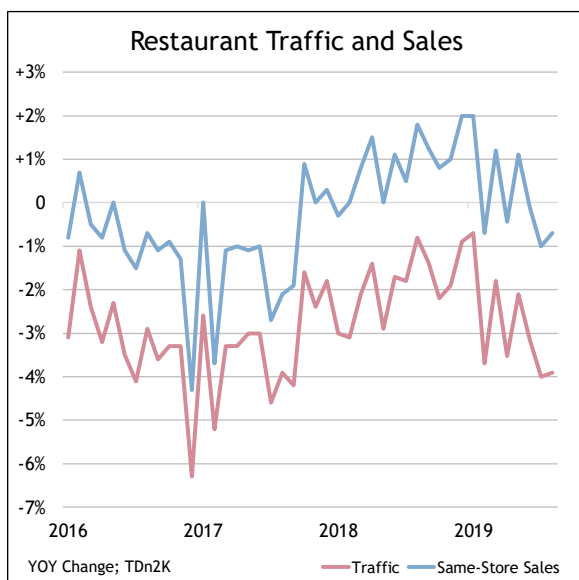
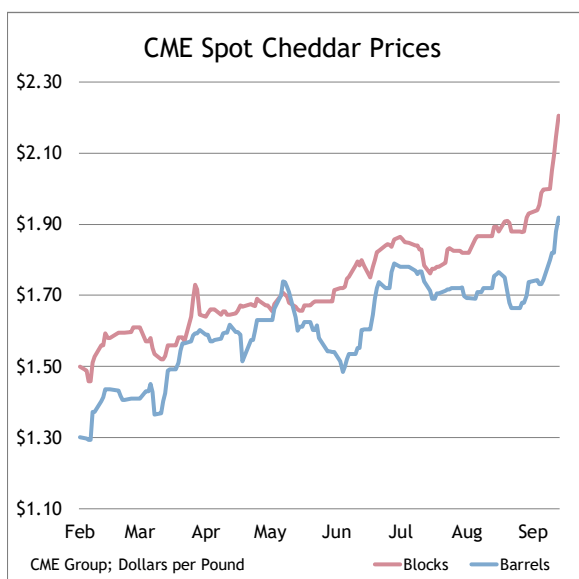


