

# Dairy Market Watch

## August 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 Kate Ewer.

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
July 17	\$2.95	\$1.22	\$19.84	\$17.48	\$15.45	\$16.60	\$16.86	\$1.41	\$17.46	\$2.01	\$1.51
Aug 17	\$3.01	\$1.55	\$19.97	\$17.56	\$16.57	\$16.61	\$17.18	\$0.61	\$17.78	\$1.21	\$1.48
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

July Utilization (Northeast): Class I = 29%; Class II = 25%; Class III = 29%; 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.

### Dairy Commodity Markets (USDA Dairy Market News – Volume 85, Report 34, August 24<sup>th</sup>)

**Cheese:** Nationally, cheese production is steady to strengthening. Cheddar and provolone makers in the Northeast are maintaining production levels. Milk availability into cheese production remains sufficient, although cheesemakers' access to milk is continuing its seasonal downward drift with schools taking on more bottled milk and warm/wet weather affecting farm milk output. Overall, cheese market tones are somewhat bullish, as producers report being satisfied with the current CME block/barrel situation.

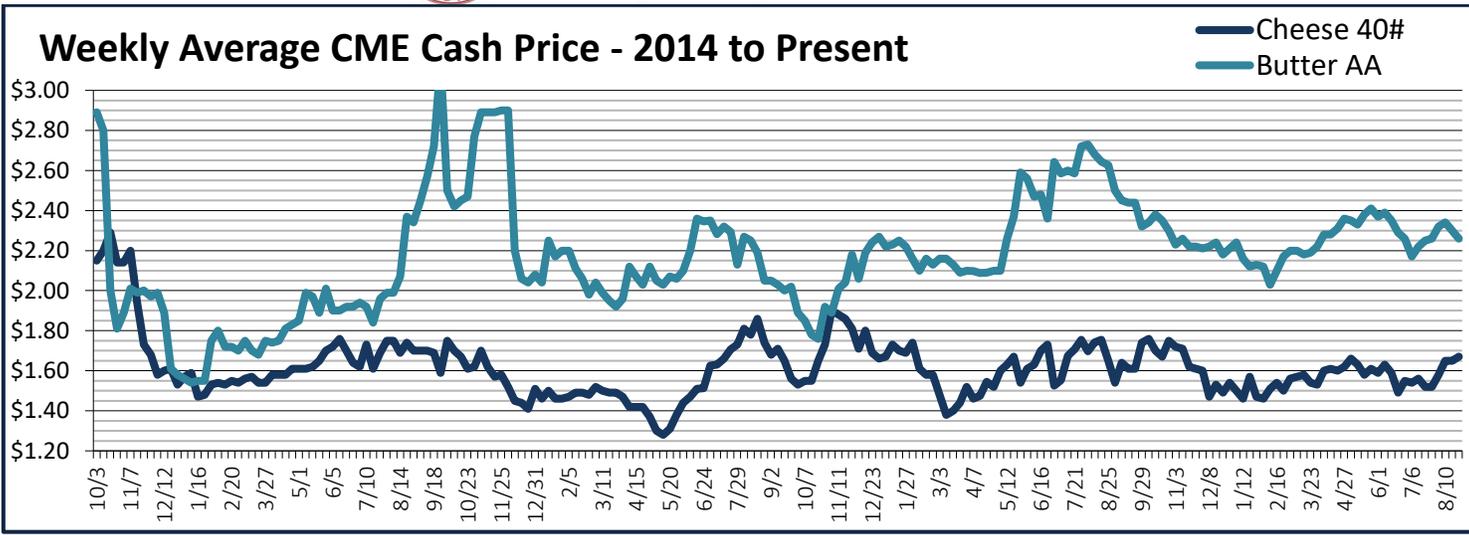
**Butter:** Butter production is increasing as cream supplies are becoming more approachable throughout the country. Milk butterfat is steadily increasing, while Class II is requesting less cream. In addition, the active milk standardization from bottlers (Class I) is adding cream to Class IV. The market tone for butter looks to be in better shape compared to a few weeks ago. In general, bulk/print butter demand are fair/good from several market channels, especially retail and food service. Bulk butter pricing varies among regions however the East is 4.0 cents to 7.0 cents above the market.

