Cornell University
Cooperative Extension
Chautauqua County

3542 Turner Road
Jamestown, NY 14701
t. 716-664-9502
f. 716-664-6327
http://cce.cornell.edu/chautauqua

PRO-DAIRY

# Dairy Market Watch

## November 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.**

| 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)* |
| 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 | $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 | Not Available |

**October Utilization (Northeast): Class I = 35%; Class II = 25%; Class III = 26%; Class IV = 14%.**

***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 47, November 24th)

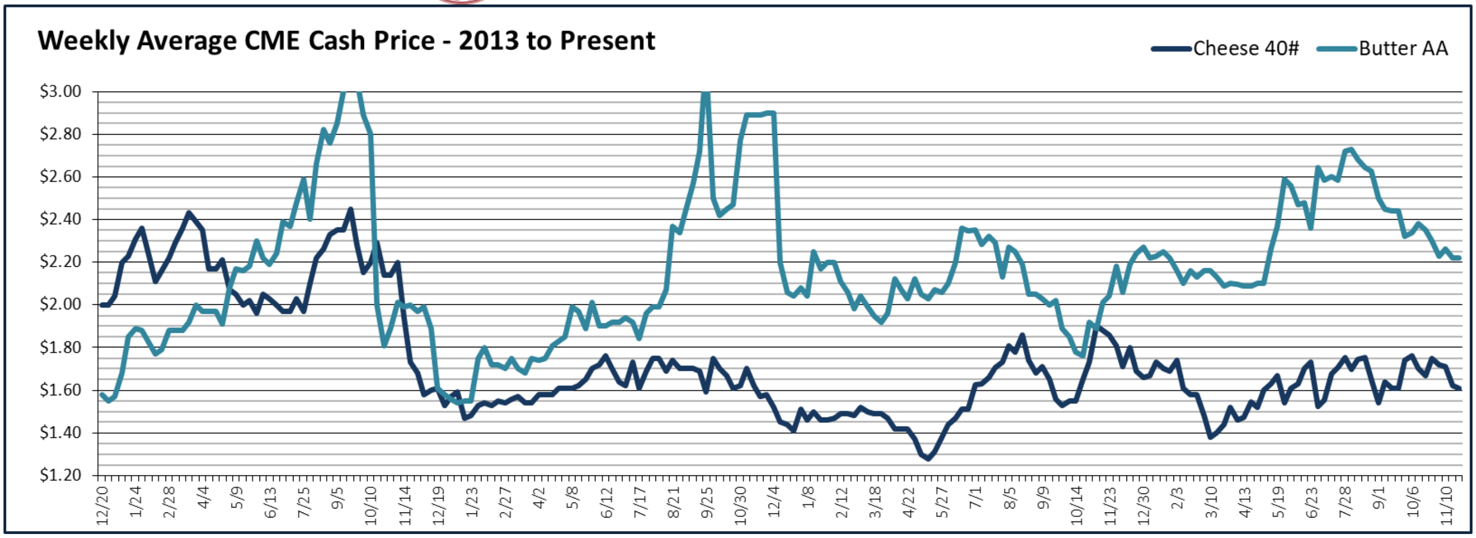
**Cheese:** Discounted milk into cheese plants has spurred cheese production this holiday week. Plant managers are facing the challenge of allotting production time off, while taking on bargain spot milk loads. Demand is generally steady to slow across all regions. Some cheesemakers are reporting that fluctuating market prices are giving buyers pause. CME block prices are currently below those of barrel prices. Contacts generally view this as a market destabilizer.

**Butter:** Cream for butter production is readily accessible. Butter makers are actively producing butter. However, some manufacturers have slowed down churning and other have halted butter production until after the holiday season. Although holiday demand is drawing down inventories, supplies remain sufficient. The market undertone is mixed. Some buyers/ sellers anticipate butter prices will decrease further, although other contacts report that current market prices are remaining healthy and well over last year's averages.

| Friday CME Cash Prices | | | | | |
|---|---|---|---|---|---|
| **Dates** | 10/27 | 11/3 | 11/10 | 11/17 | 11/22 |
| **Butter** | $2.30 | $2.23 | $2.26 | $2.22 | $2.22 |
| **Cheese (40# Blocks)** | $1.75 | $1.72 | $1.71 | $1.62 | $1.61 |

**Fluid Milk:** Farm milk production is steady to increasing in the nation. In the Northeast and Pacific Northwest, milk yield is steady. In the Southeast, Midwest, and New Mexico, production is up. In the Northeast, milk supply is more available for processing needs. Class I sales are mixed across the country. Class I intakes are increasing in the East, steady in the Midwest, and steady to decreasing in the West. Due to processing plants shutting down for the holidays, cream supply is steady to more available in the East.