# DAIRY and grain

Volume 23 • Number 35  
September 13, 2019

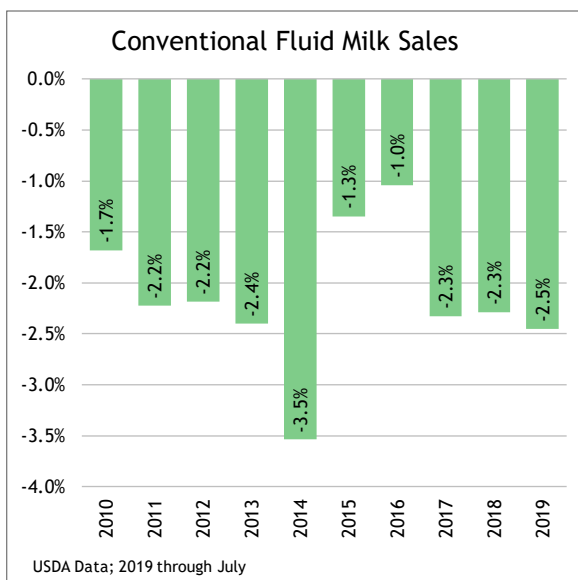
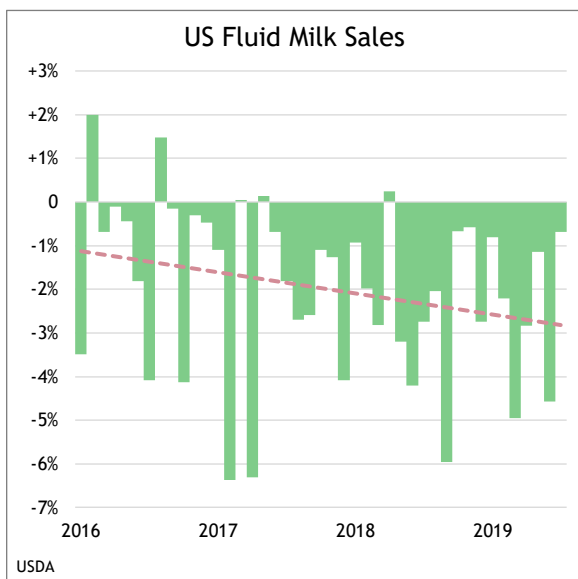
vs Last Week	vs Last Year	Market	13-Sep	6-Sep	30-Aug	23-Aug	16-Aug	9-Aug	2-Aug
6%	26%	Barrel Cheddar (CME average; lb)	\$1.8480	\$1.7375	\$1.6925	\$1.6940	\$1.7440	\$1.7080	\$1.7050
7%	29%	Block Cheddar (CME average; lb)	\$2.0990	\$1.9700	\$1.8975	\$1.8965	\$1.8800	\$1.8660	\$1.8210
1%	-1%	Butter (CME average; lb)	\$2.2120	\$2.1931	\$2.1985	\$2.2940	\$2.3375	\$2.3315	\$2.3375
0%	18%	Nonfat Dry Milk (CME average; lb)	\$1.0460	\$1.0469	\$1.0415	\$1.0300	\$1.0270	\$1.0240	\$1.0295
-1%	-25%	Dry Whey (CME average; lb)	\$0.3890	\$0.3925	\$0.3920	\$0.3895	\$0.3620	\$0.3490	\$0.3400
0%	14%	WPC (AMS Central/West AOM; lb)	\$0.9450	\$0.9450	\$0.9450	\$0.9450	\$0.9450	\$0.9450	\$0.9388
0%	25%	Dry Buttermilk (AMS West AOM; lb)	\$1.0400	\$1.0400	\$1.0350	\$1.0350	\$1.0250	\$1.0250	\$1.0200
8%	18%	Class III Futures (CME 2nd nearby; cwt)	\$19.20	\$17.72	\$17.62	\$17.22	\$17.62	\$17.87	\$17.79
9%	21%	Cheese Futures (CME 2nd nearby; lb)	\$2.0040	\$1.8440	\$1.8360	\$1.7880	\$1.8550	\$1.8580	\$1.8500
1%	0%	Cash Butter Futures (CME 2nd nearby; lb)	\$2.2513	\$2.2200	\$2.2300	\$2.2685	\$2.3653	\$2.3625	\$2.3635
-2%	-15%	Dry Whey Futures (CME 2nd nearby; lb)	\$0.3598	\$0.3675	\$0.3758	\$0.3700	\$0.3675	\$0.3625	\$0.3600
1%	18%	NDM Futures (CME 2nd nearby; lb)	\$1.0615	\$1.0503	\$1.0435	\$1.0370	\$1.0280	\$1.0385	\$1.0385
2%	10%	Class IV Futures (CME 2nd nearby; cwt)	\$16.55	\$16.25	\$16.35	\$16.30	\$16.73	\$16.80	\$16.81
4%	5%	Corn (CBOT nearby; bu)	\$3.5550	\$3.4225	\$3.5800	\$3.5975	\$3.7100	\$4.1025	\$4.0950
5%	8%	Soybeans (CBOT nearby; bu)	\$8.8475	\$8.4500	\$8.5700	\$8.4325	\$8.6725	\$8.7375	\$8.5025
6%	1%	Wheat (CBOT nearby; bu)	\$4.8575	\$4.6025	\$4.5125	\$4.7525	\$4.7075	\$4.1025	\$4.9075
4%	-3%	Soymeal (CBOT nearby; ton)	\$298.20	\$287.20	\$289.30	\$289.90	\$294.90	\$296.70	\$292.40
2%	6%	Soyoil (CBOT nearby; lb)	\$0.2894	\$0.2848	\$0.2864	\$0.2834	\$0.2913	\$0.2951	\$0.2819
4%	3%	Cocoa (ICE nearby; ton)	\$ 2,296	\$ 2,216	\$ 2,161	\$ 2,208	\$ 2,111	\$ 2,195	\$ 2,320
-1%	-2%	Sugar #11 (ICE nearby; lb)	\$0.1089	\$0.1102	\$0.1114	\$0.1147	\$0.1164	\$0.1186	\$0.1202
0%	-34%	Orange Juice (ICE nearby; lb)	\$1.0195	\$1.0175	\$1.0050	\$0.9605	\$0.9880	\$1.0230	\$0.9920
6%	4%	Coffee (NYMEX; lb)	\$0.9950	\$0.9385	\$0.9360	\$0.9260	\$0.9285	\$0.9730	\$0.9815
5%	18%	Lean Hogs (CME nearby; lb)	\$0.6648	\$0.6350	\$0.6353	\$0.5930	\$0.7934	\$0.7903	\$0.7628
3%	-14%	Live Cattle (CME nearby; lb)	\$0.9808	\$0.9488	\$1.0500	\$1.0463	\$0.9993	\$1.0805	\$1.0765
5%	-8%	Natural Gas (NYMEX nearby; mmbtu)	\$ 2.614	\$ 2.496	\$ 2.285	\$ 2.152	\$ 2.200	\$ 2.119	\$ 2.121
-3%	-20%	Crude Oil (NYMEX nearby; bbl)	\$ 54.85	\$ 56.52	\$ 55.10	\$ 54.17	\$ 54.87	\$ 54.50	\$ 55.66
-1%	-21%	Unleaded Gas (NYMEX nearby; gal)	\$1.5531	\$1.5742	\$1.6134	\$1.6428	\$1.6568	\$1.6740	\$1.7815
-1%	-15%	Heating Oil (NYMEX nearby, gal)	\$1.8778	\$1.9003	\$1.8282	\$1.8156	\$1.8128	\$1.8080	\$1.8902
2%	4%	Dow Jones Industrials	27,220	26,797	26,403	25,629	25,886	26,287	26,485
1%	2%	NASDAQ	8,177	8,103	7,963	7,752	7,896	7,959	8,004
1%	4%	S&P 500 Index	3,007	2,979	2,926	2,847	2,889	2,919	2,932
0%	-5%	Euro/Dollar	1.11	1.10	1.10	1.12	1.11	1.12	1.11
-1%	-2%	Canadian Dollar/Dollar	0.75	0.76	0.75	0.75	0.75	0.76	0.76
-1%	25%	Gold	\$ 1,500	\$ 1,516	\$ 1,529	\$ 1,538	\$ 1,524	\$ 1,509	\$ 1,458