**Fluid Milk:** Farm milk production varies across the nation, mainly driven by seasonal climate conditions. Nevertheless, nationwide, milk/cream volumes are more than adequate to meet most processing needs. In general, milk requests from bottlers are inching up as most schools are reopening soon. Meanwhile, the market tone for condensed skim milk is stable, with good demands from NDM/SMP processors. With less demand for butterfat, especially from Class II, cream is becoming more accessible in the spot market.

**Dry Products:** Nationwide, the low/medium heat nonfat dry milk (NDM) market seems to be firming as spot prices are up, while supply appears to be below buyers' demands. Prices for high heat are mixed, but the market is generally stable. Dry buttermilk spot values are steady in the Central/East regions, but mostly higher in the West. Dry buttermilk output is driven by butter production schedules throughout the country. Dry whole milk powder spot prices are steady, in line with is stable market tone. Dry whey values remain firm in all regions as cheese output has been less active due to the strong milk pulls from bottlers. Demand for dry whey remains strong. Meanwhile, spot prices for lactose are steady on a relatively balanced market. Casein prices are steady, while sales activity has been very light.

#### Friday CME Cash Prices

Dates	7/27	8/3	8/10	8/17	8/24
Butter	\$2.26	\$2.32	\$2.34	\$2.30	\$2.26
Cheese (40# Blocks)	\$1.52	\$1.58	\$1.65	\$1.65	\$1.67



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

It appears dairy prices may have overreacted late June and early July to retaliatory tariffs to be implemented about mid-July by Mexico, China and Canada.

June is the latest report for milk and dairy product sales. Fluid (beverage) milk sales continue the downward trend. Compared to a year ago, conventional milk sales were 4.2% lower and organic milk sales were down 3.1% lowering total beverage milk sales 4.1%. The commercial disappearance of butter was 3.8% higher but cheese sales were just 1.0% higher. June dairy exports continued to grow. Compared to a year ago exports were up 24% for nonfat dry milk/skim milk powder, 12% for cheese, 9% for butterfat, 7% for total whey products and 16% for lactose. On a total solids basis exports were equivalent to 16.4% of milk production.

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The major factor for improved dairy product prices and milk prices is milk production. Compared to a year ago, July milk production was up just 0.4%. Milk cow numbers fell by 8,000 head from June bring July numbers also 8,000 head below a year ago. Milk per cow as just 0.5% higher than a year ago.

Compared to a year ago July milk production was down 2.5% in California, 0.8% in New Mexico, 0.9% in Michigan, 0.7% in Pennsylvania, 0.2% in Minnesota, and 5.9% in Florida. Milk production was up just 0.8% in Idaho, 0.6% in New York, 1.8% in Iowa, and 1.2% in Wisconsin. Relatively strong increases occurred in South Dakota 3.6%, 5.4% in Utah, 7.3% in Texas, 7.6% in Kansas and 8.9% in Colorado.

Milk prices for the remainder of the year are rather uncertain. Class III prices could improve to the high \$15's and even touch \$16. The Class IV price is likely to be in the \$15's. Milk cow numbers could fall further with milk per cow improving some with cooler weather by October. Thus, the growth in milk production could stay at 1% or less which would be positive for prices. Dairy exports have been a positive factor for milk prices but the uncertainty is how exports will do for the remainder of the year since retaliatory tariffs are now in effect. EU is the leading dairy exporter. But, EU is experiencing some severe drought conditions which has reduce crop production and raising feed prices. New Zealand, the second largest exporter may see some recovery in milk production but now only projected to be about 2%. So the growth in world milk production is likely to be lower resulting in world milk prices staying relatively strong which is positive for exports. So milk price forecasts will change as more information on milk production and dairy exports come available.