



# Dairy Market Watch

## May 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)*
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	\$9.36
Jan 18	\$2.45	\$1.66	\$18.69	\$14.11	\$14.00	\$13.13	\$14.55	\$0.55	\$15.15	\$1.15	\$1.31	\$8.11
Feb 18	\$2.34	\$1.62	\$17.50	\$13.44	\$13.40	\$12.87	\$13.73	\$0.33	\$14.33	\$0.93	\$1.24	\$6.88
Mar 18	\$2.42	\$1.80	\$16.61	\$13.88	\$14.22	\$13.04	\$13.91	(\$0.31)	\$14.51	\$0.29	\$1.25	\$6.76
Apr 18	\$2.51	\$1.78	\$17.35	\$14.03	\$14.47	\$13.48	\$14.31	(\$0.16)	\$14.91	\$0.44	\$1.29	Not Available

**April Utilization (Northeast): Class I = 31%; Class II = 24%; Class III = 25%; Class IV = 20%.**  
*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 21, May 25<sup>th</sup>)

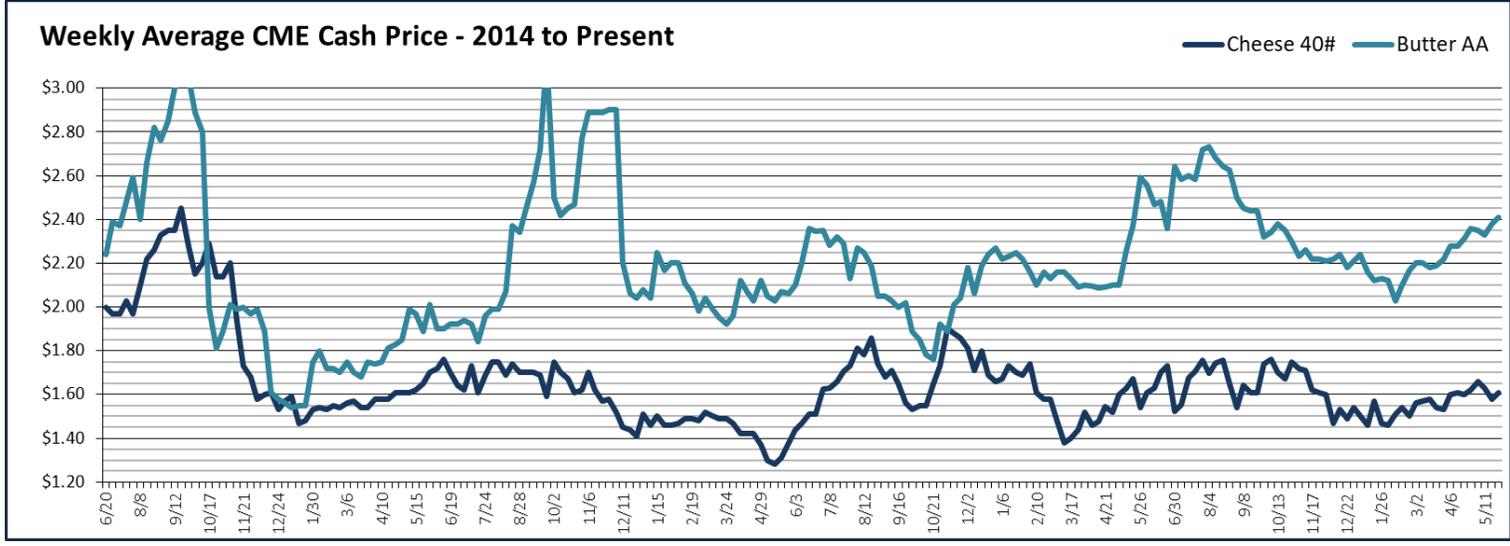
**Cheese:** Milk supplies are readily available with heavy amounts clearing into Class III production. Discounted spot milk loads range from \$2 to \$5 under Class. Cheese production nationwide is steady to strong. Most plants are running at or near capacity. Mozzarella and provolone cheese production is steady. Cheese demand is stable. Sales in the restaurant and pizza industry are meeting or are above seasonal expectations. Cheese inventories are steady to increasing, as a result of heavy milk intakes. The cheese market tone is resilient.

