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# Dairy Market Watch

## September 2017

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, Community Educator.

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)*
Aug 16	\$2.48	\$2.57	\$18.32	\$15.21	\$16.91	\$14.65	\$15.82	(\$1.09)	\$16.42	(\$0.49)	\$1.36	\$9.26
Sep 16	\$2.31	\$2.56	\$19.81	\$14.66	\$16.39	\$14.25	\$15.95	(\$0.44)	\$16.55	\$0.16	\$1.38	\$9.48
Oct 16	\$2.04	\$2.29	\$19.85	\$14.09	\$14.82	\$13.66	\$15.08	\$0.26	\$15.68	\$0.86	\$1.35	\$8.84
Nov 16	\$2.10	\$2.80	\$18.03	\$14.60	\$16.76	\$13.76	\$15.19	(\$1.57)	\$15.79	(\$0.97)	\$1.36	\$9.98
Dec 16	\$2.34	\$2.69	\$20.13	\$15.26	\$17.40	\$14.97	\$16.53	(\$0.87)	\$17.13	(\$0.27)	\$1.43	\$11.10
Jan 17	\$2.53	\$2.18	\$20.70	\$16.36	\$16.77	\$16.19	\$17.06	(\$0.29)	\$17.66	(\$0.89)	\$1.52	\$11.05
Feb 17	\$2.42	\$2.23	\$19.98	\$16.52	\$16.88	\$15.59	\$16.62	(\$0.26)	\$17.22	\$0.34	\$1.48	\$10.58
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	Not Available
August Utilization (Northeast): Class I = 32%; Class II = 26%; 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.												
*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 84, Report 38, September 22<sup>nd</sup>)

**Cheese:** Milk availability for cheesemakers has decreased across the country. Northeastern and Western cheese production is steady. Northeastern cheese stocks are adequate, while inventories in the West are overshadowing cheese demand. In the East, cheese sales are generally solid, excepting some disruptions caused by Hurricane Irma. The overall market tone is unsettled. Late last week and earlier this week, the CME price gap broke the 10 cent threshold, evoking the market instability felt by cheese sellers and buyers for the bulk of the summer season.

**Butter:** The United States retail butter sales are steady to lower this week, however, a number of grocers are beginning to build butter inventories ahead of the fall rush. Spot sales activity is moderate as butter prices have been lower than recent weeks, although some contacts are expecting stronger market prices in the near future. On the other hand, other market participants believe prices may move a little lower due to a seasonal shift from bulk to print butter.

Friday CME Cash Prices					
Dates	8/25	9/1	9/8	9/15	9/22
Butter	\$2.63	\$2.50	\$2.45	\$2.44	\$2.44
Cheese (40# Blocks)	\$1.65	\$1.54	\$1.64	\$1.61	\$1.61

**Fluid Milk:** Farm milk output is trending up in parts of the West, such as California and New Mexico. However, most of the country's milk output ranges from steady to lower. Bottling orders are steady to increasing in the East, and haulers are starting to gain access to routes previously closed by Hurricane Irma. Cream supplies are generally available across the nation. As ice cream production has slowed, more butter is finding its way into butter churning and cheese production.

