

# Dairy Market Watch

## June 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 Kate Ewer.

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
May 17	\$2.41	\$1.77	\$18.45	\$14.84	\$15.57	\$14.49	\$15.36	(\$0.21)	\$15.96	\$0.39	\$1.38
June 17	\$2.71	\$1.75	\$18.56	\$16.15	\$16.44	\$15.89	\$16.38	(\$0.06)	\$16.98	\$0.54	\$1.41
July 17	\$2.95	\$1.22	\$19.84	\$17.48	\$15.45	\$16.60	\$16.86	\$1.41	\$17.46	\$2.01	\$1.51
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

May Utilization (Northeast): Class I = 30%; Class II = 26%; Class III = 25%; Class IV = 19%.

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 25, June 22<sup>nd</sup>)

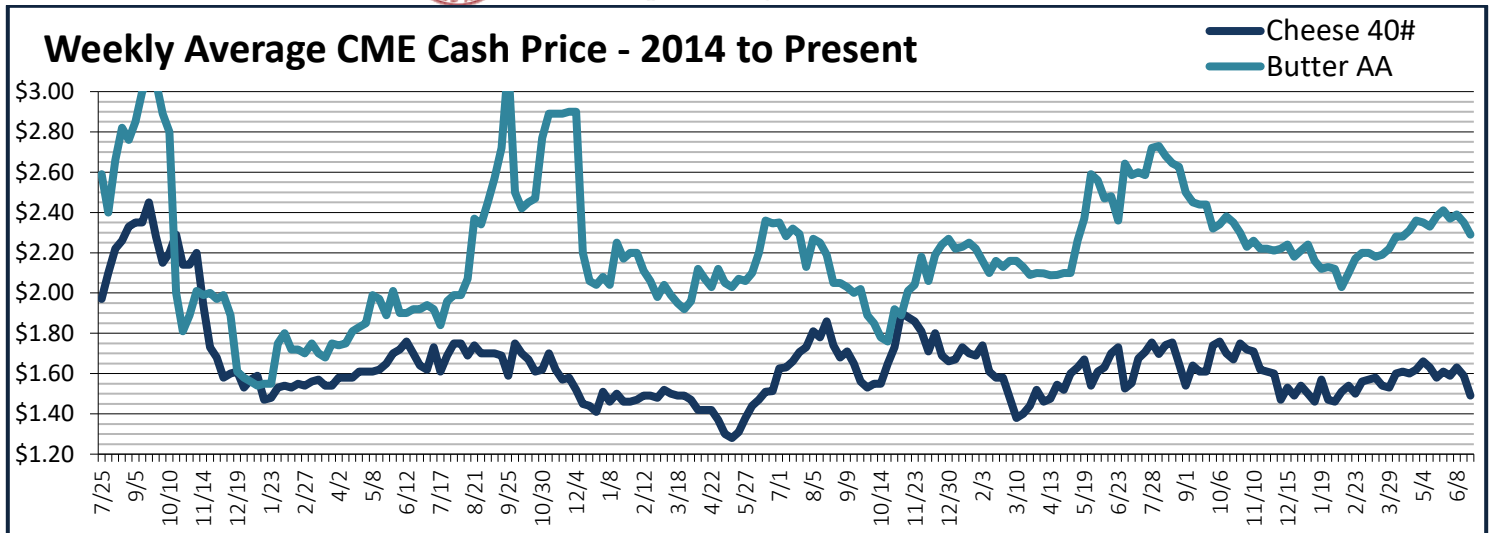
**Cheese:** The gap widened between cheese blocks and barrels on the CME, causing concerns among contacts amidst international trade disputes. Spot milk loads remain abundant, and spot prices ranges from \$3 to \$4 under Class. Cheese demand domestically is mixed. Cheese inventories are mixed by variety, with Italian cheeses and barrels being the longest. The cheese market tone is uncertain.

**Butter:** In general, albeit some Class II processors, especially ice cream makers, continue pulling strong on butterfat supplies, cream volumes are readily available for butter churning across the nation. Some butter makers are contemplating slowing down the churns and selling off some cream on the spot market. Butter churning remains active, while inventories nationwide vary. The butter market undertone looks to be steady this week. Requests from retailers and food service are fair/good. Across the country, bulk butter pricing is ranging from 1.5 below to 8 cents above the market.

