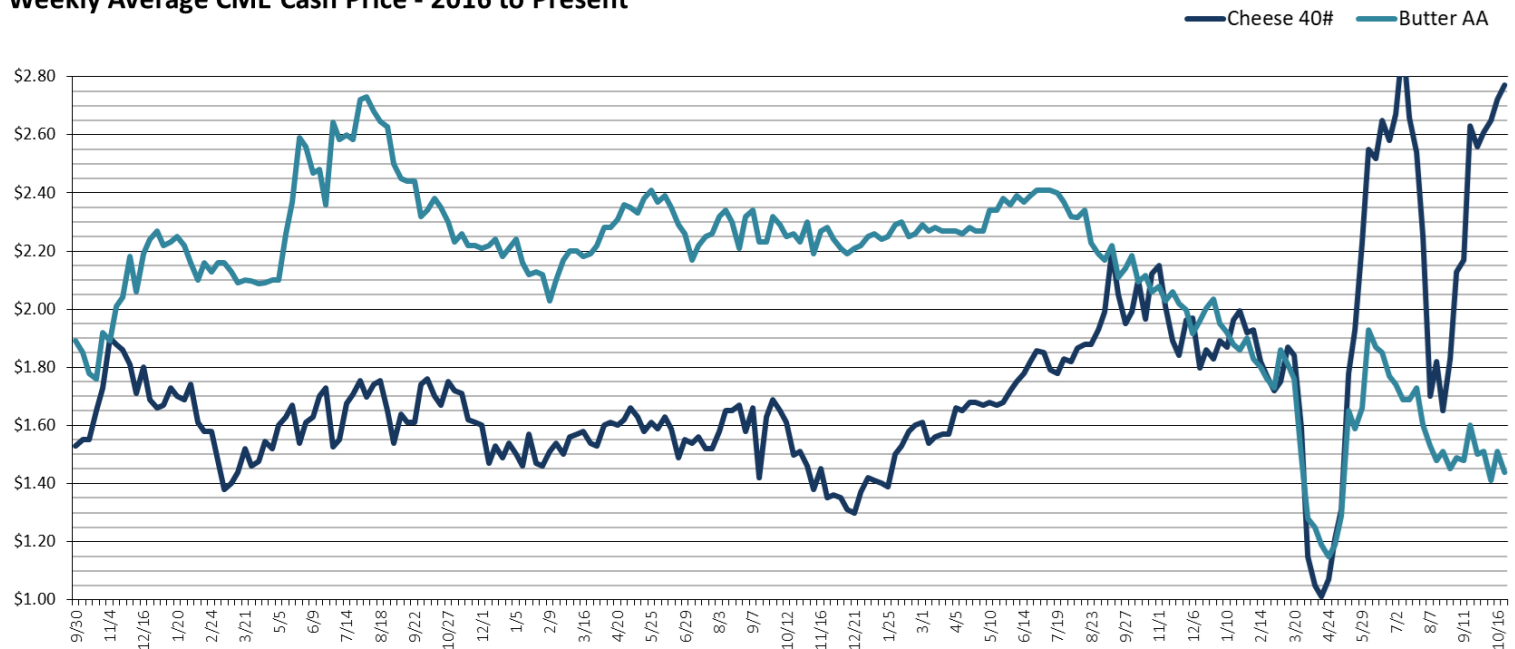
Dry Products: Throughout the regions, low/medium heat nonfat dry milk (NDM) prices are steady to higher. Spot trading activities are healthy. Export interest continues to be strong. Buttermilk powder prices are mostly steady. Outside of contractual needs, trading activity is lighter this week. Market conditions hold a stable tone. Dry whole milk prices are unchanged on moderate trading. The market tone is balanced. Dry whey prices are steady to growing. Buyers' demands are solid. Whey protein concentrate 34% prices are unchanged. Market participants note markets are somewhat quiet, as many buyers are holding off on spot purchases. Lactose prices are steady. Current demands are mixed.

Fluid Milk: Milk production is level to increasing in the East. Mid-Atlantic milk loads are traveling to other regions for immediate needs. In the Midwest, current milk output is flat to higher. In California, milk production is down. Class I sales are healthy from the retail sector. In Arizona, milk production is steady, while New Mexico milk output is up. Bottlers' requests are higher for eggnog production. Milk production is strong in the mountain states of Idaho, Utah and Colorado. Educational institutions' Class I demands are mixed throughout the country. Condensed skim markets are fairly steady, with stable loads clearing to seasonal ice cream making. Cream markets are holding a stable tone.

