USDA’s milk production report for June milk production showed production down 1.4% from a year ago for the 23 reporting states and estimated to being down 1.1% for the U.S. This is the smallest relative increase this year. Increases have been below 2% since April. Milk cow numbers continue to increase. Estimated U.S. cow numbers increased another 10,000 head in June and are 0.9% higher than a year ago. Cow numbers have increased each month beginning in October of last year. A good supply of dairy replacements has more than offset cow slaughter which as been running close to 6% higher than a year ago.

The increase in milk production is mainly in the West and Southwest. Increases in June milk production compared to a year ago were: Arizona 3.4%, California 3.4%, Colorado 6.8%, Idaho 5.0%, Washington 6.3% and Texas 10.3%. Each of these states had more cows than a year ago and only Arizona and Colorado had less milk per cow.

In contrast, milk production is down in the Midwest. June production was down 3.7% in Illinois, 0.7% in Indiana, 2.9% in Iowa, 4.6% in Minnesota and 1.6% in Wisconsin. Except for Iowa and Illinois, which had fewer cows, these decreases were due to less milk per cow. In the Northeast, New York had slightly more milk at 0.3% and Pennsylvania had a 2.0% decreases. In the Southeast, Florida had a 1.1% increase.

Dairy product prices and in turn milk prices remain well above year ago levels due to this relatively lower increase in milk production and increased dairy exports. Domestic butter and cheese sales have also been favorable while fluid (beverage) milk sales continue to decline with May sales 1.9% lower than a year ago. With higher milk prices retail prices are also higher. Compared to May a year ago the retail price of dairy products as a group were 6.9% higher compared to all food prices 3.5% higher. Fresh whole milk was 13.6% higher, cheese 5.7% higher and butter 23.4% higher. There is some concern that at these prices sales could slow. Dairy exports have been a factor in stronger butter, cheese, nonfat dry milk and dry whey prices. Through May of this year compared a year ago exports were up 49% for nonfat dry milk/skim milk powder, 56% for cheese, 74% for butterfat and down slightly for total whey proteins. World dairy product prices have been relatively high enabling these exports. However, as with domestic demand there is some concern that at these high prices exports could soften some.

CME butter during the month or July has been stable at $2.03 to $2.04 per pound. Butter stocks have increased since April but May 31st stocks were still 19.8% below a year ago. Butter prices could hold near this level for sometime since cream supplies to make butter are lower during the summer hindering building of stocks for the strong fall sales period. Cheese prices have also held up during July. Cheddar barrels started the month at $2.0975 per pound and increased to $2.115 on July 19th. The 40 pound cheddar blocks started the month at $2.125, but declined to $2.0025 on July 14th. Further declines were anticipated but as of July 19th blocks had a strong increase to $2.14. Cheese stocks are
tighter than earlier with total May stocks just 2.1% higher than a year ago. Also with the increase in milk production relatively low and milk production declining seasonally cheese prices may hold at higher levels than what were anticipated earlier. Nonfat dry milk prices have also held up with prices in the West trading $1.62 to $1.665 per pound. Dry whey has been in the $0.555 to $0.585 range. Nonfat dry milk and dry whey prices may weaken some if exports slow. While still at relatively high levels, May exports did decline some from a year ago with nonfat dry milk/skim milk exports 13% lower and dry whey exports 23% lower.

At these prices the July Class III price will be above $21.00 compared to just $13.74 last year. The July Class IV price will be near $20.65 compared to $15.75 a year ago. These could be the high prices for the year, but may be not. The fairly wide spread summer heat now being experience is likely to effect milk production, especially if it continues for several days. So August prices may actually hold near these levels. Class III dairy futures have strengthened with prices not falling below $20 until October and below $18 until December. Class IV futures don’t fall below $19 until October. We could end the year with Class III averaging near $18 compared to $14.41 last year and Class IV averaging near $19 compared to $15.09 last year. This is more optimistic outlook than last month. But, history clearly tells us the prices can change rather quickly with new market developments. How this year’s crops turn out and their impact on feed prices will be a key factor affecting cow numbers, milk per cow and total milk production this fall and winter.

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