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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
November 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 |
| 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 | (\$0.18) | \$1.40 |
| Oct 20 | \$1.64 | \$5.01 | \$18.45 | \$13.63 | \$21.61 | \$13.47 | \$15.92 | (\$5.69) | \$16.52 | (\$5.09) | \$1.41 |

October Utilization (Northeast): Class I = 31.9%; Class II = 24.9%; Class III = 26.0%; Class IV = 17.2%.

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 47, November 20th, 2020)

Cheese: Cheese markets remained in a bearish raincloud this week. Barrel prices have held at the \$1.40 mark, while block prices have slipped daily. Customers are in wait-and-see mode as they await for prices to find a bottom. Cheese inventories have begun to loosen as a result. Milk availability is growing. Spot prices ranged from \$2 to \$5 under Class in the Midwest spot market. Additionally, some contacts report spot offers at even lower discounts than the reported prices. Midwestern cheese plant managers continue to report working through staffing issues as employees are quarantines and COVID-19 related absences. Still, cheese production remains steady in most of the country.

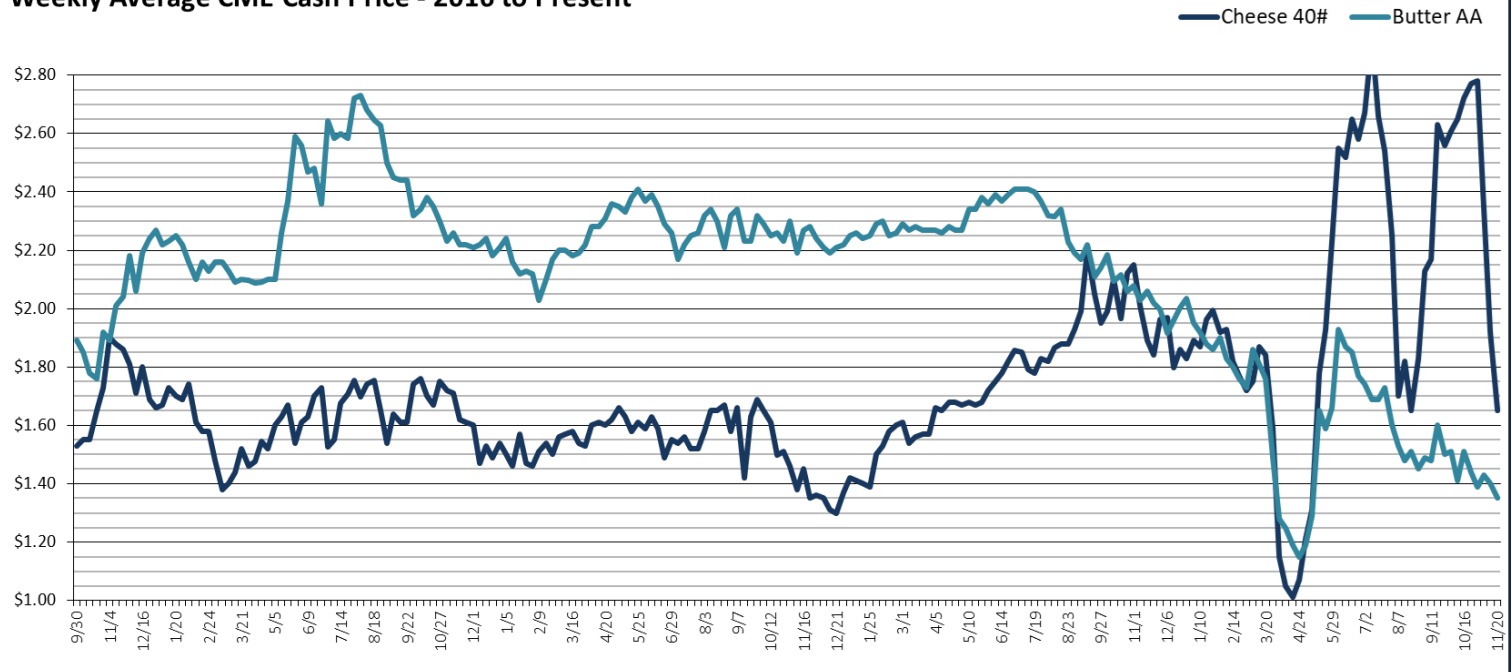
Dry Products: Low/medium nonfat dry milk prices while mostly steady this week are trending lower, but high heat prices moved marginally higher in the Central and East regions. Production is mixed as most manufacturers manage inventory levels beyond customers near-term needs. Demand from bakery and confectionery is active. Dry whey prices varied across the regions, with some firming in the West and Northeast, but steady to lower in the Central region. Demand is active in both domestic and international markets. Whey protein concentrate 34% prices are steady to higher in the mostly series. WPC 34% inventories are tight and largely committed. Q2 2021 contracting activity is underway.

