CME GROUP CASH MARKETS (11/3/2023)

BUTTER: Grade AA closed at $3.1075. The weekly average for Grade AA is $3.1900 (-0.1065).

CHEESE: Barrels closed at $1.6400 and 40# blocks at $1.6650. The weekly average for barrels is $1.6580 (-0.0490) and blocks, $1.6900 (-0.0495).

NONFAT DRY MILK: Grade A closed at $1.1850. The weekly average for Grade A is $1.1885 (-0.0245).

DRI WHEY: Extra grade dry whey closed at $0.3875. The weekly average for dry whey is $0.3725 (-0.0095).

BUTTER HIGHLIGHTS: Butter markets are under some bearish pressure following a record-breaking run in the early fall. Starting the week on a high note, CME daily cash call prices jumped to $3.30, but by Friday market prices had slid into the $3.11 range. Cream availability is growing in the East and Midwest regions. Western availability remains somewhat snug, despite component level increases in that region. Central processors say churning rates have doubled (or more) since early October, and cream multiples at/around 1.20 are clearly a major reason for that. Eastern contacts say Thanksgiving orders are wrapped up, while Western butter plant contacts say Canadian demand for this quarter has held somewhat strong.

CHEESE HIGHLIGHTS: Milk supplies are slowly increasing for cheesemakers in most of the country. That said, overall availability is not noted as abundant. The fall/winter holidays, though, are expected to bring more plentiful milk supplies for Class III use across the nation. Cheesemakers in the Midwest reported spot prices from flat market to $1-over Class III. Cheese demand is varied nationwide, but steady to hearty according to most cheese contacts. Labor issues continue to deter some processing in the East, while cheese production is generally stable. Cheese market tones remain on somewhat shaky ground. One positive note is that the CME price spread between blocks and barrels is slight, which contacts view as an indicator of market stability.

FLUID MILK: In the Pacific Northwest, some below freezing nights and mornings are contributing to recent declines in cow comfort, and milk production is trending down. However, throughout the remaining part of the country, milk production trends are ranging from flat to higher. In parts of the Western region, more availability of spot milk loads is reported. Fat component levels in farm level milk output are increasing in the East, Midwest, and parts of the West. In the Midwest, some spot milk customers are starting to report prices at Class for the first time this fall. Class I bottling is strong to steady throughout the country. Class II, III, IV demands are strong to steady. The availability of condensed skim is somewhat looser. Cream multiples for all Classes are 1.19-1.34 in the East, 1.21-1.30 in the Midwest, and 1.10-1.38 in the West.

DRY PRODUCTS: Low/medium heat nonfat dry milk (NDM) prices were unchanged. Some stakeholders posit that as whey and whey protein concentrate markets move bullishly, they expect NDM to follow in kind. Aside from a slight movement lower at the bottom of the Western high heat NDM range, prices held firm. High heat NDM production ranges from steady to no further production anticipated for the remainder of 2023. Dry buttermilk prices moved higher. Recent demands for holiday baking mixes and the like have drawn upon already tight supplies. Top end dry whole milk prices moved higher. Production of DWM is light, as drying schedules remain focused on nonfat dry milk and skim milk powder. Dry whey prices moved higher. Some manufacturers relay bleached dry whey spot load availability is limited. Bottom end whey protein concentrate 34% prices showed some upward movement. Stakeholders say WPC 34% remains a good value compared to alternative dairy protein sources. Some stakeholders say domestic demand in lactose continues to pick up. That said, manufacturers are offering lower prices to spur export sales, and overall, lactose prices moved lower. Rennet casein prices moved down, while acid casein prices held firm. Spot loads of both rennet and acid casein are available.

ORGANIC DAIRY MARKET NEWS: The Agricultural Marketing Service (AMS) reported August 2023 estimated fluid product sales. The U.S. sale of total organic milk products was 247 million pounds, up 2.5 percent from the previous year, but down 1.1 percent year-to-date. Total organic advertisements fell by 10 percent over last week. Organic milk advertisements make up the largest percentage of total organic dairy ads, at 51 percent. Compared to last period, trade activity and demand is moderate for organic feed corn and soybeans.