- 2014. That's the last time both CME spot block and barrel cheddar prices were this high. Block cheddar prices climbed to \$2.2050 per pound, up \$0.2075—the largest week-over-week increase since June 2011. Barrels joined in on the rally, pushing up to \$1.9200 per pound, gaining \$0.1775 on the week. Sellers stayed away while buy-side interest persisted. Total volume: nine lots of blocks and 14 loads of barrels.
- Nearby futures prices soared. Fourth quarter cheese futures climbed to \$1.9190 per pound, gaining \$0.1123. The October contract alone climbed to \$2.0040—up \$0.1340 to a life of contract high. October through December Class III contracts surged to \$18.38 per hundredweight, up \$1.05. First half futures also found more strength. Cheese futures pushed to \$1.7487 per pound, \$0.0354 higher than last Friday. First half Class III contracts rose to \$16.73 per hundredweight, a 37-cent gain on the week.
- Can the momentum last? High prices cure high prices, and that gets truer the higher they get. But at this point, the market isn't showing any signs of altitude sickness. Contacts say cheese is tight, with availability diminishing as the week wore on (perhaps as manufacturers and inventory holders assessed the situation). Midwest spot milk prices firmed some, but remain well below average prices for this time of year. USDA reported spot milk prices in the region trading between 50-cents under and \$1.75 over class, a +63-cent midpoint. That compares to +25-cents last week, +\$1.00 last year, and +\$1.20 on average over the past five years.
- Demand still seems strong overall. The trick now: figuring out how much of the order flow is tied to wholesale buyers accelerating purchases to stay ahead of rising prices. And, it will take a little time to see whether \$2.00 per pound product changes promotional appetites or compels pizza shop operators to more closely monitor cheese use (to cite one possibility). On the food service front, August marked the second consecutive month in which chain restaurant same-store sales failed to grow. According to TDn2K data, August same-store sales dropped 0.7% from 2018, while traffic sank 3.9% year-over-year. The last time there was



negative sales growth for two months in a row was January and February of 2018, but that was mostly attributed to winter weather. Data published in the US Census Bureau *Retail Sales* report also showed sluggishness in the sector. Sales added up to \$64.1 billion in August, down 1.2% from July and up 1.1% versus August 2018. The month-to-month decline was the largest in a year while the year-over-year advance was the smallest for any month since at least 1993. Separately reported inflation data showed “Food Away From Home” prices up 3.2% year-over-year.

