



# Dairy Market Watch

## January 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					MPP
Month	Butterfat	Protein	I (Boston)	II	III	IV	Jamestown, NY		Albany, NY		Albany \$/gal. to farmer	Milk Margin Minus Feed Costs (\$/cwt)*
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	\$10.00
Nov 17	\$2.55	\$2.34	\$19.66	\$15.32	\$16.88	\$13.99	\$15.99	(\$0.89)	\$16.59	(\$0.29)	\$1.38	\$10.39
Dec 17	\$2.50	\$2.03	\$20.13	\$14.49	\$15.54	\$13.51	\$15.56	\$0.12	\$16.16	\$0.72	\$1.39	Not Available

December Utilization (Northeast): Class I = 34%; Class II = 22%; Class III = 26%; 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.

\*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 85, Report 4, January 26<sup>th</sup>)

**Cheese:** Milk is bountiful for cheese manufacturing needs nationwide. Reported spot milk prices from contacts in the Midwest ranged from \$3 under to \$1 over Class III. Cheese production is generally active, although some plant managers are experiencing seasonal slowdowns and are using the time for plant maintenance. Cheese stocks remain substantial due to heavy milk supplies and heavy production. Cheese spot trading activities are steady to light. In anticipation for the Super Bowl, interest for mozzarella is growing. The cheese market tone remains shaky as the CME block to barrel price gap remains uncomfortably large.

**Butter:** Butter production is active as there is an abundance of cream available. However, some producers would be happy to sell off a few loads of cream to take the pressure off. Retail butter sales are mixed as sales remain strong. Some contacts report a slight decrease in orders due to the lull in between the winter and spring holidays. Bulk butter prices range from 2 cents under to 9 cents over the market, based on the CME Group with various time periods and averages used. The butter market tone is quiet to slightly stable.

Friday CME Cash Prices					
Dates	12/29	1/5	1/12	1/19	1/26
Butter	\$2.21	\$2.24	\$2.16	\$2.12	\$2.13
Cheese (40# Blocks)	\$1.54	\$1.50	\$1.46	\$1.57	\$1.47

**Fluid Milk:** Across the country, milk is readily available for processing needs. In the West, milk output is steady to increasing while in the East it is steady to lower. Due to a recent storm, dairy market participants in the Midwest are facing some challenges hauling milk to the appropriate locations. Bottled milk requests declined in the Midwest, but remained steady in New Mexico and Arizona. Midwestern Class III manufacturers are reducing their already discounted spot loads prices in response to a seasonal slowdown in cheese orders.

**Dry Products:** Low/medium heat nonfat dry milk (NDM) prices in the United States increased this week. Multiple factors have propelled interests. Many buyers appear cautious in this market. Nevertheless, the market remains unsettled for many industry participants. High heat NDM prices are steady to higher. Offers are slightly tight and interest is limited. The market tone is cautiously bullish. Dry buttermilk prices are steady to slightly higher this week. The general interest is steadily improving, as the baking season is close. Whey protein concentrate WPC34% prices edged lower at the bottom of the range, but are otherwise mostly unchanged. Manufacturers say they are getting regular inquiries from buyers, but are getting pressured on prices. Lactose prices are steady this week. Loads are moving well through contracts. The value of the dollar to other currencies is helping generate interest in export markets. The market tone is fairly stable.



*Excerpt from "Dairy Situation and Outlook, January 23, 2018"*  
 by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

Milk prices started to decline last December and will continue to fall first quarter of 2018. Class III reached its peak last year in November at \$16.88 but fell to \$15.44 in December and it looks like January will be down to near \$13.90. Class IV reached its peak last year in August at \$16.61 fell to \$13.51 in December and will be near \$13.30 in January. While still not great milk prices in 2017 were the highest since 2014 and averaged well above 2016. Class III averaged \$16.17 compared to \$14.87 in 2016. Class IV averaged \$15.16 compared to \$13.77 in 2016. But, another good year of milk prices is needed to help dairy farmers to recover financially from low milk prices experienced in 2015 and 2016. But, it now looks like 2018 milk prices will average lower than 2017.

The lower milk prices are being driven by relatively high milk production, a decline in beverage milk sales, slower growth in butter and cheese sales and a decline in nonfat dry milk/skim milk powder (NDM/SMP) exports all resulting in relatively high stocks levels. Adjusting for 2016 leap year 2017 milk production was up 1.7%. With milk production this strong favorable milk prices require good domestic sales and increased dairy exports. Latest dairy export data for November shows 2017 exports did improve over 2016 particularly through July.

USDA has revised down its forecast for 2018 milk production to a 1.5% increase from 0.2% more milk cows and 1.3% more milk per cow. While this is a smaller increase in milk production that last year it is still a lot of milk requiring good domestic sales and dairy exports. There are good signs that butter and cheese sales could grow better in 2018 than last year. The economy is doing better and both the consumer confidence index and restaurant performance indexes are favorable for good sales. But dairy exports will face increased competition for markets as world milk production is expected to increase. For 2016 through the first half of 2017 milk production was below year ago levels in major dairy exporters— EU, New Zealand, Australia and Argentina. But now milk production is running much higher. New Zealand is currently experiencing a major drought which will dampen increases in their milk production the last half of their season. World demand is picking up which will absorb some of the increase in world milk production. China in particular has stepped up its imports.

So for 2018 we could see Class III prices in the \$13's first quarter, the \$14's second quarter, low \$15's third quarter and the mid to high \$15's fourth quarter and averaging around \$14.90 for the year. Class IV could be in the \$13's through May, the \$14's through September and the low \$15's last quarter and averaging about \$14.25 for the year. Current dairy futures for Class III and Class IV show even lower prices. But prices may well end up averaging a little higher. The low milk prices first half of the year could well lower both the number of milk cows and the increase in milk per cow. Dairy exports for the second half of the year could also do better than now expected.