



Dairy Market Watch

December 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
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
Nov 18	\$2.53	\$1.34	\$18.77	\$15.63	\$14.44	\$15.06	\$15.47	\$1.03	\$16.07	\$1.63	\$1.39

November Utilization (Northeast): Class I = 36%; Class II = 22%; Class III = 28%; Class IV = 14%.

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 51, December 21st)

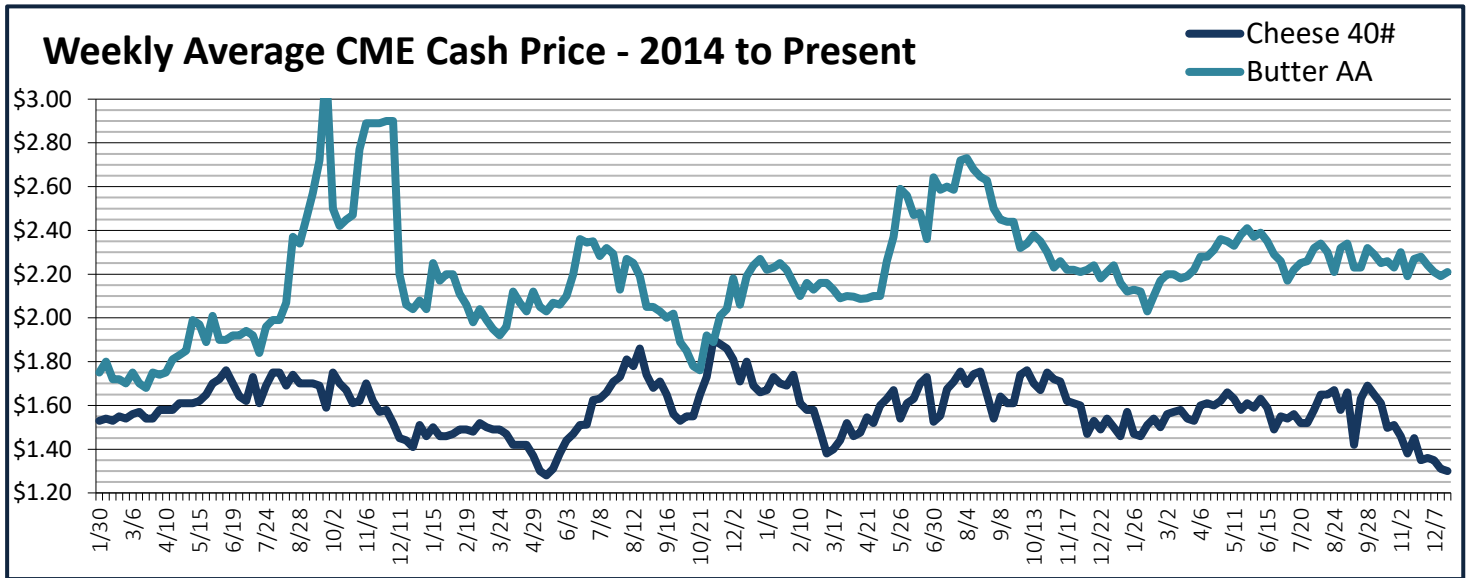
Cheese: Milk availability, for Class III producers, approaching the end of 2018 is higher, but not to the expectations of some cheese plant managers. Spot milk prices slightly decreased. They were reported from \$3 under to \$2 over Class. Nationally, cheese production has increased as a number of producers report running during the holidays. Cheese inventories are mixed. Some producers report running, at least partial shifts, on the upcoming holidays. Cheese inventories are generally long, but some producers reported scaling back production in the fall, before expected seasonal lulls in demand. Mozzarella and other pizza cheese producers continue to report steady to strong sales, but producers of other styles are slower as holiday ordering has culminated.

Dry Products: Nonfat dry milk markets across the regions yield a bullish undertone. Good export sales drive current prices and firmness is anticipated into the New Year. A yearend spurt in cream availability will likely advance dry buttermilk production into next week. Dry whole milk prices are unchanged in a balanced market.

Fluid Milk: This week, balancing operations and processors across the country are prepared for heavier milk volumes to move into production, as schools close and bottling demand relaxes around the forthcoming yearend holiday. Meanwhile, the Western U.S. milk output is climbing in most of the region, which includes California, Arizona, Pacific Northwest, New Mexico, and mountain states. Distressed milk is prevalent in some northern areas of the region. Spot milk prices declined this week with prices reported from \$3 under to \$2 over.

Butter: With more cream supplies available for churning, butter output is active throughout the country. However, production is expected to be mixed during the next holiday week, since some plants will be closed, while others will be operating at full capacity. Butter manufacturing is transitioning from print to bulk. Print butter processing is slowing as holiday retail orders decrease. In general, butter inventories are steady to building into cold storage. 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.

Friday CME Cash Prices					
Dates	11/23	11/30	12/7	12/14	12/21
Butter	\$2.28	\$2.24	\$2.21	\$2.19	\$2.21
Cheese (40# Blocks)	\$1.35	\$1.36	\$1.35	\$1.31	\$1.30



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

Milk prices were a record high in 2014 with Class III averaging \$22.34 and Class IV averaging \$22.09. For the past four years milk prices have averaged well below this record. This year, despite a lower growth in milk production, up just 0.7% in October and 0.6% in November, the Class III price has fallen each month since the peak of \$16.09 in September. December Class III is estimated to be around \$13.85 making the average for the year around \$14.60, the lowest average of the past four years. This will make the average over the past four years of only about \$15.35. Class IV started the year well below \$14.00 but improved since ending the year near \$15 and averaging about \$14.20 for the year, the second lowest average for the past four years with 2016 being the lowest at \$13.17. Over the past four years Class IV will average about \$14.25. This decline in milk prices towards the end of the year was not expected. Strong holiday sales of butter and cheese normally push prices higher. Sales this year appear to be up but only modestly. Fluid (beverage) milk sales continued to decline being 2.2% lower January through October of this year. December CME butter and cheese prices will average lower than November.

U.S. dairy exports which have been running above year ago levels all year were virtually flat in October, undermined by a continued loss of sales to China since implementation of retaliatory tariffs. Milk prices for 2019 hinge heavily upon the level of milk production and dairy exports.

Forecasted milk production, domestic sales and dairy exports point to improved milk prices in 2019, but how much improvement? The current slowdown in milk production is encouraging. Milk cows have been declining since June with November numbers down 38,000 head from last year. Cow numbers are likely to continue to decline into 2019. The increase in milk per cow has slowed to 1.0%. It looks like growth in the economy may slow some in 2019, but still be conducive to increased butter and cheese sale. But, dairy exports is a major factor that will determine how much milk prices will improve. An anticipated slower growth in world milk production is positive for exports. But, unless the trade dispute with China and Mexico ends dairy exports will likely fall below 2018 and dampen the improvement in milk prices. Some are forecasting a Class III below \$15 first quarter of the year, in the low \$15's second quarter, the mid-\$15's second quarter and low \$16's fourth quarter for average of no more than \$1 higher than the forecasted \$14.60 average for 2018. But, it is not without the possibility that prices could better than this with Class reaching the high \$16's or low \$17's by fourth quarter. Let's hope so because dairy producers need more than just a \$1 improvement.