- German gouda prices held steady at €3,075 per metric ton (\$1.54 per pound) for the ninth week in a row.
- CWT keeps US product moving into export channels, assisting with 1.014 million pounds of cheese for export.



## Fluid Milk

- Fluid milk sales continue to pull back. USDA data showed July volume down 0.7% year-over-year, though not quite as severe as June’s 4.6% drop. That took year-to-date sales down 2.5%—equating to almost 619 million pounds—enough to make 46 additional truckloads of cheese per week over the seven-month period.

## Butter

- Is the butter market just regathering itself now that it is Fall and peak butter season is upon us? Or is it riding on the coattails of emotion generated by the cheese market? CME spot butter bounced back to \$2.2225 per pound this week, five-cents higher than last Friday. Reports continue to cite ample supply in the Southwest and West—and plenty made its way to Chicago. Buyers were happy to take the product with 55 total cars changing hands—the most since June 2018.
- Fourth quarter futures went along for the ride higher, with contracts rising to \$2.2468 per pound, up \$0.0313 week-over-week.
- The cream market firmed some after a brief reprieve for the Labor Day holiday. USDA data implied Class II multiples in the Upper Midwest at 132, down from 133 last week, but up from 128 last year and the 129 five-year-average. Eastern implied multiples climbed back to 134—

that was five points above last week, up two points from last year, and on par with the five-year-average. USDA reported the cream multiple across all classes in the West at 118. That compares to 117 last week, 119 last year, and a 121 five-year average.

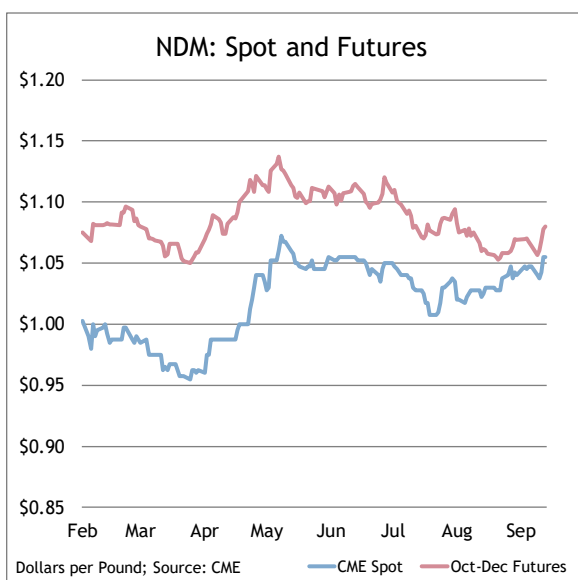
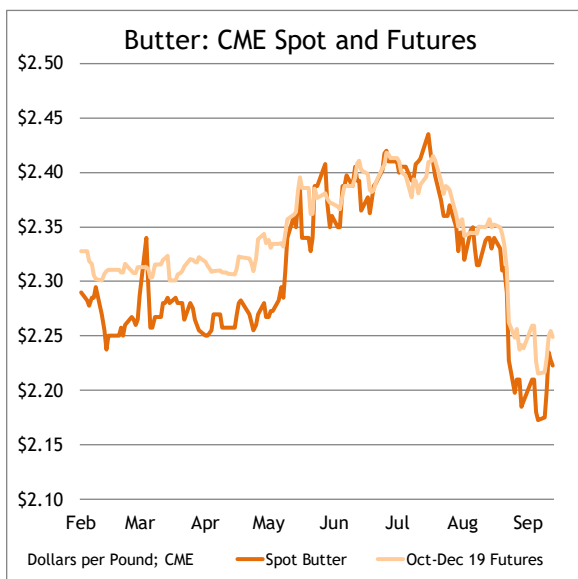
- European prices continued to find strength. German values rose to €3,625 per metric ton (\$1.77 per pound adjusted to 80% fat), up 1.4% in Euro terms. The Dutch quotation perked up to €3,430 per metric ton (\$1.67 per pound at 80% test), 0.9% higher in Euro terms.