**Dry Products**: Low/medium heat nonfat dry milk (NDM) prices decreased this week throughout the regions as the market continues to show signs of weakness. Within this holiday-shortened period, spot transactions dropped a notch, as NDM buyers look to cover only urgent needs. The market tone is weak. High heat NDM prices are lower. Spot activity is steady to slow. The undertone for high heat NDM is weak to balanced. Dry buttermilk prices are steady to decreased. Interest is limited to good as the bakery sector is active as processors make more of the holiday foods. The tone is steady to weak. Demands from the confectionary and bakery sectors are active. The market feels weak. Dry whey prices are steady to lower. The demand is lackluster as many end users are holding off on making their purchases. The market tone is steady to uncertain. Animal feed whey prices decreased. Some end users are planning to wait until end of year clearances before entering the spot market. Whey protein concentrate WPC34% prices decreased.




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

USDA's milk production report for the U.S. showed October milk production picking up a little with October production 1.4% higher than a year ago compared to September 1.0% higher. This is a lot of milk considering that last year milk production was running 2.5% higher than a year ago. The October increase was the result of 0.7% more cows and just 0.6% more milk per cow. Overall the increase in milk production will put some downward pressure on milk prices.

The September Class III price was $16.36. The normal seasonal increase dairy product sales helped to increase the October Class III price to $16.69. The November Class III maybe up slightly to around $16.80. But, dairy product prices have declined meaning the December Class III price could fall below $16.00 to around $15.45. The average for the year will be around $16.15 compared to $14.48 last year. The Class III price is driven by the price of butter, cheddar cheese and dry whey. The price of butter on the CME averaged $2.65 per pound in August, but has declined steadily since to now $2.21 per pound. The amount of the price declined is a little surprising in that September butter production was 0.3% lower than a year ago and September 30th stocks were 4.5% lower than a year ago. But, butterfat exports which had been running higher than a year ago fell 16% in September resulting in year-to-date exports up just 9%. Butter fat exports had been aided by the price of Europe butter higher than U.S. butter. But, in recent weeks the price of Europe butter has fallen reducing the competitiveness of U.S. butter on the world market. The price of butter could still fall further but stay above $2.00 per pound.

USDA and other forecasters have lowered their price forecast for 2018. Both Class III and Class IV futures for 2018 have fallen. Class III futures are in the $14's January through May and in the $15's for the remainder of the year. Class IV futures start the year below $14 reaching the $14's by March and the $15's by August. If these prices hold true, milk prices will average lower than this year. USDA is saying the Class III price in 2018 could average as low as $15.50 and the Class IV price as low as $14.15. But, final milk prices will depend upon the level of milk production, domestic sales and exports. USDA is forecasting an increase in 2018 milk production of 1.8% from 0.5% increase in the average number of milk cows and 1.3% more milk per cow. This is a lot of milk following a 1.6% increase forecasted for this year. But, if milk prices start the year near current futures market prices, we could see heavier culling of milk cows and a lower increase in milk per cow.

Domestic sales of butter and cheese should continue to be favorable in 2018. But, a crucial factor in where milk prices end up will be dairy exports. For most of this year milk production for four of major exporters—EU, New Zealand, Argentina and Australia was lower than the year before, U.S. was the exception with increased production. But, milk production has now started to increase in all five exporters meaning U.S. will face strong completion for markets in 2018. Unless there is good growth in world demand to absorb this increase in milk production world dairy product prices will decline. China and others are expected to increase their imports, but world prices have already started to decline which will put pressure on U.S. prices. But, still I feel milk prices will end up higher than current futures market prices particularly for the last half of the year from a little lower increase in milk production and prices supported by domestic sales and exports.