



Dairy Market Watch

November 2018

An educational newsletter to keep producers informed of changing market factors affecting the dairy industry.

Funded by Cornell Pro-Dairy. Compiled at Cornell Cooperative Extension of Chautauqua County by Katelyn Walley-Stoll.

| 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 17 | \$2.11 | \$2.66 | \$19.69 | \$15.95 | \$16.69 | \$14.85 | \$16.29 | (\$0.40) | \$16.89 | \$0.20 | \$1.46 |
| Nov 17 | \$2.55 | \$2.34 | \$19.66 | \$15.32 | \$16.88 | \$13.99 | \$15.99 | (\$0.89) | \$16.59 | (\$0.29) | \$1.38 |
| Dec 17 | \$2.50 | \$2.03 | \$20.13 | \$14.49 | \$15.54 | \$13.51 | \$15.56 | \$0.12 | \$16.16 | \$0.72 | \$1.39 |
| Jan 18 | \$2.45 | \$1.66 | \$18.69 | \$14.11 | \$14.00 | \$13.13 | \$14.55 | \$0.55 | \$15.15 | \$1.15 | \$1.31 |
| Feb 18 | \$2.34 | \$1.62 | \$17.50 | \$13.44 | \$13.40 | \$12.87 | \$13.73 | \$0.33 | \$14.33 | \$0.93 | \$1.24 |
| Mar 18 | \$2.42 | \$1.80 | \$16.61 | \$13.88 | \$14.22 | \$13.04 | \$13.91 | (\$0.31) | \$14.51 | \$0.29 | \$1.25 |
| Apr 18 | \$2.51 | \$1.78 | \$17.35 | \$14.03 | \$14.47 | \$13.48 | \$14.31 | (\$0.16) | \$14.91 | \$0.44 | \$1.29 |
| May 18 | \$2.62 | \$1.86 | \$17.69 | \$14.47 | \$15.18 | \$14.57 | \$14.99 | (\$0.19) | \$15.69 | \$0.41 | \$1.35 |
| June 18 | \$2.66 | \$1.74 | \$18.50 | \$15.48 | \$15.21 | \$14.91 | \$15.55 | \$ 0.34 | \$16.15 | \$0.94 | \$1.39 |
| July 18 | \$2.52 | \$1.48 | \$18.61 | \$15.20 | \$14.10 | \$14.14 | \$14.99 | \$0.89 | \$15.59 | \$1.49 | \$1.34 |
| Aug 18 | \$2.60 | \$1.62 | \$17.40 | \$15.07 | \$14.95 | \$14.63 | \$15.06 | \$0.11 | \$15.66 | \$0.71 | \$1.35 |
| Sep 18 | \$2.54 | \$2.00 | \$18.10 | \$15.13 | \$16.09 | \$14.81 | \$15.56 | (\$0.53) | \$16.16 | \$0.07 | \$1.39 |
| Oct 18 | \$2.56 | \$1.72 | \$19.58 | \$15.54 | \$15.53 | \$15.01 | \$16.04 | \$0.51 | \$16.64 | \$1.11 | \$1.43 |

October Utilization (Northeast): Class I = 35%; Class II = 25%; Class III = 27%; Class IV = 13%.

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 85, Report 47, November 23rd)

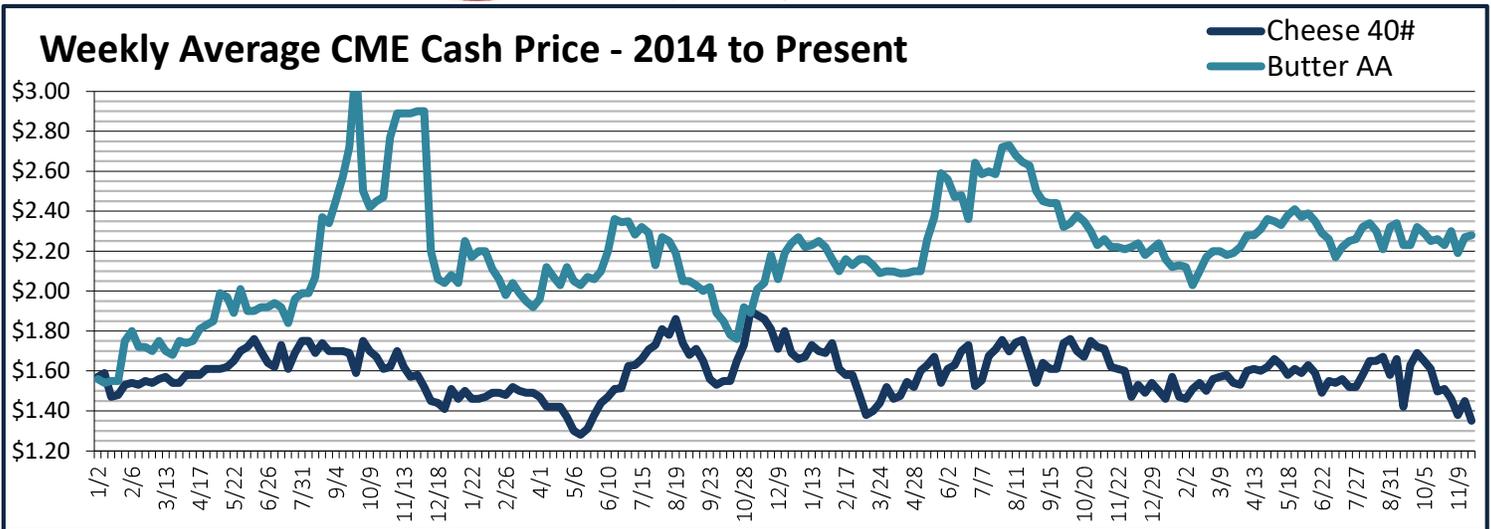
Cheese: Following a recovery period on CME cheese markets throughout last week, Thanksgiving week has wreaked havoc on any short-lived gains. Contacts were anxious of markets finding a longer-term bullishness, and they are far from resting comfortably after the short week's downward movements. Holiday retail cheese advertisements are running full bore, and food service orders for pizza style cheeses are keeping mozzarella and provolone producers busy. Conversely, Northeastern and Midwestern contacts suggest some cheesemakers are taking extra days off, more so than in prior Thanksgiving weeks. This has led to more discounted milk making its way into the vats of producers who are running normal or heavier production schedules. According to some contacts, one bullish note regarding current cheese prices is as inventories begin to clear, and as milk availability has been down relative to past years, 2019 could see some positive market directions. Some anticipate this may not come into fruition until the second half of the year.

