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# Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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## Dairy Market Watch Newsletter July 2019

An educational newsletter to keep producers informed of changing market factors affecting the dairy industry.

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
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
May 19	\$2.57	\$2.12	\$19.67	\$16.48	\$16.38	\$16.29	\$16.65	\$0.27	\$17.25	\$0.87	\$1.49
June 19	\$2.66	\$2.00	\$20.32	\$17.30	\$16.27	\$16.83	\$17.13	\$0.86	\$17.73	\$1.46	\$1.53

June Utilization (Northeast): Class I = 28.0%; Class II = 23.6%; Class III = 28.7%; Class IV = 19.7%.

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 30, June 26th)

**Cheese:** Declining cheese inventories were a topic of discussion following the Monday release of the NASS June Cold Storage report. Markets seemed to react the following day, but have maintained generally steady prices since Tuesday. Cheese production is stable to lower, as heat has crimped the amount of milk flowing into vats.

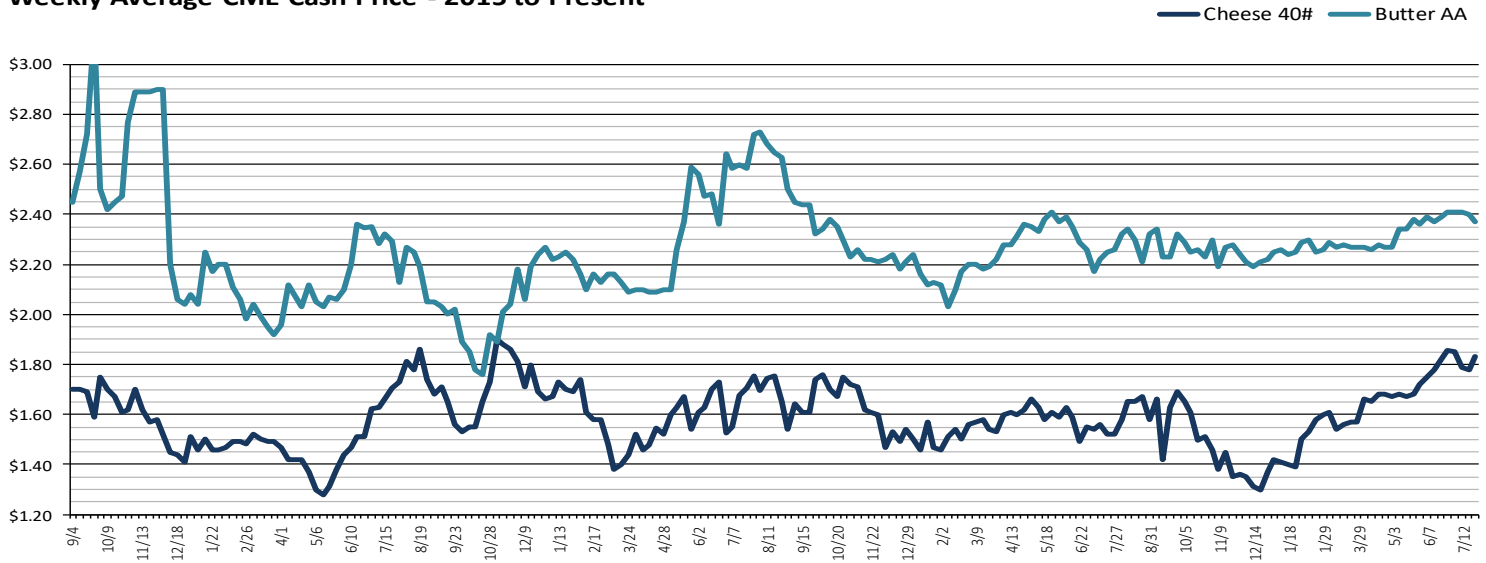
**Dry Products:** Low/medium heat nonfat dry milk (NDM) spot prices are steady to lower in the U.S. Some buyers do not see demand outpacing current supply in the near term. Market conditions are steady to slightly off balance. High heat NDM prices are steady to lower. Outside of contracts, sales are very light. Dry buttermilk prices slipped this week in some areas of the country. The demand is mixed. Requests from bakers and confectioners are fair/good. Dry whole milk prices are unchanged on quiet trading. Market conditions are mostly stable. Whey powder spot prices are mixed throughout the United States. The persistent trade issues with China continue to cause less export opportunities for U.S. dry whey to that country. Whey protein concentrate 34% prices are steady to higher. Industry contacts report an uptick in interest from some export channels. Lactose prices are unchanged. Orders from confectionary customers have been steady, however impacts from the African swine fever continue to weigh heavily on market demand.

