



# Dairy Market Watch

## September 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 Katelyn Walley-Stoll.

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
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
Aug 18	\$2.60	\$1.62	\$17.40	\$15.07	\$14.95	\$14.63	\$15.06	\$0.11	\$15.66	\$0.71	\$1.35

July Utilization (Northeast): Class I = 31%; Class II = 25%; Class III = 29%; 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.

### Dairy Commodity Markets (USDA Dairy Market News – Volume 85, Report 38, September 21<sup>st</sup>)

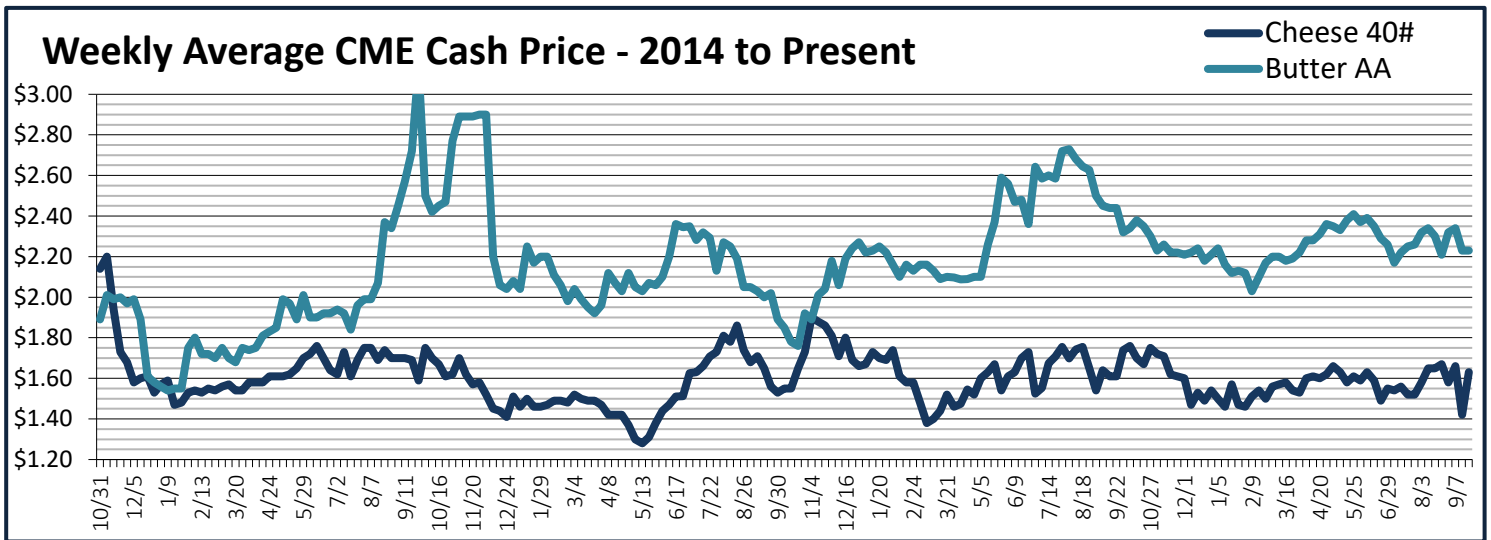
**Cheese:** Fresh cheese inventories are moving, and generally balanced. Northeastern contacts say cheese stores produced earlier in 2018 are adequate. Midwestern demand has slowed according to some cheesemakers, as barrel market prices have descended, and buyers are backing off. That said, cheese contacts expect markets will surmount another downcycle and return to steadiness near term. Cheese demand and production in the Western region are steady to higher. Milk in the West is accessible, whereas, in the rest of the country, milk volumes remain flat to lower.

**Butter:** Although farm milk production is down in the East region due to humid weather patterns, butter makers report churning schedules are steady, but expected to rev up as baking season is around the corner. Nationwide, demands for bulk/print butter are fair/good while supplies are fairly available for near term buyers/ end users' needs.

**Fluid Milk:** Northeast milk production is lower, but some milk output is leveling off on the farms this week. Mid-Atlantic milk output off the farms is lower. Southeast milk production is fairly level this week. Hurricane Florence has impacted parts of the Southeast with heavy flooding. There have been reports of power outages and roads closures due to the storm. Some operations are closed at this time.