Fluid Milk: Milk production is trending seasonally higher across most of the country. Significant gains in milk production are noted in the Pacific Northwest, Idaho and Utah in the mountain states, and the Midwest region. The latest NASS milk production report shows that in the 24 major States, during October, output totaled 17.7 billion pounds, up 2.5 percent from October 2019. Class I sales pale in comparison to previous years at this time, resulting from limited to lighter school milk sales due to the pandemic. The condensed skim market is in balance. Cream supplies are mixed.

Butter: Butter churning is fairly active across the country, depending on cream availability. A surge of cream supply is anticipated, next week, as some processing operations take off for the Thanksgiving holiday. Manufacturers continue to pull heavily on stored butter to help meet the strong ongoing yearend holiday needs.

| Friday CME Cash Prices | | | | | |
|------------------------|--------|--------|--------|--------|--------|
| Dates | 10/23 | 10/30 | 11/6 | 11/13 | 11/20 |
| Butter | \$1.44 | \$1.39 | \$1.43 | \$1.40 | \$1.35 |
| Cheese (40# Blocks) | \$2.77 | \$2.78 | \$2.34 | \$1.92 | \$1.65 |

Weekly Average CME Cash Price - 2016 to Present



November 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/november-2020-dairy-situation-and-outlook/>

Despite rather strong milk production milk prices continue to strengthen in November. The September Class III was \$16.43, strengthened to \$21.61 in October and November will be close to \$23 surpassing the previous November record high set in 2014 at \$21.94. Continued government purchases of cheese under the Farm to Families Food Box Program, cheese exports above a year ago and higher retail cheese purchases strengthened cheese prices and higher dry whey prices pushed the Class III price higher. But the Class III price will take a big tumble in December and could fall close to or below \$16. Cheese prices are coming down rather fast in November which will impact the December price.

Forecasting milk prices into next year has so many unknowns. If the COVID-19 virus comes under control and things return more to normal by the second half of the year it would have a big impact on milk prices. As of now the virus is hurting the U.S. economy and the world economy which does not bode well for domestic sales and dairy exports. Dairy producers have responded to much improved milk prices along with government payments and milk production is now running relatively high. If milk production continues at this rate, it will be a challenge for domestic sales and dairy exports to hold up milk prices. Will dairy cooperatives implement base type milk production plans on dairy producers liked they did this year to slow milk production? Will some type of Farm to Families Food Box program continue into next year?

USDA's milk production report showed October milk production to be up 2.3% from last year, the second month in a row with a 2.3% increase. The increase was the result of 0.5% more milk cows and 1.9% more milk per cow. Milk cow numbers started to increase in July and increased another 14,000 head September to October to bring the total increase to 40,000 head. With milk production increasing at this rate the combination of domestic sales and exports cannot prevent the price of milk from a rather big decline.

Of the 24 states just 7 had a lower October milk production than a

year ago. Each of these states had reduced milk cow numbers. October milk production increases from a year ago for the top 5 dairy states that produce more than half of the nation's production was: California 1.2%, Wisconsin 1.7%, Idaho 1.7%, New York 1.0%, and Texas 8.2%. Of these states only Idaho and Texas had more milk cows than a year ago, 14,000 head and 28,000 head, respectively. October milk production increases were led by South Dakota 12.9%, Indiana 10.7%, and Colorado 6.6%. Each had added a number of milk cows. Other relatively strong increases were Michigan 3.0%, Minnesota and Pennsylvania 2.5% and New Mexico 1.9%. Milk cow numbers were lower than a year ago in Minnesota and Pennsylvania.

Dairy exports will be an important factor determining the level of milk prices for the remainder of 2020 and for 2021. Dairy exports have supported higher milk prices in 2020. September marked the 13th straight month that the volume of exports was higher than the year before. Through September exports were equivalent to 16.2% of U.S. milk production on a total milk solids basis. At this pace 2020 exports could exceed the 2018's record year of exports.

September's export expansion was the result of year-to-year growth in whey product exports primarily destined to China and better than expected cheese exports despite domestic cheddar cheese prices above world prices since May. But exports will continue to face challenges in 2021. COVID-19 has hurt world economies dampening world demand for dairy products. Also, milk production is not only improving in the U.S. but also in the major dairy exporting countries. Of what we know now milk prices next year are likely to be less volatile than this year and average lower than this year. USDA's latest forecast has the Class III price averaging \$18.55 this year and \$17.25 next year. The average all milk price was forecasted to average \$18.25 this year and \$17.70 next year. No doubt this forecast will be revised as more comes known about developments next year.