



Dairy Market Watch

January 2019

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
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
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

December Utilization (Northeast): Class I = 34%; Class II = 21%; Class III = 27%; Class IV = 18%.

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 4, January 25th)

Cheese: Cheese markets are flummoxed. The onset of 2019 has been tumultuous for barrel markets. Barrel prices last truckled to current midweek price points, at or around \$1.16, on July 23, 2009. Cheese demand is steady to lower nationwide. Northeastern customer bases experiencing and/or expecting severe winter weather are downsizing orders from Midwestern cheesemakers, particularly pizza cheese producers. Production activity is mixed, as well. Active production on the coastal regions tapers in the middle of the country, where some cheese plant managers suggest they are at their lightest workweek in years.

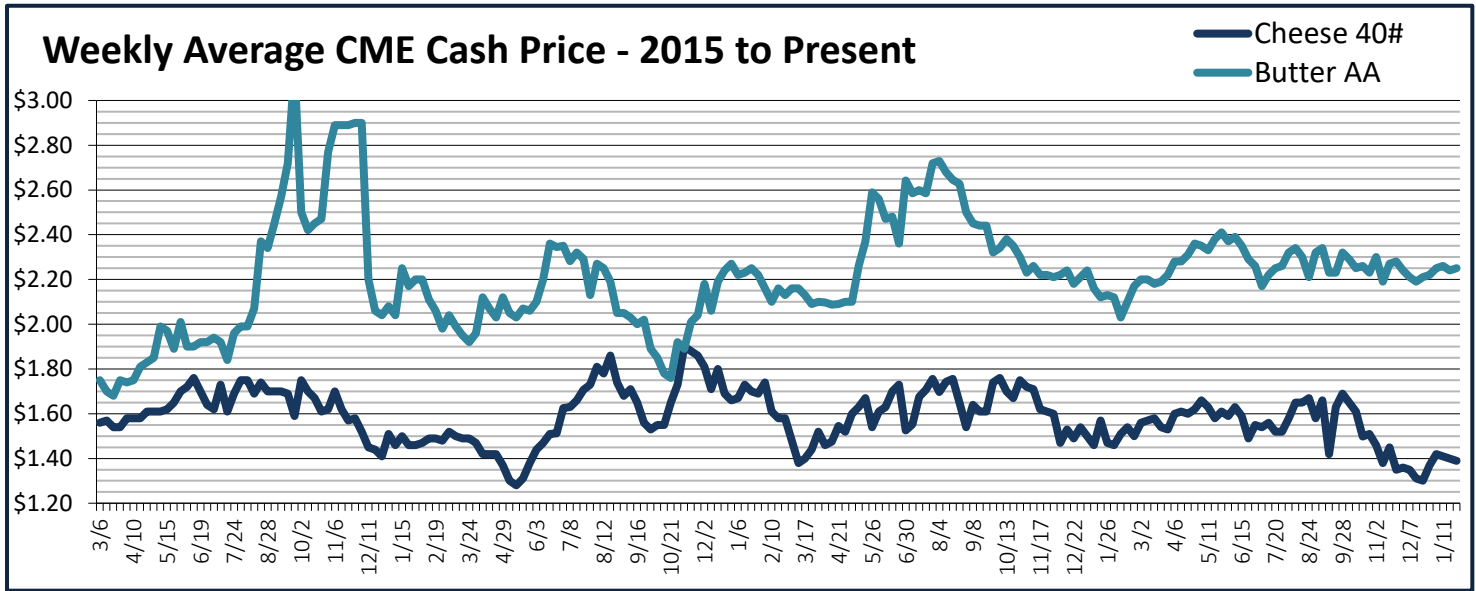
Dry Products: Low/medium heat nonfat dry milk (NDM) prices are mixed to higher nationally. In the Central/East regions, prices have firmed a bit. In the West, the price range narrowed. NDM markets stumbled, but spot trades are still taking place at or just above the \$1 mark. Dry buttermilk demand remains healthy and drying is limited. The dry whole milk price range is mixed, but contacts report a stable tone generally. Dry whey prices are steady to lower nationally.