**Dry Products:** Central and East low/medium, and high heat prices are steady, even with some central producers tight or behind on orders. Buyers in the East are said to be uncertain about prices and some are slowing purchases to watch prices. Dry whole milk spot prices are unchanged from last week and are still in line with international WMP cash values. Dry whey prices in the Central region were steady to higher on an active trading week. Some of the lower spot prices are loads destined for Asia, but generally there was more trading both for export and domestically this week. Prices for dry whey in the East region increased on the bottom of the range. In the West, dry whey prices moved slightly higher at the bottom of the range but remained steady on the mostly price series. The market undertone is still strong despite concerns about global trade agreements and their potential repercussions on the whey market.

Friday CME Cash Prices					
Dates	8/24	8/31	9/7	9/14	9/21
Butter	\$2.21	\$2.32	\$2.34	\$2.23	\$2.23
Cheese (40# Blocks)	\$1.69	\$1.58	\$1.66	\$1.42	\$1.63



*Excerpt from "Dairy Situation and Outlook, September 19, 2018"*  
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

With favorable domestic sales, slower growth in milk production and higher dairy exports September milk prices will be higher than August. Higher cheese and dry whey prices will push the September Class III price to around \$16.00 compared to \$14.95 in August and a low of \$13.40 back in February. While the price of butter will average lower this will be more than offset by high nonfat dry milk prices pushing the September Class IV price to around \$14.70 compared to \$14.63 in August and a low of 12.87 back in February. Fluid (beverage) milk sales continue to trend lower. Fluid milk sales January through July were 2.2% lower than a year ago. But, with butter and cheese sales running higher total domestic sales of milk and dairy products for September will be higher than a year ago and positive for milk prices. July milk production was up just 0.5% from a year ago which was also positive for milk prices. But a little surprising August milk production improved to 1.4% higher than a year ago. Milk cow numbers fell by 9,000 head June to July but regained 5,000 head in August. August Cow numbers were down slightly from a year ago but an improvement in milk per cow of 1.4% higher than a year ago resulted in the 1.4% increase in total milk production. This higher than expected increase in August milk production could dampen milk prices some. But, schools are now in session moving more milk to fluid use and less for cheese production, and the fact that the sales of butter and cheese improve seasonally during the thanksgiving to Christmas period is still positive for milk prices.

Retaliatory tariffs imposed by Mexico and China beginning in July is having some impact on dairy exports. It appears that Mexico in anticipation of their 25% tariff on U.S. cheese increased cheese imports from U.S. by 43% in June compared to a year ago because July imports were 1% lower than a year ago. July cheese exports to China dropped 56% from a year ago with whey exports down 26%. With China being the largest U.S. market for whey products July whey exports were 8% lower than a year ago, the lowest whey exports in more than two years. While the volume of dairy exports in July were the lowest since January they remained above a year ago due to continued strong exports of nonfat dry milk to Mexico and higher exports of dairy products to other U.S. international customers.

How retaliatory tariffs impact U.S. dairy exports in the months ahead continues to bring uncertainty to future milk prices. But, for the last quarter of the year domestic demand should continue to run above a year ago and the growth in milk production may increase by no more than 1%. Even if U.S. dairy exports show some more weakness the Class III price could stay in the low \$16's and the Class IV price in the low \$15's. Looking into 2019 a continued relatively strong economy will be positive for domestic sales. The growth in milk production is likely to stay well below 2%. Milk cow numbers may show little or no increase. With anticipated somewhat lower feed prices milk per cow may improve some. USDA is forecasting just a 0.1% increase in cow numbers and a 1.4% increase in milk per cow bringing the increase in total milk production to 1.5%. If retaliatory tariffs remain, USDA is forecasting lower dairy exports but not falling to a level that will lower milk prices compared to 2018. In fact, USDA's is forecasting that 2019 milk prices could average higher than 2018. I think it is reasonable to assume milk prices will average higher in 2019. The level of milk production and dairy exports will be major factors in how much higher.