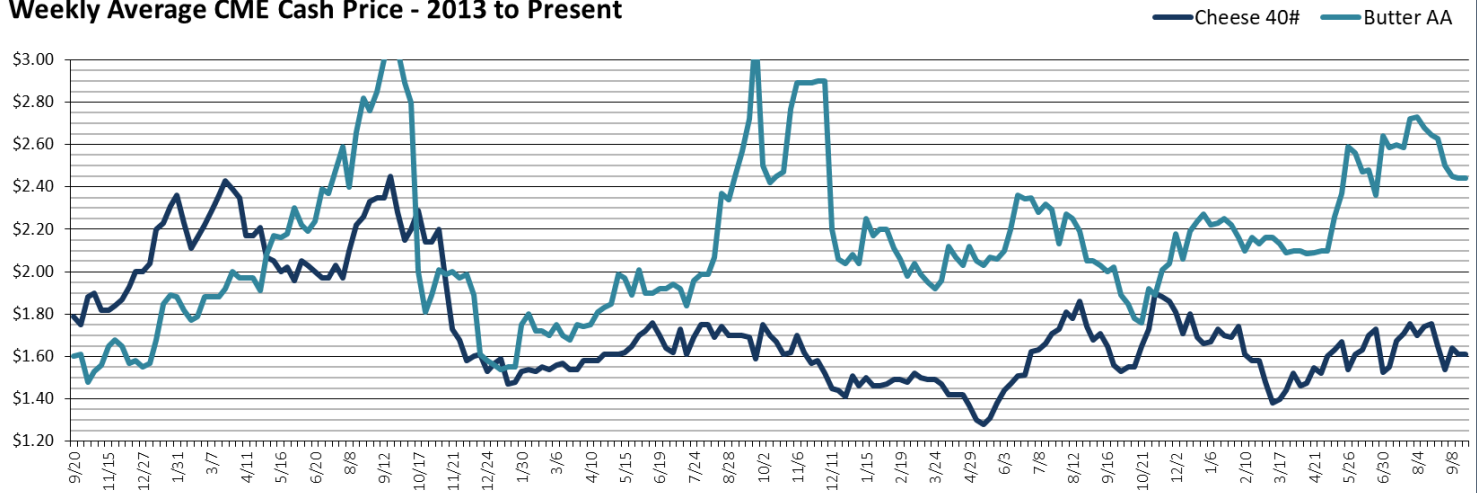
**Dry Products:** Low/medium heat nonfat dry milk (NDM) prices decreased on the top of the mostly price series in the Central and East, as prices were mixed in the West. Bakery demand for high heat NDM is fair, and expected to increase as fall has begun. Dry buttermilk prices were mixed in all regions. Dry whole milk spot market activity was quiet, however cocoa mix processing is increasing. Dry whey prices have decreased in all regions. Whey production is declining, as cheese making facilities are receiving less milk. WPC 34% spot activity was fairly light. Lactose prices were also unchanged. Lactose buyers/end users are hesitant, as the market is fairly weak. Some producers are trying to limit lactose production in order to manage inventory levels.

**Organic Dairy Market News:** Total organic whole milk products sales for July 2017, 79 million pounds, were up 8.4 percent compared with July last year and up 7.8 percent, January-July compared with the same period of 2016.

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### Weekly Average CME Cash Price - 2013 to Present



*Excerpt from "Dairy Situation and Outlook, September 18, 2017"*

*by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension*

Forecasted milk prices for the remainder of the year have softened from what was expected earlier. The Class III price was \$16.44 in June, fell to \$15.45 in July, but increased to \$16.57 in August and was expected to continue to strengthen reaching into the low \$17's by October. But, now the September Class III price will weaken some to around \$16.25. And it will take a rally in cheese prices to strengthen the Class III price October through December.

Lower dairy product prices were the result of higher production, slower growth in sales and higher stock levels. The latest dairy product report is for July. All products showed higher production than a year ago with cheddar cheese up 0.8%, total cheese up 1.0%, dry whey up 21% and butter up 1.6%. Cheese and butter sales have been higher, but have not shown the same growth as last year. July 31st stocks of American style cheese were a record high for the month of July except for 1983-84 when government stocks of surplus cheese were high, but total cheese stocks did set a new record high. American cheese stocks were 8.8% higher than a year ago with total cheese stocks 7.8% higher. Dry whey stocks were 38.7% higher, but butter stocks were 7.5% lower.

Dairy exports have added strength to milk prices. But, after 12 straight months of year-over-year growth, dairy export volume declined in July. Exports of nonfat dry milk/skim milk powder declined 13%, the first decline since June 2016. Nonfat dry milk/skim milk powder exports are facing competition from the EU. Both whey products and lactose exports were unchanged from a year ago. However, exports of butterfat and cheese were 66% and 14% higher respectively. On a total solids basis exports were equivalent to 13.4% of U.S. milk production compared to 14.5% last year and the lowest since January.

The Class III price October through December could stay in the low \$16's and average about \$1.30 higher for the year than last year. Currently Class III futures are not even this optimistic with the Class III staying below \$16. Class IV futures could also stay in the \$15's and average about \$2.25 higher than last year. But, it is not without a possibility that cheese prices could rally October or November pushing up the Class III price like last year. Last year 40-pound block cheese was \$1.5175 per pound early October and rallied to \$1.9425 by early November and were still \$1.80 mid-December. The Class III price went from \$14.82 in October to \$17.40 in December. So unexpected big changes in prices can happen. If the monthly increase in milk production stays below 2%, there is strong seasonal increase in butter and cheese sales and exports hold up, we could see higher milk prices October to December than what is now forecasted. USDA is now forecasting milk production for the year to be 1.7% higher than last year.

Looking into 2018 the Class III price could be in the \$15's first quarter before moving into the \$16's. Current Class III futures don't reach the \$16's until July. With expected improvement in milk production in the EU and New Zealand U.S. could face stiff competition for nonfat dry milk/skim milk powder exports. The result could be a Class IV price in the \$15 the first half of the year with stronger butter prices pushing it into the low \$16's for the second half. Current Class IV futures also reflect this price pattern.