

Dairy Market Watch

October 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
Sep 17	\$2.86	\$1.70	\$19.96	\$16.80	\$16.36	\$15.86	\$16.74	\$0.38	\$17.34	\$0.98	\$1.49
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

September Utilization (Northeast): Class I = 33%; Class II = 25%; Class III = 27%; Class IV = 15%.

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 43, October 26th)

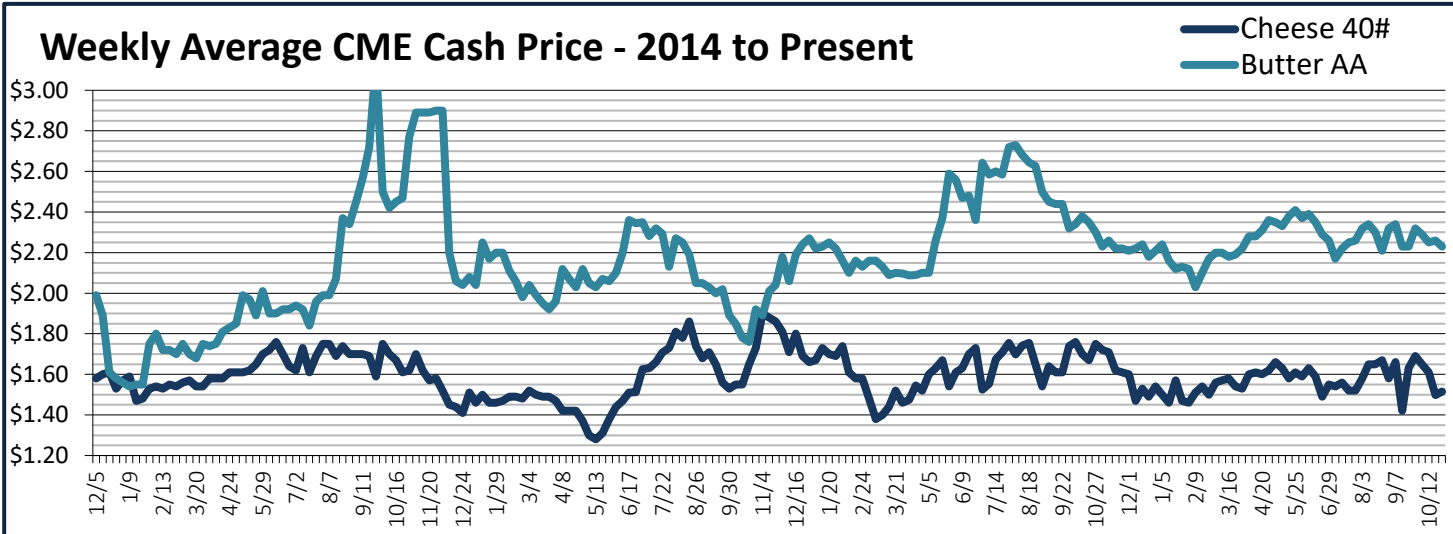
Cheese: Milk narratives vary when comparing the Midwest and the coastal regions. On the coasts, milk availability has grown in recent weeks and cheese production is generally stable to heavier. In the Midwest, a number of cheese contacts suggest production is lighter and milk offers remain sparse. Demand has slipped across the nation. Although in some cases interest is steady, contacts suggest cheese markets are creating a wait-and-see, buyer friendly market. Production is mixed, but most producers suggest that stocks are starting to build across the regions. Some producers are using the slower demand season in order to build holiday inventories.

Butter: Throughout the country, bulk/print butter demands from wholesalers, retailers and food service are trending up ahead of the upcoming year-end holiday baking needs. Although cream pulls from other cream based dairy product manufacturers, such as sour cream and cream cheese, are strong, butter churning remains active. However, because of this, cream volumes are becoming tight for churners in several spot markets across the nation, boosting cream premiums in some cases.