Fluid Milk: Winter weather, including snow and extremely cold temperatures, has impacted most of the Midwest and Northeast, as well as parts of the Western region. At midweek, no transportation issues were reported but late week below-zero temperatures are expected to linger throughout the weekend. Bottling orders picked up early in the week, so orders could be filled ahead of the inclement weather. Cheesemakers are starting to report more overages on spot milk prices than not. Spot milk prices were reported at \$.50 under to \$1 over Class III. Cream availability is unchanged in most regions and is readily available for most uses. Midwestern butter makers expect more to be available next week.

Butter: Butter manufacturing remains active across the country as cream supplies are becoming more accessible for churners as well as for Class II processors. Winter weather in the Midwest and Northeast has many bottlers busy standardizing milk, adding more volumes of cream to the already butterfat congested markets. Nationwide, production is mainly focused on bulk with a bit of print being made to meet current requests. Bulk butter pricing varies among the regions.

Friday CME Cash Prices

Dates	12/28	1/4	1/11	1/18	1/25
Butter	\$2.22	\$2.25	\$2.26	\$2.24	\$2.25
Cheese (40# Blocks)	\$1.37	\$1.42	\$1.41	\$1.40	\$1.39



Excerpt from "Dairy Situation and Outlook, January 19, 2019"
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

Dairy producers faced a very difficult year last year. Milk prices have been depressed for four years with last year being the worse of the four. Milk prices fell sharply the last quarter of the year. In September the Class III price was \$16.09 but had fallen to just \$13.78 in December. The average for the year was \$14.61 compared to \$16.16 in 2017. The Class IV price did better with improving nonfat dry milk prices. The Class IV price was \$14.14 in July but improved to \$15.09 in December. The average for the year was \$14.23 compared to \$15.16 in 2017. Milk prices will average higher in 2019 depending upon the level of milk production, domestic sales and dairy exports. Most forecasts are not overly optimistic as to how much high with increases no more than \$1. The latest milk production report was for November of last year. At that time cow numbers were declining and averaged 3,000 head or 0.03% lower year-to-date. With four years of low milk prices more than the usual number of dairy producers were exiting the industry. Milk per cow was running below the normal trend at just 1.0% higher and averaged 1.0% higher year-to-date. The result was milk production less than 1.0% higher than a year ago for September to November and averaging just 1.0% higher year-to-date. It seems logical with low milk prices that cow numbers continued to decline in December and going into January. Likewise the increase in milk per most likely continued to be no more than 1.0% for December going into January netting less than a 1.0% increase in milk production for December and probably for January.

The 2018 economy was favorable for domestic demand with low unemployment and higher wages. However, beverage milk sales continue to decline. The latest milk sales was for November of last year. Sales January through November were 2.0% lower than the year before. When less milk is drunk milk needs to be made into manufactured dairy products like cheese. Both cheese and butter sales were modestly higher last year. Concerns are rising that the economy may slow from last year which could dampen milk and dairy product sales. Dairy exports will be important for higher milk prices in 2019. As long as there is a trade war between the U.S. and Mexico and China dairy exports will be curtailed. As of now this trade war doesn't appear to be ending soon.

In summary, the increase in milk production not much more than 1%, modest growth in domestic sales and a level of exports to support milk prices I am a little more optimistic about milk prices this year. The Class III price is likely to be in the \$14's first quarter, in the \$15's second and third quarters but then in the \$16's fourth quarter and averaging \$1.10 to \$1.20 higher than last year. Class IV will start the year in the \$15's and could be in the \$16's the last half of the year and averaging \$1.40 to \$1.50 higher than last year. Yet these prices are not what dairy producers need to start to recover from four years of low milk prices. But, I am also not ruling out that we could see a better recovery in milk prices by fourth quarter.