**Fluid Milk:** Despite hotter temperatures negatively affecting milk yields in many parts of the United States, balancing plants are generally comfortable with current volumes. Industry contacts in a handful of Eastern and Western areas reported maintaining strong production levels. In general, Class I sales are seasonally quiet. Condensed skim availability has slimmed down slightly, mirroring farm milk output. Cream demand is strong, while supplies are declining with less milk and lower components due to the heat.

**Butter:** The national butter production is steady to down, at or close to the lowest point of the year. The butterfat availability for churning is limited in most regions of the country, thus, cream premiums remain high. In this way, some butter makers are capitalizing on high cream premiums by selling off cream instead of churning. Butter demand is moderate, depending on the sector.

Friday CME Cash Prices					
Dates	6/28	7/5	7/12	7/19	7/26
Butter	\$2.41	\$2.41	\$2.41	\$2.4	\$2.37
Cheese (40# Blocks)	\$1.86	\$1.85	\$1.79	\$1.78	\$1.83

## Weekly Average CME Cash Price - 2015 to Present



*Excerpt from "Dairy Situation and Outlook, July 22, 2019"*

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

Milk production running below a year ago, modest growth in dairy product sales, dairy exports while lower than a year are still supportive of milk prices and improved dairy stocks levels are all contributing to a continued improvement in milk prices. The July Class III price will be near \$17.40, up about \$3.50 from the \$13.89 low back in February. The Class IV which was \$15.48 back in January will be near \$16.90 in July. And milk prices should continue to improve during the remainder of the year.

USDA's estimated U.S. milk production for June 0.3% lower than a year ago. Milk cow numbers declined by 10,000 head May to June and were 91,000 head or 1.0% lower than a year ago. Milk per cow was 0.6% higher

Fluid (beverage) milk sales continue to decline with January through May down 1.8% from a year ago. Butter and cheese sales continue to show growth. Domestic disappearance January through May was 4.3% higher than a year ago for butter and 1.4% higher for cheese.

The volume of dairy exports continues below a year ago. But, nearly all of the reduced volume came from lost sales to China. Sales to China of skim milk powder, cheese, butterfat, whey products and lactose were down 67% in May. Nevertheless, according to the US Dairy Export Council for the first five months of the year, overall volume of exports is on track for the third best year ever, only trailing the pace of 2018 and 2014. Compared to May a year ago exports were lower by 9% for nonfat dry milk/skim milk powder, 41% for butterfat, 29% for whey products and 14% for lactose, but up 11% for cheese. Cheese remains the bright spot for exports. While cheese to Mexico, the largest market was

down 7%, exports to Southeast Asia, Japan and South Korea were well above a year ago. On a total solids basis May exports were equivalent to 14.7% of milk production.

The dairy stock situation continues to improve. Butter stocks as normal increased from May to June, but were 2.6% lower than a year ago. American cheese stocks declined from May to June and were 1.9% lower than a year ago. Other cheese stocks also declined from May to June, but were still 2.2% higher than a year ago. This resulted in total cheese stocks declining from May to June, but were just 0.5% lower than a year ago.

Milk production is likely to continue below a year ago for the remainder of the year. USDA is forecasting milk production for the year to be just 0.3% above a year ago. That is positive for improved milk prices. Butter and cheese sales should continue to show growth particularly during the fourth quarter for thanksgiving and the holidays. Cheese exports are forecasted to continue to run above year ago levels. U.S. eliminated its tariffs on aluminum and steel from Mexico and in turn Mexico eliminated its tariff on U.S. cheese which should be positive for exports by fourth quarter. These factors are bullish for milk prices.

The Class III price should be in the mid to high \$17's for the remainder of the year with \$18 a real possibility fourth quarter. However, unless dry whey prices increase from its current \$0.3425 per pound, cheese needs to be about \$1.90 per pound to get to \$18. Currently cheddar barrels are \$1.7125 per pound and 40-pound blocks are \$1.7925 per pound.