## Nonfat Dry Milk

- CME spot nonfat dry milk spent most of the week sauntering between \$1.00 and \$1.05, but ended Friday at the highest price since mid-June. Prices climbed to \$1.0550, up \$0.0075 on the week. Total volume added up to five lots.
- Fourth quarter NDM futures pushed to \$1.0803 per pound, \$0.0159 higher on the week.
- Sources continue to note that both domestic and international buyers remain engaged. Supply is available, but not burdensome.
- GlobalDairyTrade auction volumes are unchanged ahead of next Tuesday's session, though NZX futures were trading higher. Fourth quarter contracts closed at \$2,555 per metric ton, \$52 higher than the week before and up \$55 from the prior auction. The Dutch SMP quotation, meanwhile, climbed to €2,180 per metric ton (\$1.09 per pound), up 1.4% in Euro terms to a level not seen since March 2015.

## Dry Whey

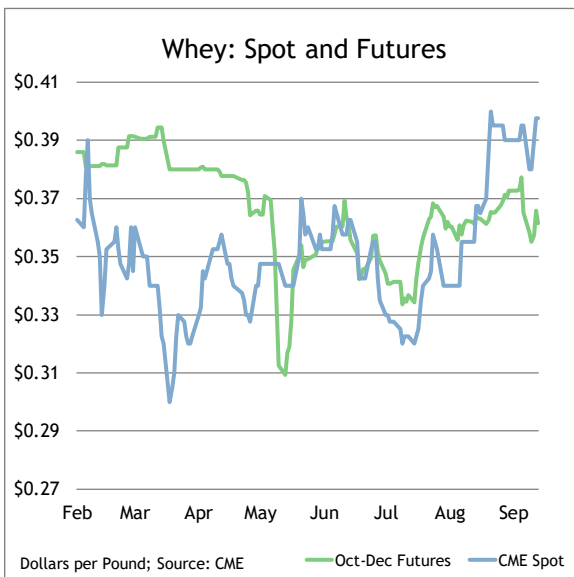
- After starting the week with a sharp drop to 38-cents, CME spot dry whey rebounded to the highest level in three weeks. Prices climbed to \$0.3975 per pound, gaining \$0.0175 from the week's low and \$0.0025 higher than last Friday. Weekly volume totaled three lots.
- Fourth quarter whey futures dipped to \$0.3615 per pound, \$0.0036 lower.
- The whey market breathed a sigh of relief this week when China's Ministry of Finance announced it will exempt several US products from additional tariffs, including



whey for feed. The exemption will go into effect from September 17 and will be valid till September 16, 2020. However, the seemingly unrelenting spread of African Swine Fever (ASF) will likely continue to limit export opportunities with or without the retaliatory tariffs.

- The Philippines reported its first cases of ASF, with infected pigs found in two towns near the capital Manila. Agriculture Secretary William Dar said more than 7,000 pigs had already been culled. The Philippines is one of the top destinations for US whey, with shipments year-to-date through July totaling 23 million pounds.