**Fluid Milk:** Milk production is generally steady in the Northeast, Mid-Atlantic, Northwest and Mountain States. Favorable weather has sustained cow comfort and milk output in those regions. In much of the rest of the country, heat, humidity, precipitation or other seasonal weather factors have dampened milk production. However, manufacturers report no troubles getting the milk needed for processing, and many also state there are discounted milk loads available. In some cases, the limited numbers of available milk tankers are creating challenges for milk handlers to locate homes for current supplies of milk and cream.

**Dry Products:** The market tone for much of the dry dairy ingredient industry is unsettled amidst the news of further developing trade issues. Buyers and sellers are trying to gauge how the trade issues will impact the market. Low and medium heat nonfat dry milk prices are steady to lower. Inventories are fair to heavy with tepid demand. High heat NDM prices are also steady to lower. Prices for dry buttermilk contracted in the Central and East. Whole milk prices expanded to a wider range. Some customers looking for specific brands were willing to pay a higher premium to assure coverage, but globally WMP values have fallen slightly. Dry whey prices are mixed. While industry contacts report inventories are tight. Northeast dry whey price stepped higher as buyers seek specific brands for customer needs.

Friday CME Cash Prices					
Dates	5/4	5/11	5/18	5/25	6/22
Butter	\$2.35	\$2.33	\$2.38	\$2.41	\$2.29
Cheese (40# Blocks)	\$1.66	\$1.63	\$1.58	\$1.61	\$1.49



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

USDA estimates May milk production 0.9% higher than a year ago. This is a little stronger growth than April which was up just 0.5%. Milk cow numbers were 2,000 higher than April, but just 3,000 higher than a year ago. The increase in milk per cow remains well below trend at just 0.7%. Nine of the 23 reporting states had lower milk production than a year ago and two had no change. Ten had fewer cows than a year ago and ten had lower milk per cow. Two states with the most added cows were Colorado with 16,000 and Texas with 12,000. California had the largest decline in cows with 18,000. States with the largest increase in milk production were Colorado at 11.6%, Kansas at 9.7%, Texas at 6.6% and Utah at 5.2%.

Milk Production was up 1.2 % in New York State. Positive factors for milk prices were relatively strong domestic sales both at food service and retail, increased dairy exports and improved stock levels. On a volume basis dairy exports were at an all-time high during April. April exports compared to a year ago were up 37% for nonfat dry milk/skim milk powder, 22% for cheese, 190% for butterfat, 24% for whey products, 23% for lactose and 24% for milk protein concentrate. On a total solids basis exports were equivalent to 18.8% of U.S. milk production. Butter stocks did increase from March to April and were 5.2% higher than a year ago, but American cheese stocks were 2.9% lower with total cheese stocks just 3.3% higher. Total whey stocks were 19.7% lower and nonfat dry stocks just 2.5% higher.

But, the market appears to be negatively reacting to U.S. decision to place tariffs on Mexico steel and aluminum and tariffs on a number of China goods and products. In retaliation Mexico announced that they will place a tariff on U.S. cheese and China announced tariffs on some dairy products, corn, soybeans and other products. Mexico is the largest export market for U.S. cheese. In 2017, Mexico accounted for 28.3% of U.S. cheese exports. While these tariffs don't take effect until July and the degree of impact on U.S. dairy exports is unknown at this time dairy product prices have already fallen.

Hopefully these declines in dairy product prices are an over-reaction to the imposed tariffs and retaliation. Prior to this it looked like the Class III price would be near \$16 by June and move to the high \$16's by October with \$17 as a possibility. The Class IV price was forecasted to be in the \$15's by June and the higher \$15's by October and may be reaching the low \$16's by November. But, in recent trades dairy futures have tumbled. Class III futures are now in the \$15's July and August, the low \$16's in September to November and back to the high \$15 in December. Class IV is in just the high \$14's July and August and the low \$15's for the remainder of the year.

Domestic sales are anticipated to stay relatively strong for the remainder of the year. A smaller than earlier forecasted growth in milk production is positive for milk prices. USDA is now forecasting milk production for the year to be up just 1.2%. The unknown is how dairy exports will fair for the remainder of the year. Despite the retaliations by Mexico and China USDA still forecasts dairy exports above year ago levels.