



# Dairy Market Watch

## April 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					MPP
Month	Butterfat	Protein	I (Boston)	II	III	IV	Jamestown, NY		Albany, NY		Albany \$/gal. to farmer	Milk Margin Minus Feed Costs (\$/cwt)*
Mar 17	\$2.42	\$1.82	\$20.15	\$16.21	\$15.81	\$14.32	\$16.15	\$0.34	\$16.75	\$0.94	\$1.44	\$9.35
Apr 17	\$2.35	\$1.69	\$19.30	\$14.81	\$15.22	\$14.01	\$15.24	\$0.02	\$15.84	\$0.62	\$1.37	\$8.54
May 17	\$2.41	\$1.77	\$18.45	\$14.84	\$15.57	\$14.49	\$15.36	(\$0.21)	\$15.96	\$0.39	\$1.38	\$8.61
June 17	\$2.71	\$1.75	\$18.56	\$16.15	\$16.44	\$15.89	\$16.38	(\$0.06)	\$16.98	\$0.54	\$1.41	\$8.97
July 17	\$2.95	\$1.22	\$19.84	\$17.48	\$15.45	\$16.60	\$16.86	\$1.41	\$17.46	\$2.01	\$1.51	\$9.08
Aug 17	\$3.01	\$1.55	\$19.97	\$17.56	\$16.57	\$16.61	\$17.18	\$0.61	\$17.78	\$1.21	\$1.48	\$10.27
Sep 17	\$2.86	\$1.70	\$19.96	\$16.80	\$16.36	\$15.86	\$16.74	\$0.38	\$17.34	\$0.98	\$1.49	\$9.99
Oct 17	\$2.11	\$2.66	\$19.69	\$15.95	\$16.69	\$14.85	\$16.29	(\$0.40)	\$16.89	\$0.20	\$1.46	\$10.00
Nov 17	\$2.55	\$2.34	\$19.66	\$15.32	\$16.88	\$13.99	\$15.99	(\$0.89)	\$16.59	(\$0.29)	\$1.38	\$10.39
Dec 17	\$2.50	\$2.03	\$20.13	\$14.49	\$15.54	\$13.51	\$15.56	\$0.12	\$16.16	\$0.72	\$1.39	\$9.36
Jan 18	\$2.45	\$1.66	\$18.69	\$14.11	\$14.00	\$13.13	\$14.55	\$0.55	\$15.15	\$1.15	\$1.31	\$8.11
Feb 18	\$2.34	\$1.62	\$17.50	\$13.44	\$13.40	\$12.87	\$13.73	\$0.33	\$14.33	\$0.93	\$1.24	\$6.88
Mar 18	\$2.42	\$1.80	\$16.61	\$13.88	\$14.22	\$13.04	\$13.91	(\$0.31)	\$14.51	\$0.29	\$1.25	\$6.76

**March Utilization (Northeast): Class I = 33%; Class II = 23%; Class III = 25%; Class IV = 19%.**  
*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.*  
 \*At a milk margin minus feed costs of \$8 or less, payments are possible depending on the level of coverage chosen by the dairy producer.

### Dairy Commodity Markets (USDA Dairy Market News – Volume 85, Report 17, April 27<sup>th</sup>)

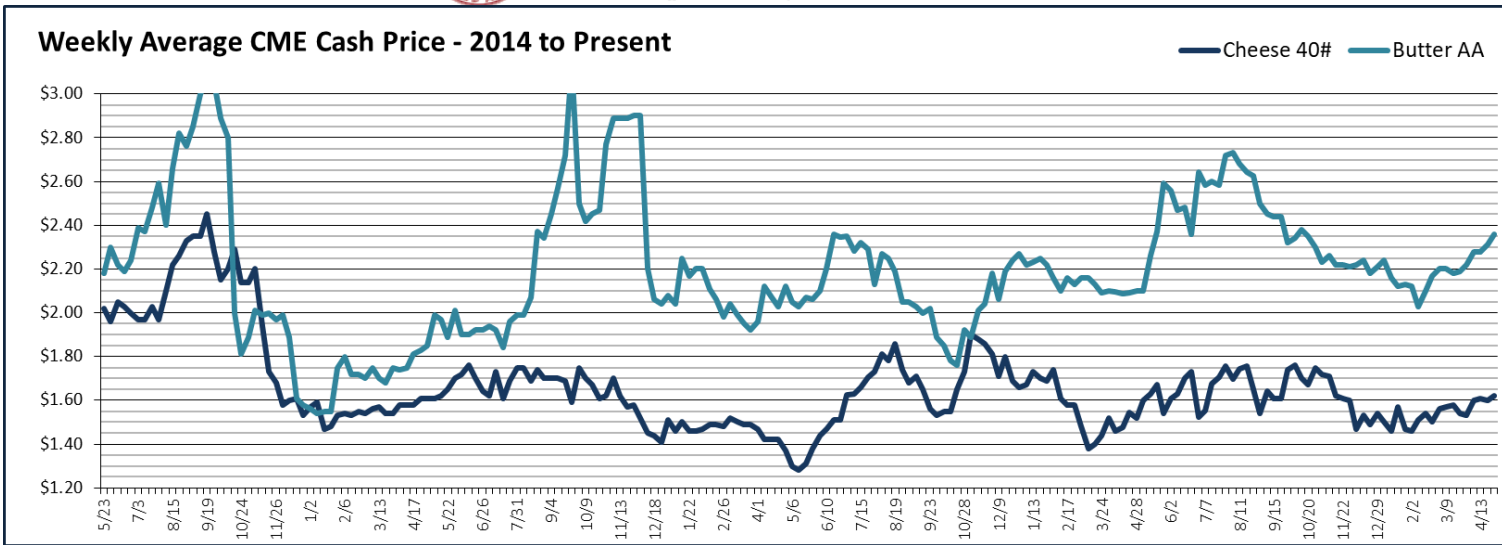
**Cheese:** General interest in U.S. cheese from international buyers has aided the movement of cheese stocks into foreign markets. The domestic cheese market tone is progressive. Cheese demand is steady with strong demand for blocks and barrels. Cheesemakers report consistent restaurant and retail orders nationwide, with sales expected to rise as the summer grilling season nears. Despite the cheery news, some Western contacts report slightly long stocks for barrels and heavy inventories for natural cheese varieties, such as mozzarella and hard Italian. The U.S. cheese production is steady with producers managing heavy milk supplies very well. The spring flush arrived in the Northeast this week as warmer weather moves into the region.