Fluid Milk: Milk output is steady to higher in most regions of the nation. During this shortened holiday week, manufacturing milk volumes are expected to inch up as several bottlers have taken their foot off the gas during the school break. Some butter and cheese processors are also taking some time off, but others will be busy processing and buying most of the spot milk loads at discounted values. The availability of cream has increased markedly, as expected, during the holiday week. However, butterfat supplies remain tight in some areas of the country. Most holiday orders for cream have been filled across the nation.

Butter: While some butter plant managers across the nation are planning to close facilities for the remainder of the current holiday week, others anticipate being busy producing butter. In the East, cream supplies are becoming more accessible for churning. Based on the CME Group, with various periods and averages used, this week, bulk butter pricing varies among regions: East, 5.0 cents to 8.0 cents above the market; Central, 4.0 cents to 7.0 cents above the market; West, 1.0 cent to 7.0 cents above the market.

Dry Products: Low/medium heat nonfat dry milk (NDM) spot prices were steady on the short trading week. A strengthening U.S. dollar is somewhat limiting international sales; however, domestic demand is fair. Supplies remain limited in the fall season, but some buyers have suggested they will be looking to stock up in the next couple weeks.

| Friday CME Cash Prices | | | | | |
|------------------------|--------|--------|--------|--------|--------|
| Dates | 10/26 | 11/2 | 11/9 | 11/16 | 11/21 |
| Butter | \$2.23 | \$2.30 | \$2.19 | \$2.28 | \$2.28 |
| Cheese (40# Blocks) | \$1.51 | \$1.46 | \$1.38 | \$1.45 | \$1.35 |



*Excerpt from "Dairy Situation and Outlook, November 19, 2018"
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension*

Butter and cheese prices normally don't weaken like this as we approach the holiday season. So why the decline in prices? It is somewhat puzzling. Sales of fluid (beverage) milk continue its downward trend being 2.5% lower January through September. Butter and cheese are somewhat mixed but still are higher. Perhaps as prices fall buyers take a wait and see attitude to see how low prices may fall before increasing purchases for the upcoming holidays knowing that stocks are more than adequate to meet their needs.

Dairy exports explain some of the weakness in dairy product prices except for butter. While September butterfat exports were 168% higher than a year ago cheese exports were down 9%, a 20 month low. Exports of cheese to U.S. largest market Mexico was down 10% and down 63% to China reflecting the effect of retaliatory tariffs by these two countries. Dry whey exports were down 6% mainly due to a 38% decline to China, U.S. largest market. Nonfat dry milk/skim milk powder exports remain strong being 30% higher than a year ago due to a 40% increase to Mexico. Mexico did not place retaliatory tariffs on nonfat dry milk.

The forecast is for higher milk prices in 2019, but not to the level dairy producers are hoping for. If current Class III futures hold the Class III price would average about a \$1.20 higher than this year at \$15.85. USDA is forecasting the Class III price to average \$15.15 to \$16.05. Current Class IV futures average \$15.80 for the year about \$1.60 higher than this year. USDA's forecasts the Class IV price to average a little lower than this for the year at \$14.35 to \$15.35. There is a good probability that Class III prices could average higher starting in the low \$15's the start of the year, improving to the higher \$15's by the end of the second quarter and then moving into the \$16's reaching the higher \$16's for the last quarter. But, the level of milk production and dairy exports will be determining factors.

USDA shows October milk production slowing which is good news for milk prices. October milk production was just 0.8% higher than a year ago compared to a 1.3% increase for September. Milk per cow as up 1.1% but milk cow numbers were down 43,000 head since January and 30,000 from a year ago. Unfortunately cow numbers are down from more than a more normal number of dairy producers exiting the industry, the result of four consecutive years of low milk prices. USDA is forecasting a 1.4% increase in milk production next year from an average of 10,000 fewer milk cows being more than offset by 1.5% more milk per cow. The 1.5% more per cow maybe on the high side considering a projected 1.2% increase this year and the possible forage quality issues in the Northeast and Midwest this winter. USDA is forecasting a 6.7% decrease in dairy exports on a milkfat basis and a 2.2% decrease on a skim solids basis. While a decrease in dairy exports is not positive for milk prices a growth in milk production of less than 1.5% should still strengthen milk prices in 2019. Any improvement in exports and/or less milk production than now forecasted would push milk prices even higher.