NATIONAL RETAIL REPORT: Total conventional dairy advertisements increased by 19 percent, while total organic dairy ads decreased by 10 percent. Conventional gallons of milk were the most advertised dairy products, increasing 172 percent over last week. It had a weighted average advertised price of $3.72, up from $3.68 the week prior. Conventional butter in one-pound packages appeared in 10 percent more ads than the week prior and had a weighted average advertised price of $3.98, up 48 cents from last week.

SEPTEMBER AGRICULTURAL PRICES: The All Milk price received by farmers was $21.00 in September, down $3.10 from September 2022. The alfalfa hay price was $224.00 in September, down $56.00 from September 2022. The corn price was $5.21 in August, down 1.88 from September 2022. The soybean price was $13.20 in September, down $1.00 from September 2022. The milk feed price ratio was 1.89 in September, up 0.18 from September 2022. The index of prices received by farmers for dairy products during the month of September 2023 was up 6.5 to 104.5. Compared to September 2022, the index was down 15.4 points (-12.8 percent). The index of prices paid by farmers for commodities and services, interest, taxes, and wage rates in September 2023 was 138.8 up 0.2 from August 2023. Compared with September 2022, the index was unchanged. (0.0 percent).

OCTOBER CLASS PRICES: The following are the October 2023 class prices under the Federal milk order pricing system and changes from the previous month: Class II: $21.95 (+1.97), Class III: $16.84 (-1.55), and Class IV: $21.49 (+2.40). Under the Federal milk order pricing system, the butterfat price for October 2023 is $3.7144 per pound. Thus, the Class II butterfat price is $3.7214 per pound. The
protein and other solids prices for October 2023 are $1.0468 and $0.1243 per pound, respectively. These component prices set the Class III skim milk price at $3.98 per cwt. The October 2023 Class IV skim milk price is $8.80, which is derived from the nonfat solids price of $0.9781 per pound. The product price averages for October 2023 are: butter $3.2387, nonfat dry milk $1.1558, cheese $1.7390, and dry whey $0.3198.

NOTICE: The Federal Milk Marketing Order Pricing Formula Hearing recessed on October 11 and will reconvene on November 27, 2023, at 1:00 p.m. at the 502 Event Center, 502 E Carmel Drive, Carmel, Indiana. If the hearing is not completed by December 1, the hearing will reconvene at the Palomino Ballroom, 481 South County Road 1200 East, Zionsville, Indiana. With the exception of Monday, November 27, the hearing will be held from 8:00 a.m. until 5:00 p.m. each weekday. A notice reiterating this information and outlining hearing procedures for the reconvened weeks will be published in the Federal Register as soon as possible. For more information about the hearing, visit the following: https://www.ams.usda.gov/rules-regulations/moa/dairy/hearings/national-fmmo-pricing-hearing. If you have any questions, please email FMMOHearing@usda.gov.

NOTICE: USDA AMS Dairy Export Certificate System Overview recorded webinar available at this link: https://www.zoomgov.com/rec/play/gcYPnXVtq7SJACfhiYGz4XD5dnAbj79uEjAfKr49l8wScYZNXJ_7UxH3sKBH77gKMkVgUX2sXA1rmxR.F0TmEZLpV-KiWS4S?startTime=1673287218000

COMMODITY PROCUREMENT: USDA Commodity Procurement has issued solicitations for the following dairy products:
Yogurt: The solicitation number is 2000009652 and runs from October 24, 2023, to November 6, 2023.
Kosher Cheese: The solicitation number is 2000009656 and runs from October 24, 2023, to November 7, 2023.
Mozzarella String Cheese: The solicitation number is 2000009660 and runs from October 24, 2023, to November 7, 2023.
Solicitation documents, including the bid invitation, are available online at the following website. https://www.ams.usda.gov/open-purchase-request?field_term_grades_and_standards_target_id=863

USDA MARKET NEWS MOBILE APP: The free USDA Market News app is available in both IOS and Android versions and may be downloaded through the Apple and Google Play stores. Search for "USDA Market News Mobile Application" to download the app and begin exploring its potential. The app allows the user to customize the commodity areas and market types they wish to see. All Dairy Market News reports that are available online are also available through the mobile app.
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