**Butter:** Nationwide, butter production is stable, but expected to be more active during the upcoming holiday weekend. Cream supplies are readily available for churning. However, as summer approaches, ice cream/frozen dessert manufacturers are pulling more cream, which can reduce cream volumes for butter production in the next few weeks. In general, the demand for butter, made in the U.S., is good inside and outside the country. Meanwhile, across the nation, butter inventories remain balanced to cover any contract/spot requests.

Friday CME Cash Prices					
Dates	4/27	5/4	5/11	5/18	5/25
Butter	\$2.36	\$2.35	\$2.33	\$2.38	\$2.41
Cheese (40# Blocks)	\$1.62	\$1.66	\$1.63	\$1.58	\$1.61

**Fluid Milk:** In the U.S., milk production is mostly following seasonal patterns. In the Northeast, the Mid-Atlantic, New Mexico, the Pacific Northwest, and the mountain states of Idaho, Utah, and Colorado, milk output is steady to increasing, whereas in California, Arizona, and the Southeast it is somewhat decreasing. Cows are being slaughtered in large numbers compared to a year ago in the Midwest and this might affect the overall milk output/supplies of the region. Current milk intakes are generally balanced with manufacturing needs. Bottled milk sales are steady to decreasing in that many school districts have either closed or are about to close for the summer.

**Dry Products:** Low/medium heat nonfat dry milk prices are steady to higher across the country. The market is starting to show signs of stabilization. Low/medium heat nonfat dry milk production is ongoing. Inventories at hand are being managed well. However, incertitude arises in the market as market participants await to see what happen with the trade agreement negotiation between Mexico and the European Union. In general, prices for dry buttermilk are steady. Demand is steady in the East, but strong in the West. Dry whole milk prices are steady to higher. Production is limited while inventories are tight. Dry whey prices in the United States are firming. The demand is strong, however some buyers have been more skeptical of the renewed vigor of the whey market.



*Excerpt from "Dairy Situation and Outlook, May 18, 2018"*  
 by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

The outlook for milk prices continues to improve. May is experiencing increases in dairy product prices. If these dairy product prices can hold, average May prices compared to April on the CME could average about 4 cents per pound higher for butter, about 14 cents for cheddar barrels, 4 cents for 40-pound cheddar blocks, 8 cents for nonfat dry milk, and 3 cents dry whey. As a result the May Class III price would be near \$15.25 compared to \$14.47 in April the low of \$13.40 back in February. The May Class IV price would be near \$14.45 compared to \$13.48 in April and the low of \$12.87 back in February.

The price of butter, cheese, nonfat dry milk and dry whey remain lower than and competitive with world market prices. U.S. dairy exports set a record high in March on a total volume basis surpassing the previous record high set in March 2014. Compared to March a year ago butterfat exports were 180% higher, cheese 9% higher, nonfat dry milk/skim milk powder 38% higher and dry whey 19% higher. March exports as a percent of milk production on a total solids basis was 17.3% compared to 14.1% a year ago. The outlook for dairy exports appears positive for the immediate months ahead.

Good domestic sales and dairy exports have improved the dairy stock situation and adding strength to the dairy product prices. Compared to a year earlier March 31st stocks of butter was just 0.4% higher with American cheese slightly lower at 0.4%, but other than American cheese stocks were 14.2% higher bringing total cheese stocks 5.2% higher. The strength in nonfat dry milk prices is surprising since stocks were still 20.9% higher than a year ago. Dry whey stocks which have been relatively high were 3.5% lower than a year ago.

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Milk prices will continue to strengthen and possibly top out in October or November. The degree of strength will continue to depend upon the level of milk production and dairy exports. The summer weather, quality of forages harvested and the condition of the corn and soybean crop that will impact feed costs will have a bearing on milk production this summer, fall and into winter.

It now looks like the Class III price could reach near \$16 in June and the mid to high \$16's by July and for the remainder of the year. The average for the year could end up near \$15.60 compared to \$16.17 last year. The Class IV price could be in the low \$15's in June and then in the mid to high \$15's the remainder of the year even reaching \$16 by October averaging near \$14.70 compared to \$15.16 last year. Dairy margins (returns over feed cost) will improve but the improvement is now being dampened some by higher feed prices.