**Butter:** International butter markets are the topic du jour for butter producers in the U.S. Butter makers are reporting steady to strong sales domestically, but international interest is definitely pushing northerly. Cream supplies are readily available. Cream prices are steady to slightly up week over week.

**Fluid Milk:** With current favorable weather conditions in most regions of the U.S., milk production is steady to increasing in the Northeast, Mid-Atlantic, Midwest, Arizona, Pacific Northwest, and the mountain states of Idaho, Utah, and Colorado. Nonetheless, in the Southeast, California, and New Mexico, outputs have slightly decreased. Condensed skim inventories are profuse and selling at discounted prices. Cream is available for all usages in the East and Central, but in the West, availability varies.

**Dry Products:** Prices for low/medium heat nonfat dry milk (NDM) are higher this week. The demand is mixed as some buyers are purchasing at higher prices, and others are willing to wait out this price uptrend. The market undertone is uncertain. High heat NDM prices are steady to a tad higher. Spot market activity is limited as offers from manufacturers are few. The market tone is quiet. Dry buttermilk prices are somewhat mixed. Interest is increasing and the current tone is showing some strength. Dry whole milk prices are unchanged. There have been many requests for spot loads, but availability is getting tight. The market tone is showing signs of firmness. Dry whey prices are higher this week. Export interest is putting upward pressure on market prices. The tone is fairly stable.

Friday CME Cash Prices					
Dates	3/29	4/6	4/13	4/20	4/27
Butter	\$2.21	\$2.28	\$2.28	\$2.31	\$2.36
Cheese (40# Blocks)	\$1.53	\$1.60	\$1.60	\$1.60	\$1.62



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

Milk prices continue on the path of slow recovery. The prices of butter, cheese, dry whey and nonfat dry milk will average higher in April than March increasing the Class III and Class IV prices. Comparing average April prices to March, butter on the CME could average about 9 cents per pound higher, 40- pound cheddar blocks about 4 cents higher and dry whey about 2 cents higher. Cheddar barrels however will be about 3 cents lower. These price changes will put the April Class III price near \$14.50 compared to \$14.22 for March and the low of \$13.40 for February. The average nonfat dry milk price could be about 5 cents higher. The combination of higher butter and nonfat dry milk prices will increase the April Class IV price to near \$13.60 compared to \$13.04 for March the low of \$12.87 for February.

Milk prices haven't been helped by the fact that milk production started the year well above a year ago. Both January and February production was 1.8% higher. This resulted in relatively high increases in the production of dairy products. Improved dairy exports is providing some optimism for better milk prices. Exports have been running higher than a year earlier since July of last year. Dairy exports on a volume basis reached an all-time high in February due to increased exports to China, Southeast Asia, South America, Middle East/North Africa and Japan.

With more optimism for domestic sales and dairy exports how much milk prices improve for the remainder of the year depends a lot on the level of milk production. USDA revised down increases in milk production from 1.8% for both January and February to 1.7% and 1.6% respectively. Positive for continued improvement in milk prices is USDA's estimated March milk production to be up just 1.3%. Milk cow numbers declined by 2,000 head, the first decline since September of last year and were just 0.2% higher than a year ago. The slowdown in milk production came from a relatively small increase in milk per cow of just 1.1%.

This year the growth in milk production is coming from the West with little or no increase in the Northeast and Midwest. It now appears the Class III price could be in the \$15's by June and in the \$16's by August or September but still averaging for the year about a dollar lower than the \$16.17 average last year. The Class IV price could reach the \$15's by September, but also average for the year about a one dollar lower than the \$15.16 average last year. Class III and IV futures support similar prices. But, in April USDA was forecasting prices lower than this with Class III in the range of only \$14.20 to \$14.70 and Class IV in the range of only 13.25 to \$13.85.