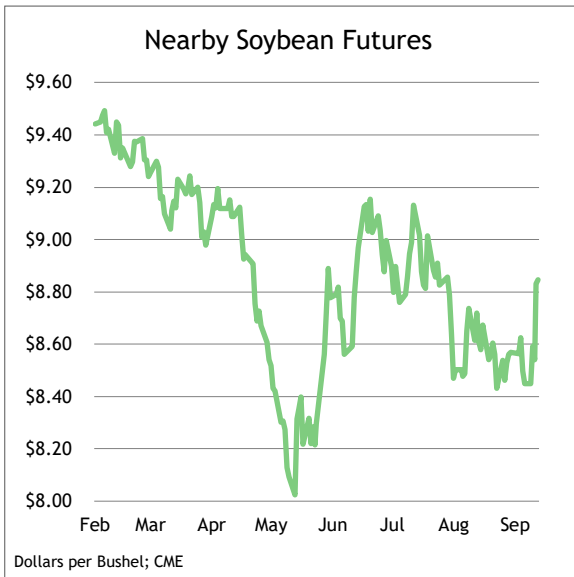
## Grains



- Grains had quite the exciting news week, with every new headline adding a shot of life back into the markets.
- China announced Friday it will exempt some agricultural products—including soybeans and pork—from additional tariffs. While this does not exempt the products from already existing tariffs, it did reignite hope for improving relations US-China relations ahead of a new round of trade talks.
- Shortly after that announcement hit headlines, USDA confirmed that private exporters bought 204,000 tonnes of US soybeans destined for China. According to Reuters, the confirmation comes after reports that “Chinese private buyers purchased more than 600,000 tonnes of US soybeans for shipment from October to December”—the largest deals by Chinese private importers in more than a year.
- Thursday’s USDA *World Agricultural Supply and Demand* report also helped to spur grain prices higher. USDA reported 2019 expectations at 168.2 bushels per acre, off 1.3 bushels (-0.8%) from August. Total estimated production came in at 13.799 billion bushels, in line with expectations and off from 13.901 billion bushels in August. USDA’s estimates for soybean yield was also reduced, coming in at 47.9 bushels per acre—in the middle of pre-report expectations and 0.6 bushels lower than the August number. Total estimated production is 3.633 billion bushels, below the 3.680 billion bushels projected in August.
- September soybean contracts surged to \$8.8475 per bushel in response, a \$0.3975 gain from last Friday and the

highest price since late July.

- Corn prices recovered from life of contract lows. December contracts climbed to \$3.6875 per bushel—up \$0.1325 from last Friday.



**New crises that shake up the economy often surprise economists because no exogenous cause appears to be a sufficient explanation for a downturn. People begin to suddenly frame current events in the context of stories they had heard many times before. This may seem puzzling until we realize that an old narrative has renewed itself in an epidemic, and people have begun to respond reflexively in their day-to-day decisions. If enough people begin to act fearfully, their anxiety can become self-fulfilling, and a recession, sometimes a big one, may follow.**

—Robert J. Shiller

Price and Volume Data				
vs Last Week	vs Last Year	Week Ending	7-Sep	31-Aug
1%	14%	NDPSR Block Cheddar (lb)	\$1.9167	\$1.9058
-1%	6%	NDPSR Barrel Cheddar (lb)	\$1.7333	\$1.7544
-4%	-1%	USDA/NDPSR Butter (lb)	\$2.2748	\$2.3667
2%	24%	USDA/NDPSR NDM (lb)	\$1.0494	\$1.0337
2%	-6%	USDA/NDPSR Dry Whey (lb)	\$0.3681	\$0.3623
-4%	10%	NDPSR Block Cheese Sales (mil lbs)	11.7	12.2
17%	-10%	NDPSR Barrel Cheese Sales (mil lbs)	11.3	9.6
-59%	-31%	NDPSR NDM Sales (mil lbs)	13.8	33.9
vs Last Week	vs Last Year	Week Ending	13-Sep	6-Sep
163%	110%	Class III Futures Volume	12,275	4,665
-5%	-9%	Class III Futures Open Interest	20,492	21,624
132%	77%	Cash-Settled Cheese Futures Volume	3,681	1,588
-10%	-13%	Cash-Settled Cheese Open Interest	19,484	21,671
-78%	-68%	Cash Butter Futures Volume	348	1,618
-16%	21%	Cash Butter Futures Open Interest	7,795	9,320
41%	10%	Nonfat Dry Milk Futures Volume	1,551	1,102
-15%	18%	Nonfat Dry Milk Futures Open Interest	8,275	9,700
326%	33%	Dry Whey Futures Volume	452	106
-12%	-37%	Dry Whey Futures Open Interest	2,304	2,629

