



Dairy Market Watch

May 2019

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
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
Dec 18	\$2.50	\$1.14	\$18.30	\$15.67	\$13.78	\$15.09	\$15.12	\$1.34	\$15.72	\$1.94	\$1.36
Jan 19	\$2.50	\$1.19	\$18.37	\$15.74	\$13.96	\$15.48	\$15.27	\$1.31	\$15.87	\$1.91	\$1.37
Feb 19	\$2.53	\$1.78	\$18.55	\$16.13	\$13.89	\$15.86	\$15.50	\$1.61	\$16.10	\$2.21	\$1.39
Mar 19	\$2.55	\$1.63	\$19.23	\$16.61	\$15.04	\$15.71	\$16.02	\$0.98	\$16.62	\$1.58	\$1.43
Apr 19	\$2.54	\$1.99	\$19.01	\$16.38	\$15.96	\$15.72	\$16.19	\$0.23	\$16.79	\$0.83	\$1.45

April Utilization (Northeast): Class I = 31%; Class II = 24%; Class III = 25%; Class IV = 20%.

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 86, Report 21, May 24th)

Cheese: Milk supplies for cheese producers are available. That said, relative to previous years, it is noticeably less plentiful. Still, milk in all regions is clearing into Class III production. Food service demand is quieter, as schools have begun to break in parts of the nation, while others will break in upcoming weeks. Overall, though, demand is fairly steady. Cheese inventories are balanced to long, and vary widely by region. Cheese market tones are generally steady.

Dry Products: While low/medium heat nonfat dry milk markets are mostly steady, slight drawbacks in prices occur across regions, leading into the Memorial holiday. Some market participants are finding alternative protein products more equitable for end-use. Dry buttermilk markets are variable as regional tightness encourages some price changes. Demand is moderate to good. Dry whey markets are steady to higher in the Central region, steady to lower in the West, and weaker in the Northeast. Inventories are growing. Dry whole milk prices shifted higher as spot availability lessens. Production is limited as processors prioritize dryer time. Whey protein 34 percent prices adjusted higher through the range and mostly series. Offers have declined as manufactures develop higher protein dairy ingredients. Lactose market is unchanged. Stocks are growing. Casein prices firmed. Buyers' purchasing options are reduced with declines in Oceania output.

Fluid Milk: Through much of the country, fluid milk output is increasing. However, in California, Arizona, the Pacific Northwest and Central regions, industry contacts suggest the spring milk levels are not as high as they may typically be at this time of year. Cow culling has been heavy in the Upper Midwest, Mid-East and Eastern regions, and many farmers are calling it quits. Bottling demand is mixed across the country. Some areas are seeing a ripple of activity before the spring holidays, while others have lower sales. Some butter makers expect cream supplies to tighten and affordable cream to become less accessible as ice cream makers ramp up in the next few weeks.

Butter: Industry contacts across the nation relay that production levels are transitioning from active to stagnant as large cream volumes continue clearing into Class II manufacturing. Producers have noted a dip in interest from both retail and wholesale customers whose holiday purchase orders have been satisfied. Bulk butter demand is generally steady. In general butter stocks are steady to slightly building.

Friday CME Cash Prices					
Dates	4/26	5/3	5/10	5/17	5/24
Butter	\$2.27	\$2.27	\$2.34	\$2.34	\$2.39
Cheese (40# Blocks)	\$1.69	\$1.68	\$1.68	\$1.67	\$1.68



Excerpt from "Dairy Situation and Outlook, May 20, 2019"
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

Increases in milk production well below one percent from last quarter of 2018 and going into this year with February milk production just 0.1% higher than a year ago, March production actually 0.6% lower than a year ago and April's production up just 0.1%, has reduced dairy product production and increased dairy product prices. The latest dairy product production for March compared to a year ago showed production down 3.9% for butter, 3.2% for cheddar cheese, 0.7% for total cheese, 8.0% for nonfat dry milk and 14.2% for dry whey. Lower production has tightened stock levels.

The higher average dairy product prices is pushing milk prices higher. The Class III price which was below \$14 for both January and February was \$15.96 in April and will be near \$16.35 for May. The Class IV price which was \$15.48 in January was \$15.72 in April and will be near \$16.30 for May. Dairy exports impact dairy product prices. March exports compared to a year ago showed nonfat dry milk/skim milk powder exports 10% lower with exports down 21% to Mexico and 86% to China. Butter exports were 33% lower, and total whey product exports 22% lower due to whey exports down 52% to China, the result of China's retaliatory tariffs, but also the African Swine fever which has taken a toll on China's swine herd. But, cheese exports have been increasing. February cheese exports were 16% higher than a year ago, the second highest volume ever, and March exports were 10% higher for a record volume. While cheese exports to Mexico were down 17% as retaliatory tariffs on U.S. cheese remain in place cheese exports to South Korea were 39% higher, with record exports to Southeast Asia up 33%, and up 28% to Japan, 22% to MENA and 33% to Central America. South Korea surpassed Mexico as the largest cheese market for the first time in four years.

Key factors indicate that milk prices will continue to strengthen as we progress through the year. Milk production is forecasted to increase no more than 0.5% for the year. It appears the spring flush in milk production will be weaker than normal. The late wet and rather cool spring has delayed the planting for corn and soybeans. Portions of some wet fields in the Corn Belt may not get planted. There are reports of winter kill of alfalfa in Wisconsin. And the weather forecast is for above normal wet weather going into June could make harvesting of first crop alfalfa difficult and lowering its quality. All of which can make higher feed prices and lower quality forage going into fall and winter and lowering increases in milk per cow. Fluid (beverage) milk sales continues on the downward trend making more milk available for manufactured products like cheese. Compared to a year ago first quarter conventional fluid milk sales were 2.2% lower, fluid organic milk sales 4.5% lower resulting in total fluid milk sales 2.4% lower. But, with continued growth in the economy, low unemployment and high wages modest growth in butter and cheese sales is anticipated to increase total domestic sales of milk.

Where dairy exports are headed will have a major bearing how much milk prices improve. President Trump just announced that tariffs on Canada and Mexico aluminum and steel have been lifted. In response Canada and Mexico will lift retaliatory tariffs on U.S. dairy products. The lifting of Mexico's retaliatory tariffs on U.S. cheese could resume higher cheese exports to Mexico by last quarter of this year. Increased tariffs imposed by the U.S. on China's goods and China retaliating with higher tariffs on U.S. dairy products could further reduce dairy exports to China. Unless the U.S./China trade dispute is ended exports to China will not improve in 2019. We can expect continued relatively strong exports to South Korea, Southeast Asia and maybe to Japan and Central America. So while trade volume may end up lower than last year exports should still be at a level to add support to milk prices. It now looks like there is a good possibility that milk prices could strengthen considerably last quarter of the year. A Class III price near \$17 by June and in the high \$17's by September or October seems possible. Current Class III futures are not quite that optimistic reaching low \$17's August through November before falling back below \$17 in December. Class IV prices could be in the \$17's from July through the end of the year. Current Class IV futures reflect this price pattern. But, it wouldn't take big changes in the level of milk production and/or dairy exports to drive milk prices either higher or lower than this.