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## Dairy/Livestock

### Dairy Markets

Lee Mielke



## Butter prices melt at end of September

By LEE MIELKE  
For the Capital Press

CME block Cheddar cheese climbed to \$1.74 per pound last Thursday but closed Sept. 29 and the month at \$1.7350, up 12 1/4-cents on the week, 20 1/4-cents above a year ago, and 19 1/2-cents above its Sept. 1 perch.

The barrels hit \$1.73 Sept. 27 but ended Sept. 29 at \$1.6925, up 9 1/4-cents on the week, 18 1/4-cents above a year ago, and up 17 1/4-cents on the month. Thirteen cars of block traded hands in the final week of the month at the CME and 61 of barrel.

The blocks eased back three-quarters Monday and lost a quarter-cent Tuesday, slipping to \$1.7250, as traders absorbed the morning's Global Dairy Trade auction and anticipated Thursday's August Dairy Product report.

The barrels inched a quarter-cent lower Monday and held there Tuesday at \$1.69.

Cheese demand continues to differ by variety, according to Dairy Market News. The football season is underway and pizza cheese manufacturers are adding production days to fulfill steady to heavy orders. Milk availability is mixed. Fresh cheese inventories are reportedly harder to find, whereas aged stocks are long.

Western cheese makers report that modest cheese prices and favorable exchange rates are helping develop export opportunities. Domestic demand remains solid. "Inventories are generally long, says DMN, "but many processors have come to understand this as a reality of the times."

Butter saw a meltdown to \$2.3150 per pound Sept. 29, down 13 1/4-cents on the week, lowest price since May 12, 2017, but is 41 3/4-cents above a year ago when it lost 13 cents and was on its way to a \$1.76 bottom in mid-October. It's also down 19 1/4-cents from Sept. 1.

The butter was down 2 cents Monday but regained 3 1/2-cents Tuesday and climbed back to \$2.33 per pound, with 22 cars exchanging hands on the session.

DMN says "Grocers' orders remain strong, as their busy season has commenced." Cream is available. Offers from cream suppliers located in states recently affected by the hurricanes have increased but "the butter market tone is uncertain."

Western contacts report that some processors are taking export orders for fourth quarter. Supplies in the West are steady to higher and production is steady.

Cash Grade A nonfat dry milk ended Sept. 29 a half-cent higher on the week, at 82 3/4-cents per pound, 10 cents below a year ago, and down 3 1/2-cents on the month.

Monday saw the powder lose a half-cent but inch back up a quarter-cent Tuesday, to 82 1/2-cents per pound.

### GDT plunges 2.4 percent

Tuesday's Global Dairy Trade (GDT) auction shifted gears as a weighty 83.75 million pounds of product made its way to the GDT, up from 75.2 million pounds Sept. 19, 73.9 million on Sept. 5, and 71.1 million on Aug. 15.

The weighted average for products offered was down 2.4 percent, following a 0.9 percent increase last time and a 0.3 percent increase on Sept. 5.

Cheddar was up 1.9 percent, following a 1.9 percent drop last time, and rennet casein inched 0.9 percent higher, after it fell 2.4 percent in the last event.

# Milk price forecast heads south

By CAROL RYAN DUMAS  
Capital Press

Earlier optimism for U.S. milk prices has taken a turn for the worse due to strong milk production and slowing dairy exports. But dairy economists at the University of Wisconsin aren't counting out a potential rally in the cheese market.

Milk production in the U.S. was 2 percent higher in July and August year over year, and stocks of dairy products are fairly high, said university economist Bob Cropp during his latest Dairy Situation and Outlook podcast.

"That 2 percent is quite a bit of milk, and markets are responding to some of that," he said.

Prices for butter, cheese and dry whey have also dropped.

Futures prices on Class III and Class IV milk have dropped substantially in the last month. CME contract prices for both pushed \$17.50 per hundredweight at the start of August and dropped below \$16 for September.



Carol Ryan Dumas/Capital Press File

The outlook for milk prices has taken a dip, but dairy economists see the possibility of a rally in cheese prices.

Part of the downward pressure on prices is that buyers are done with their holiday shopping and are weighing inventory and production against sales opportunities, said Mark Stephenson, also a dairy economist at the university.

Another factor is that U.S. exports have slowed after increasing for 12 months, particularly for nonfat dry milk. And there's a lot of competition from Europe and New Zealand, Cropp said.

"Where the cheese market is right now, we're dropping below \$16 Class III price here October, November and December — unless we get a rally," he said.

And that can happen. When prices are low, buyers often stay out of the market to see if they will go lower, he said.

Last year, the cheese price was about \$1.50 a pound in early October and went to more than \$1.92 in November. That sent the Class III

milk price from \$14.50 per hundredweight to \$17.40, he said.

If there is a rally, it'll be because of exports. Domestic sales have been pretty good, but the biggest portion of holiday buying is over, Stephenson said.

"I just don't see any way for that to build very much enthusiasm unless we have the kind of opportunities for sales of exports. So we'll have to look for the rally with exports," he said.

Cropp, however, is not hopeful on that front, particularly for milk powder.

World milk production is just starting to grow. Looking to next year, the export situation could have a dampening effect on prices, he said.

Prices for Class III and Class IV in the futures market are in the high \$15s for the rest of the year and not returning to the \$16 level until July of next year. That's a long way from prices possibly in the high \$17s the economists were forecasting a month ago.

"I still think the cheese market might improve a little bit, so I'm staying in the very low \$16s ... for the last quarter and even in next year, possibly. But it's going to take some strength in the cheese market," Cropp said.

USDA is expecting milk production to grow 2 percent next year, and exports could be challenging if production picks up in New Zealand and the EU. So average milk prices next year might not be much better than this year, he said.

## LMIC: Cattle industry swimming upstream

By CAROL RYAN DUMAS  
Capital Press

A build-up of the national cattle herd, dynamics of international trade and competition from pork and chicken are making 2017 a transitional year for the U.S. cattle industry.

"We're still swimming upstream against the current, and that's an environment where it takes more decisive business planning and more business planning than when times are easier," Jim Robb, director of

the Livestock Marketing Information Center, said this week in an outlook video for Northwest Farm Credit Services.

The industry saw record-high prices in 2014 and has been building the herd, but prices have eroded since then. While the worse seems to be over, generally lower prices — but not dramatic declines — are expected for the next couple of years, he said.

The floods in Texas — which have been a disaster for many producers and have also damaged forage supplies

— and the drought probably are not having an enormous impact in the short term, but they will likely push cattle to market, he said.

In other areas, however, some of the small-grains grazing areas, wheat graze-out areas and those types of planting programs are benefiting from ample moisture.

"So it's a mixed bag, one that's probably too early to tell. (Although) certainly the situation in Texas is very difficult for those producers," he said.

On the broader stage, Russia has stymied the world in terms of exports there. Russia is not a big market for U.S. beef, but its import ban has an indirect impact as it affects exporters in competition with the U.S., he said.

"So the world is very much interrelated," he said.

And there are other geopolitical uncertainties that could have a positive or negative effect on U.S. beef, such as the meat scandal in Brazil, renegotiation of NAFTA, possible

renegotiation of the U.S.-Korea trade agreement and U.S. actions against North Korea.

There will be opportunities for U.S. cattle producers, but it's a more difficult management environment than when cattle numbers are shrinking in the U.S., he said.

In putting together financial plans in the short term, cattle producers will want to take advantage of opportunities when they come along — such as the run-up in prices since last October until recently.

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