Butter: Butter production levels are variable across the country. Nationwide, butter demand reports remain positive. Retail customers are active ahead of the fall/holiday rush. Food service continues to edge up weekly, but pales in comparison to recent years.

Friday CME Cash Prices					
Dates	9/25	10/2	10/9	10/16	10/23
Butter	\$1.50	\$1.51	\$1.41	\$1.51	\$1.44
Cheese (40# Blocks)	\$2.56	\$2.61	\$2.65	\$2.72	\$2.77

Weekly Average CME Cash Price - 2016 to Present



October 2020 Dairy Situation and Outlook

By Bob Cropp, Professor Emeritus, University of Wisconsin-Madison

This is an excerpt from the originally published Outlook available here: <https://fyi.extension.wisc.edu/dairy/october-dairy-situation-outlook/>

Somewhat surprising we will see considerable strength in October milk prices. Class III was \$24.54 back in July but had fallen to \$16.43 by September. It looks like Class III for October will increase to about \$21.40 reaching or surpassing the previous record for the month of October set in 2014 at \$21.35. Cheese prices have increased as well as dry whey prices pushing Class III prices higher.

Factors contributing to higher cheese prices include cheese production, retail sales, government purchases and exports. The latest dairy product production report was for August showing American cheese production 1.3% lower than a year ago with total cheese production 2.1% lower. As consumers continue to eat more meals at home retail cheese sales have been relatively strong. The government is purchasing cheese under the third round of the Farm to Families Food Box program which ends on October 31st. With cheese prices above world prices it was surprising that August cheese exports were 17% higher than a year ago. Dry whey exports were 54% high than a year ago.

Butter prices have been rather weak all year. A year ago at this time butter was over \$2 per pound. Butter has been below \$2 per pound all year being as low as \$1.15 in April and only as high as \$1.90 in June. But nonfat dry milk prices have improved with very strong exports. August exports were 35% higher than a year ago. Nonfat dry milk was \$1.03 per pound early September and is now \$1.1275. This will push the Class IV price from \$12.75 in September to about \$13.55 in October but still leaving more than a \$7 spread between Class III and Class IV prices.

Class III dairy futures remain strong for the remainder of the year with November at \$21.44 and December at \$19.38. Whether Class III will hold at this level is not certain, but it looks like Class III for the year will average over \$18 compared to the 2019 average of \$16.96. As we look into next year there remains a lot of uncertainty about milk prices. The level of milk production, domestic sales and exports are crucial. But so important will be how soon the COVID-19 virus

slows down. Until it does restaurants will not be fully open, schools and colleges will be virtual learning rather than in person instruction. Major sports will not have audiences in the stands and major events and conferences will not be held or if they are, they maybe virtual. The COVID-19 virus is hurting not only the U.S. economy but the world economy which impacts domestic sales and exports.

Milk production continues to run at a relatively high level putting downward pressure on milk prices. USDA's report on September milk production showed milk production 2.3% higher than a year ago, the result of 0.4% more cows and 2.0% increase in milk production per cow. Milk cow numbers have been increasing since July with July up 7,000 head, August 4,000 and September 5,000. Of the 24 reporting states 16 had more milk. All the five leading dairy states that produce over half of the nation's milk production had higher milk production. Compared to last year production was up 3.2% in California, 0.7% in Wisconsin, 2.9% in Idaho, 1.4% in New York and 6.5% in Texas. Of all the states South Dakota had the largest increase at 12.3%. Other strong increases were Indiana at 9.0%, Colorado at 7.8%, and Kansas at 6.8%. There were decreases in milk production of 2.2% in Arizona, 3.7% in Florida, 5.5% in Vermont and 0.9% in New Mexico. USDA is forecasting 2021 milk production to be 1.4% higher than this year with just a 5,000 head increase in the average herd size and a 1.4% increase in milk per cow. At this level of milk production, it will take good domestic sales and exports to provide good milk prices.

As of now it seems reasonable to assume 2021 milk prices could be less volatile. Class III could be in the \$16's first half of the year, reach the \$17's in the second a half and averaging in the high \$16's or low \$17's for the year. If the COVID-19 is under control, there could be a good rally in milk prices for the second half of the year. But, this far from certain. Dairy farmers should seriously consider signing up for the Dairy Margin Coverage program for 2021.