CME Spot Markets						
Block Cheddar	9-Sep	10-Sep	11-Sep	12-Sep	13-Sep	Total
Settle	\$2.0000	\$2.0525	\$2.0925	\$2.1450	\$2.2050	\$2.0990
Volume	6	1	1	1	-	9
Barrel Cheddar	9-Sep	10-Sep	11-Sep	12-Sep	13-Sep	Total
Settle	\$1.8000	\$1.8200	\$1.8200	\$1.8800	\$1.9200	\$1.8480
Volume	2	2	5	2	3	14
Grade AA Butter	9-Sep	10-Sep	11-Sep	12-Sep	13-Sep	Total
Settle	\$2.1750	\$2.2000	\$2.2350	\$2.2275	\$2.2225	\$2.2120
Volume	13	15	15	7	5	55
Grade A NDM	9-Sep	10-Sep	11-Sep	12-Sep	13-Sep	Total
Settle	\$1.0400	\$1.0375	\$1.0425	\$1.0550	\$1.0550	\$1.0460
Volume	1	1	2	1	-	5
Dry Whey	9-Sep	10-Sep	11-Sep	12-Sep	13-Sep	Total
Settle	\$0.3800	\$0.3800	\$0.3900	\$0.3975	\$0.3975	\$0.3890
Volume	1	-	1	1	-	3

vs Last Week	vs Last Year	Market	13-Sep	6-Sep	30-Aug	23-Aug	16-Aug	9-Aug	2-Aug	26-Jul
1%	32%	Skim Milk Powder (Dutch Dairy Board)	€ 2,180	€ 2,150	€ 2,110	€ 2,100	€ 2,100	€ 2,100	€ 2,080	€ 2,050
2%	0%	Whole Milk Powder (Dutch Dairy Board)	€ 2,860	€ 2,810	€ 2,780	€ 2,770	€ 2,800	€ 2,820	€ 2,780	€ 2,780
1%	-37%	Butter (Dutch Dairy Board)	€ 3,430	€ 3,400	€ 3,390	€ 3,370	€ 3,370	€ 3,400	€ 3,450	€ 3,520
0%	-24%	Whey (Dutch Dairy Board)	€ 590	€ 590	€ 600	€ 600	€ 600	€ 600	€ 600	€ 610
2%	28%	Skim Milk Powder (Kempten, Germany)	€ 2,180	€ 2,140	€ 2,110	€ 2,125	€ 2,125	€ 2,125	€ 2,095	€ 2,075
3%	-2%	Whole Milk Powder (Kempten, Germany)	€ 2,955	€ 2,875	€ 2,850	€ 2,870	€ 2,870	€ 2,870	€ 2,870	€ 2,850
1%	-35%	Butter 25 kg (Kempten, Germany)	€ 3,625	€ 3,575	€ 3,575	€ 3,550	€ 3,550	€ 3,550	€ 3,600	€ 3,700
0%	-2%	Edamer, 40% (Hannover, Germany)	€ 3,075	€ 3,075	€ 3,075	€ 3,075	€ 3,075	€ 3,075	€ 3,075	€ 3,075
	25%	Skim Milk Powder (GlobalDairyTrade)	\$ 2,500	\$ 2,500	\$ 2,478	\$ 2,478	\$ 2,482	\$ 2,482	\$ 2,505	\$ 2,505
	9%	Whole Milk Powder (GlobalDairyTrade)	\$ 3,076	\$ 3,076	\$ 3,100	\$ 3,100	\$ 3,039	\$ 3,039	\$ 3,074	\$ 3,074
	-6%	Anhydrous Milk Fat (GlobalDairyTrade)	\$ 4,988	\$ 4,988	\$ 5,061	\$ 5,061	\$ 5,246	\$ 5,246	\$ 5,523	\$ 5,523
	5%	Cheddar Cheese (GlobalDairyTrade)	\$ 3,827	\$ 3,827	\$ 3,857	\$ 3,857	\$ 3,838	\$ 3,838	\$ 3,869	\$ 3,869
	-6%	Butter (GlobalDairyTrade)	\$ 4,029	\$ 4,029	\$ 4,025	\$ 4,025	\$ 4,165	\$ 4,165	\$ 4,406	\$ 4,406
	0%	Buttermilk Powder (GlobalDairyTrade)	\$ 2,476	\$ 2,476			\$ 2,405	\$ 2,405		
	25%	Rennet Casein (GlobalDairyTrade)	\$ 6,632	\$ 6,632	\$ 6,348	\$ 6,348	\$ 6,885	\$ 6,885	\$ 7,044	\$ 7,044
0%	24%	Rennet Casein (AMS US; lb)	\$3.0450	\$3.0450	\$2.9688	\$2.9688	\$3.2513	\$3.2513	\$3.4263	\$3.4263
0%	4%	Acid Casein (AMS US; lb)	\$3.1975	\$3.1975	\$3.1838	\$3.1838	\$3.2463	\$3.2463	\$3.2425	\$3.2425
0%	-13%	Lactose Edible (AMS Central/West AOM; lb)	\$0.2925	\$0.2925	\$0.2925	\$0.2950	\$0.2950	\$0.3025	\$0.3075	\$0.3075

All figures are per metric ton unless otherwise noted.



