



Dairy Market Watch

October 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)*
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	\$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	Not Available

September Utilization (Northeast): Class I = 34%; Class II = 24%; Class III = 26%; Class IV = 16%.

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 43, October 23rd)

Cheese: Cheese production in the East has eased, but it is fairly steady in the West and Midwest. Eastern milk intakes have slightly declined. Spot milk prices ranged from \$1 under to \$1 over Class. Some contacts suggest increased NDM fortification within the cheese making process has put some downward pressure on spot milk prices. Demand is seasonally strong throughout the regions, particularly for mozzarella and provolone producers. Although cheese stocks remain a concern, the overall cheese market tone is fairly bullish.

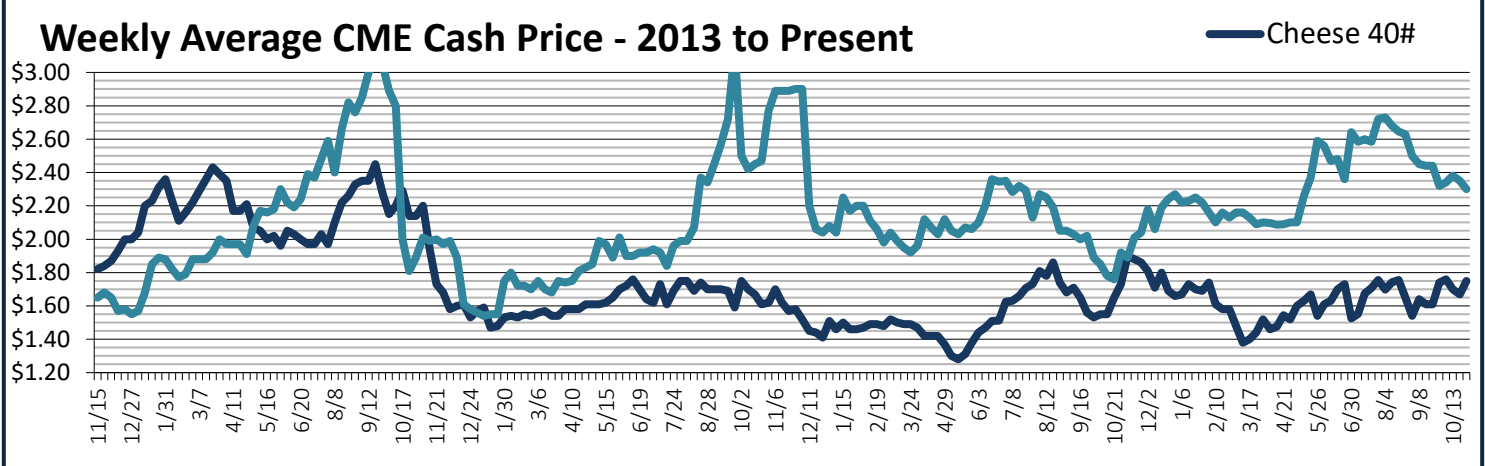
Butter: The upcoming holiday needs are arising as retailers are stocking their coolers with butter, although retail butter sales are mixed this week. Spot market prices are lower and some butter producers report that purchasers are managing their buying to avoid an anticipated price increase. The demand is mixed as some butter producers report solid demand while others have relayed that sales are slightly under expectations. Overall, a number of processors believe that they will remain at a stable level up to Thanksgiving week.

Fluid Milk: Farm milk output is balanced in the Pacific Northwest and in the mountain states of Idaho, Utah and Colorado. In most cases, milk production is steady to increasing nationwide. Bottling orders in the East are active. In the rest of the country, bottling activity is balanced. Cream availability is reported to be tightening in most areas. Cream is being utilized for a variety of processes in the East.

Dry Products: Low/medium heat nonfat dry milk (NDM) prices in the West, East and Central remained steady on the range, but decreased on both ends of the mostly price series. Low/medium heat NDM inventories vary from plant to plant as producers focus more production on high heat NDM. In the East and the West, inventories of high heat NDM are abundant and adequate for contract and spot needs. High heat NDM prices in the East and Central decreased on the top and bottom of the range. The dry buttermilk market tone is steady to weak. Dry whole milk prices spot prices shifted lower on moderate trading. Some processors report that there are signs of weakness in the dry whole milk market as supplies are hard to sell outside of contracts. Dry whey prices nationwide decreased on both the range and the mostly price series.

Friday CME Cash Prices					
Dates	9/29	10/6	10/13	10/20	10/27
Butter	\$2.31	\$2.34	\$2.38	\$2.35	\$2.30
Cheese (40# Blocks)	\$1.74	\$1.76	\$1.70	\$1.67	\$1.75

Building Strong and Vibrant New York Communities



Excerpt from "Dairy Situation and Outlook, October 20, 2017"
 by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

Unless cheese prices rally more like prices did last year the Class III price for November and December will stay in the \$16's and average about \$16.25 for the year compared to \$14.87 last year. Looking into 2018 Class III prices could stay in the high \$15's for the first half of the year and reaching the \$16's during the second half. The Class IV price will stay in the higher \$14's November and December, averaging about \$15.40 for the year compared to \$13.77 last year. The Class IV price for 2018 may stay in the \$14's for most of the year. But, milk prices can change a lot from rather small changes in milk production, domestic sales or dairy exports. So final 2018 milk prices could end up quite different.

Relatively high stocks of cheese have dampened the increase in prices this fall. August 31st stocks of American cheese was 7.8% higher than a year ago with total cheese stocks 7.4% higher. But, cheese stocks did decline some from the July 31st level. Dry whey prices have fallen from heavy stocks with August 31st stocks 68.6% higher than a year ago. Likewise, nonfat dry milk prices have fallen with August 31s stocks 31% higher than a year ago. But, it is surprising that butter prices have not increased more with August 31st stocks declining from July to 12.1% lower than a year ago.

Dairy exports have supported cheese and butter prices. Cheese exports for August were 35% higher than a year ago and up 24% year-to-date. August butterfat exports were 177% higher than a year ago and 12% higher year-to-date. But, August nonfat dry milk/skim milk powder exports were 9% lower than a year ago, the second straight month of decline. August Dry whey exports were also lower than a year with a decline of 10%. Both nonfat dry milk/skim milk powder and dry whey are experiencing strong market competition for exports from the EU. Competition for markets will remain strong in 2018 as milk production is expected to increase in the two largest exporters, EU and New Zealand with also some milk production recovery in Argentina and Australia. Any major changes in trade agreements, in particular NAFTA could also impact exports. But, world demand is expected to increase as China and other major importers expand their imports of dairy products. This will help to absorb some of the increase in world milk production.

Milk prices for the remainder of this year and into 2018 will depend upon the level of milk production. USDA's report for September milk production showed the increase in milk slowed to 1.1% compared to increases of 2% for the previous two months. Milk cow numbers decline 4,000 head from August but were still 69,000 head or 0.7% higher than a year ago. The slowdown in milk production was due to milk per cow which was up just 0.3% from a year ago.

USDA is forecasting 2018 milk production to increase 1.9% from this year, the result of 0.5% more cows and 1.4% more milk per cow. This is a lot of milk that will put downward pressure on milk prices. It would take higher than expected domestic sales of milk and dairy products or higher dairy exports to push 2018 milk prices higher than what is now forecasted.