



Dairy Market Watch

March 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 |
| 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 |
| Feb 19 | \$2.53 | \$1.78 | \$18.55 | \$16.13 | \$13.89 | \$15.86 | \$15.50 | \$1.61 | \$16.10 | \$2.21 | \$1.39 |

February Utilization (Northeast): Class I = 31%; Class II = 25%; 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.

Dairy Commodity Markets (USDA Dairy Market News – Volume 86, Report 12, March 22nd)

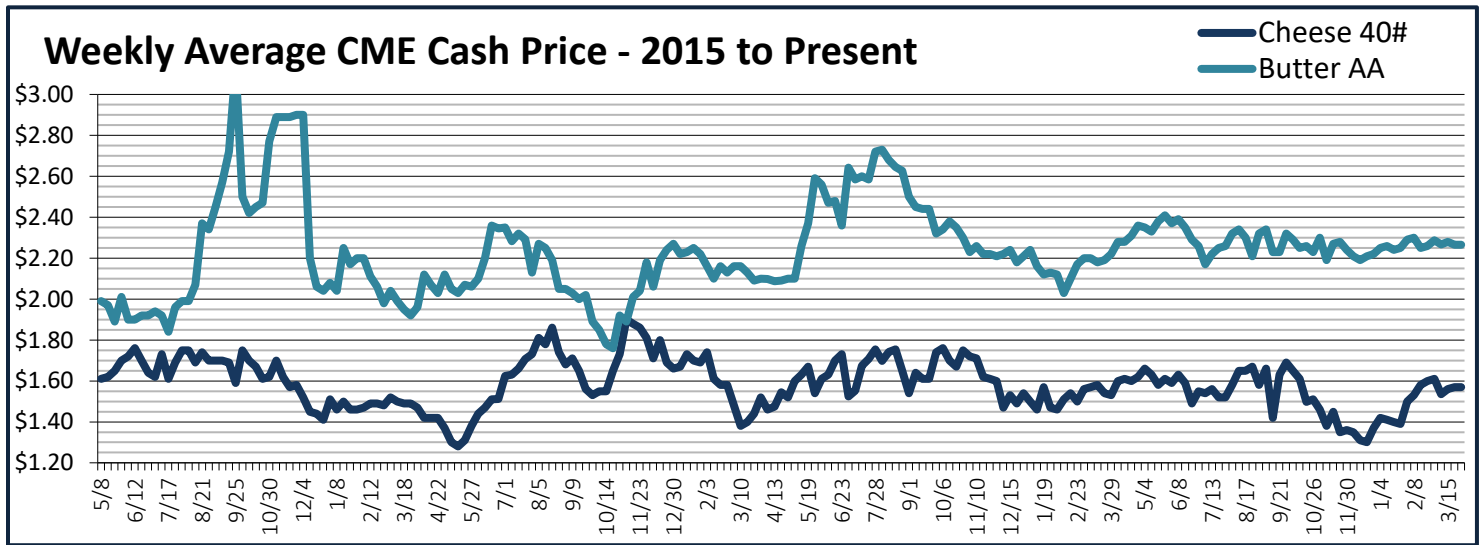
Cheese: Barrel markets are showing real promise of late, as they vie to close the long-running gap with the CME block price. Northeast and Western cheese demand reports point to a general stability. Milk remains available, as reported spot milk was \$.50 under to \$2 under Class. Cheese production is steady to increasing nationwide. Eastern contacts suggest their cheese stores are steady to growing, while Western cheesemakers say demand is stable enough to alleviate some of their concerns about long inventories. Cheesemakers are hopeful regarding spring. Holidays, basketball playoffs, more grilling and outdoor/community events are some of the demand-related benefits of the season.

Dry Products: Low and medium heat nonfat dry milk prices are steady to lower amid slow spot trading activity. High heat nonfat dry milk prices are mixed, being steady to lower in the Central/East region. Dry buttermilk prices held steady in the Central/East and the western mostly price series. The dry buttermilk market remains relatively stable.

| Friday CME Cash Prices | | | | | |
|------------------------|--------|--------|--------|--------|--------|
| Dates | 3/1 | 3/8 | 3/15 | 3/22 | 3/29 |
| Butter | \$2.29 | \$2.27 | \$2.28 | \$2.27 | \$2.27 |
| Cheese (40# Blocks) | \$1.61 | \$1.54 | \$1.56 | \$1.57 | \$1.57 |

Fluid Milk: Across much of the nation milk production is inching up along seasonal trends. Contacts in parts of the Northeast and Central regions say production is down a little from last year. And in parts of the southern tier of states, milk output is beginning to plateau. Manufacturers report having plenty of milk for processing. In parts of the country, farmers and milk handlers were contending with weather related issues: flooding across the Central region and a strong winter storm in the mountain states. Condensed skim loads are available in the Northeast and West. Cream is generally available, but industry contacts say ice cream production is picking up and cream is tightening.

Butter: Salted and unsalted butter production is fairly active throughout the country, while inventories are stable to growing, as plant managers continue adding to their mid-year supplies. Bulk requests and retail print orders are both reported as strong this week. In general cream supplies are still manageable for churning. However, needs of cream from Class II are constantly increasing, therefore, several manufacturers of butter are doing what is necessary to ensure cream availability for near future use.



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

Good news for improved milk prices is milk production continues to slow. For the last quarter of 2018 milk production was just 0.5% above a year earlier. The increase in milk per cow continues below trend being up 1.0% in 2018 and 1.1% in February. Of the 23 reporting states, 13 had fewer cows in February than a year ago, six had lower milk per cow and 8 had lower total milk production. New York had an increase in cow numbers by 2,000 and increased in milk production by 2.8%.

Domestic demand continues on the soft side. Fluid beverage milk sales declined another 2.0% last year with modest growth in butter and cheese sales. This type of pattern is expected to continue in 2019. Dairy exports were a record high in 2018 being equivalent to 15.8% of milk production on a total milk solids basis compared to 14.5% in 2017. Looking into 2019 there are some positive factors for exports. Milk production is expected to show only a modest increase in the EU, lower production in Australia and a possible drought in New Zealand could dampen their milk production. World dairy product prices are increasing. But, as long as retaliatory tariffs exist exports will be hindered. USDA forecasts 2019 exports on a milk-fat basis to be down 3.8% and on a skim-solids basis up just 1.0%.

Despite a slower growth in milk production ample cheese stocks, modest growth in domestic demand and reduced growth in dairy exports has kept milk prices from showing much improvement. It looks like March Class III will increase to about \$14.95. Dairy futures continues to show very slow price recovery with Class III reaching the low \$15's in April and not reaching the \$16's until August and only topping out in the low \$16's in October. But, I look for the Class III price to do better than this. After four years of low milk prices and starting 2019 with low milk prices the growth in milk production is likely to stay below 1% for a while. The number of licensed dairy herds in 2018 declined 2,731 or 6.8%. Herd numbers continue to decline. Cow numbers will likely continue to decline through at least the first half of the year. Slaughter cow numbers continue to run above a year ago and the number of dairy replacements expected to enter the dairy herd during the year are down 1% from a year ago. And with some forage quality issues until a new crop and lower returns over feed cost the increase in milk per cow is likely to be dampened. So I see the possibility of much stronger Class III prices for the last six months and reaching the mid to high \$16's by fourth quarter.

In 2018 the average all milk price was \$16.18 compared to \$17.65 in 2017 and the lowest average since \$12.85 back in 2009. So while milk prices will improve in 2019 over that of 2018 they will keep operating margins for dairy farmers rather tight until at least the last quarter of the year.