## VALLEY QUEEN CHEESE YIELD BIDS

<i>Month</i>	<b>MON</b> 9-Sep <i>Bid</i>	<b>TUE</b> 10-Sep <i>Bid</i>	<b>WED</b> 11-Sep <i>Bid</i>	<b>THU</b> 12-Sep <i>Bid</i>	<b>FRI</b> 13-Sep <i>Bid</i>
Nov-19	\$ 1.6437	\$ 1.6624	\$ 1.6863	\$ 1.7352	\$ 1.7352
Dec-19	\$ 1.5887	\$ 1.6063	\$ 1.6209	\$ 1.6604	\$ 1.6541
Jan-20	\$ 1.5315	\$ 1.5378	\$ 1.5471	\$ 1.5845	\$ 1.5835
Feb-20	\$ 1.5159	\$ 1.5211	\$ 1.5263	\$ 1.5565	\$ 1.5523
Mar-20	\$ 1.5139	\$ 1.5211	\$ 1.5294	\$ 1.5585	\$ 1.5450
Apr-20	\$ 1.5232	\$ 1.5294	\$ 1.5388	\$ 1.5658	\$ 1.5523
May-20	\$ 1.5367	\$ 1.5398	\$ 1.5502	\$ 1.5741	\$ 1.5627
Jun-20	\$ 1.5492	\$ 1.5554	\$ 1.5658	\$ 1.5856	\$ 1.5731
Jul-20	\$ 1.5669	\$ 1.5762	\$ 1.5845	\$ 1.5970	\$ 1.5897
Aug-20	\$ 1.5814	\$ 1.5918	\$ 1.5980	\$ 1.6095	\$ 1.6032
Sep-20	\$ 1.5918	\$ 1.6074	\$ 1.6115	\$ 1.6250	\$ 1.6167
Oct-20	\$ 1.5928	\$ 1.6022	\$ 1.6001	\$ 1.6146	\$ 1.6063
Nov-20	\$ 1.5866	\$ 1.5866	\$ 1.5907	\$ 1.6043	\$ 1.5907
Dec-20	\$ 1.5669	\$ 1.5617	\$ 1.5731	\$ 1.5856	\$ 1.5658
Jan-21	\$ 1.4952	\$ 1.4900	\$ 1.5211	\$ 1.5336	\$ 1.5139
Feb-21	\$ 1.4952	\$ 1.4900	\$ 1.4868	\$ 1.5336	\$ 1.4796
Mar-21	\$ 1.4952	\$ 1.4900	\$ 1.4868	\$ 1.5336	\$ 1.4796
Apr-21	\$ 1.4952	\$ 1.4900	\$ 1.4868	\$ 1.5336	\$ 1.4796
May-21	\$ 1.4952	\$ 1.4900	\$ 1.4868	\$ 1.5336	\$ 1.4796
<b>6 Month</b> Nov '19 - Apr '20	\$ 1.5528	\$ 1.5630	\$ 1.5748	\$ 1.6101	\$ 1.6037
<b>6 Month</b> May '20 - Oct '20	\$ 1.5698	\$ 1.5788	\$ 1.5850	\$ 1.6010	\$ 1.5920
<b>12 Month</b> Nov '19 - Oct '20	\$ 1.5613	\$ 1.5709	\$ 1.5799	\$ 1.6056	\$ 1.5978

- Published bids are an indication only; actual bids are quoted in "real time" based on prevailing market activity
- Valley Queen producers can secure contracts for a minimum of 100,000 pounds, up to 75% of their average monthly production
- Indicator bids are available each day on the Valley Queen website ([www.vqcheese.com](http://www.vqcheese.com)) by approximately 4:00 p.m.
- Zero-cost collar/min-max contracts now available
- Producers can contract between 8:00am and 2:00pm Central Time
- Information about the program, current bids and contract execution are available by calling

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