



# Dairy Market Watch

## February 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
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
Jan 19	\$2.50	\$1.19	\$18.37	\$15.74	\$13.96	\$15.48	\$15.27	\$1.31	\$15.87	\$1.91	\$1.37

January Utilization (Northeast): Class I = 33%; Class II = 23%; Class III = 27%; Class IV = 17%.

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 8, February 22<sup>nd</sup>)

**Cheese:** Cheese production is going strong in most of the country. Some curd/barrel producers in the Midwest relay they have ebbed production recently in order to manage inventories, and they are awaiting spring/summer related demand upticks before they increase production. However, with readily available and discounted milk, most cheese plant managers report maintaining an active workweek.

**Dry Products:** Low/medium heat nonfat dry milk prices narrowed in the West, whereas they widened in the Central and the East. Trading is flat to lower as the wait and see approach seems best suited for many market players. Inventories are stable to increasing while production remains active. High heat nonfat dry milk prices are unchanged in the East and Central. Drying schedules are irregular. Dry buttermilk values are the same as last week in all the regions. Demand is good in the Central, while it is lighter in the West and the East. The market undertone is generally firm. Production is irregular, but it is becoming more active in the Central and the East. Dry whole milk prices are steady with domestic prices above global market values.

**Fluid Milk:** Bottled milk intakes are steady to declining in the East due to the closing of some schools for the spring break and the preparation of other schools to close soon. Farm milk output is stable to increasing across the nation. Weather outcomes are not great in the Northeast, but right now, they are not affecting milk production volumes, whereas in the Pacific Northwest, the dairy industry is slowly recovering from last week storms. Currently, milk volumes are adequate to meet processing needs in all the regions of the U.S. However, in the Pacific Northwest, inconsistency in milk deliveries are affecting the functioning of some plants. Cream is plentiful in the country, and all requests can be satisfied without any issue. Churning is ongoing.

**Butter:** The wintry weather has not slowed butter production across the nation, at least for this week. Print/bulk butter output remains active in all regions. Inventories are building into cold storage for later usage, especially in the summer season when butterfat is usually scarce. At this point, cream supplies remain readily available for butter churning and most Class II processing needs. Butter demands from retailers, wholesalers, and food service vary in every region from fair to good.

Friday CME Cash Prices					
Dates	1/25	2/1	2/8	2/15	2/22
Butter	\$2.25	\$2.29	\$2.30	\$2.25	\$2.26
Cheese (40# Blocks)	\$1.39	\$1.50	\$1.53	\$1.58	\$1.60



Excerpt from "Dairy Situation and Outlook, February 21, 2019"  
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

USDA released the December milk production. January milk production will be released on March 12<sup>th</sup> and February production on March 19<sup>th</sup>. December milk production was just 0.5% higher than a year ago from 49,000 fewer milk cows and just 1.1% more per cow. Milk production for the last quarter was just 0.5% higher than a year ago. Milk production for the year was up 0.9% from an average of 7,000 fewer milk cows and just 1.0% more milk per cow. Milk production below 1% is bullish for milk prices.

Looking ahead milk prices are expected to slowly increase. Domestic demand has been showing modest growth. Fluid (beverage) milk sales continue the downward trend falling another 2.0% in 2018. But, higher butter and cheese sales increased total domestic demand. A similar trend is expected for 2019. November dairy exports on a volume basis fell below a year ago, the first decline since October 2017. While nonfat dry milk exports were up 13% to Mexico, the largest market, exports were down 22% to Southeast Asia, 91% in the MENA region and 64% to China. On a total solids basis November exports were equivalent to 13.9% of U.S. milk production compared to 16.1% a year ago. Unless the trade war with Mexico and China is resolved we can expect 2019 exports to be lower than 2018.

Class III futures don't reach \$15 until May and the \$16's until August and peak at just \$16.35 in November. But, if the growth in milk production is no more than 1.0% the Class III price could improve quicker and higher than this. USDA is forecasting for the year that milk production could increase by 1.1% from an average of 20,000 fewer milk cows and 1.4% more milk per cow. With the financial stress on dairy producers and some forage quality issues until the new crop I could see even lower cow numbers and a lower increase in milk production. With a modest growth in cheese sales the stocks of cheese will slowly improve. While dairy exports are expected to be lower they may still be at a level to offer support to cheese and other dairy product prices. With little growth in world milk production world milk prices should increase to help U.S. dairy exports. I could see Class III prices in the mid-\$15's by second quarter, the high 15's and even reaching the \$16's in the third quarter and the mid-\$16's in the fourth quarter and averaging around \$15.70 compared to \$14.61 last year. The Class IV price is expected to do better. Butter prices should stay well above \$2.00 per pound and continued strong nonfat dry milk exports to keep nonfat dry milk prices near \$1.00 per pound. Class IV prices could stay in the higher \$15's first half of the year and in the \$16's second half.