Friday CME Cash Prices					
Dates	9/28	10/5	10/12	10/19	10/26
Butter	\$2.32	\$2.29	\$2.25	\$2.26	\$2.23
Cheese (40# Blocks)	\$1.69	\$1.65	\$1.61	\$1.49	\$1.51

Fluid Milk: Milk production trends vary across the states. In the East, farm-level milk is picking up in parts of Florida, but not as much where the hurricane landed. Milk production declines are reported in the Mid-Atlantic, but flat to higher in the Northeast and Southeast portions of the region. Although milk volumes are somewhat heavier in parts of the Midwest, some processors report regional tightness as inquires for extra milk loads surge. In the western proximity, California is seeing flat milk output along with the Pacific Northwest that also reported lower production as cool wet conditions characterize the season in some areas.

Dry Products: This week, nonfat dry milk prices (NDM) are steady in the East and Central regions, but mixed in the Western part of the country. NDM markets are mostly operating at equilibrium where supply meets demand. Light trading remains steady. Dry buttermilk prices continue to show firmness on tight supplies. Production is steady to improving. Dry whole milk shifted higher in price. Trading is light. Production competes against other dry products. Whey prices are mostly stable with some increased production as a few cheese plants see upticks in work schedules. The market for whey protein concentrate 34% market is unchanged. Production is being reduced in favor of higher protein concentrations. Lactose markets are steady this week, with active interest for Q4 supplies. Stocks are fairly committed through end of year. Casein markets are steady.



Excerpt from "Dairy Situation and Outlook, October 20, 2018"
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

With the upcoming thanksgiving and Christmas season cheese and butter buyers normally build stocks to meet the strong seasonal demand. As a result butter and cheese prices increase. But, this does not appear to be happening. Stocks held by butter and cheese manufactures have tighten some but are more than adequate to fulfill demands by butter and cheese buyers. July 31st stocks compared to a year ago were 3.5% higher for butter and 3.3% higher for total natural cheese. Nonfat dry milk and dry whey stocks are well below a year ago, down 21.3% and 21.7% respectively.

Dairy exports have been a positive factor for milk prices. Despite retaliatory tariffs imposed by Mexico and China dairy exports continue to run above a year ago. A 64% increase in exports of nonfat dry milk/skim milk powder to Mexico was a major factor for higher August exports. In total nonfat dry milk/skim milk powder exports were 26% higher. But, August cheese exports were 7% lower due to a decline of 21% to Mexico and 40% to China. Total whey exports were still 2% higher despite a 26% decline to China. Butterfat exports were 56% higher. On a total milk solids basis August exports were equivalent to 16.8% of milk production compared to 15% a year ago.

September milk production was estimated to be 1.3% higher than a year ago. Milk cow numbers have declined for four consecutive months, are now 32,000 lower than a year ago and down 41,000 since January. But, improved milk per cow being 1.6% higher resulted in the increase in milk production.

Unless cheese prices rally November and December Class III prices will stay below \$16. Currently Class III futures are in the mid-\$15's. For the year the Class III price may average around \$14.95 compared to \$16.16 in 2017. The November and December Class IV price could stay near \$15 and average about \$14.25 for the year compared to \$15.16 in 2017. There is considerable uncertainty for milk prices in 2019. Butter and cheese sales should show continued growth. The level of milk production will be a major factor. USDA is forecasting a 1.5% increase in milk production. With this level of milk production milk prices in 2019 will average higher than 2018. The level of dairy exports will be a major factor as to how much higher. USDA is forecasting 2019 exports to be 6.7% lower on a milk-fat basis and 2.2% lower on a skim solids basis. For the first four months of 2018 the Class III price averaged just \$14.02. Class III prices for the first four months in 2019 should be at least in the mid-\$15's and show continued improvement in the months ahead being in the \$16's the last half of the year. The Class IV price only averaged \$13.13 for the first four month of 2018. For 2019 prices should be in the high \$14's to low \$15's and increase to the higher \$15's for the second half of the year. Wet weather last spring and this fall in the Northeast and Midwest may have lower forage quality that could reduce the level of milk per cow this winter. USDA is forecasting a slight increase in cow numbers which may not happen. So the increase in milk production could turn out less than the predicted 1.5% increase which would push milk prices higher. No doubt price forecasts will change from month to month as milk production and dairy exports become known.