

Daily Dairy

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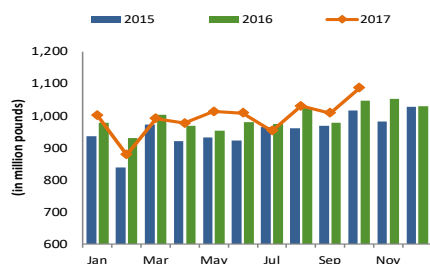
REPORT

Cheese to Face Challenges in 2018

Yesterday's reports helped shed light on the stronger cheese markets in October and November. Based on preliminary calculations that follow USDA's methodology for deriving commercial disappearance, it appears cheese use posted another strong month in October. Domestically, commercial disappearance of cheese totaled 1.05 billion pounds, up 3.7% vs. the prior year.

After a lackluster start to the year, domestic cheese consumption appears to be gaining momentum. Increasing demand and U.S. cheese exports, which are eclipsing last

U.S. Cheese Comm. Disappearance



NDPSR Prices Week Ending Dec. 2

	Price USD/lb.	Chg. Vs. Last Week
Butter	\$2.2455	\$(0.0271)
Cheddar Block	\$1.6853	\$(0.0497)
Cheddar Barrel	\$1.7244	\$(0.0221)
Nonfat Dry Milk	\$0.7415	\$(0.0015)
Dry Whey	\$0.3341	\$(0.0137)

year's levels by 22%, have gone a long way toward consuming additional cheese output. Through October, U.S. cheese production was 248 million pounds more than the same period in 2016. Higher domestic consumption has offset nearly 106 million pounds of that output, while exports have absorbed 113 million pounds. The year-over-year increase in total cheese stocks accounts for the remaining difference.

At the new production levels, domestic consumption and trade markets have struck a balance that provides support to the U.S.

spot cheese markets. While the cheese market recently found equilibrium, challenges lie ahead in 2018 as new cheese capacity comes on line. To maintain balance, U.S. consumers need to eat more cheese or exports must equal or better current levels. Given expanding milk supplies in Europe, the U.S. export market for cheese could become a lot more competitive; the United States would have to match prices or cede share. That could test the domestic market's appetite for more cheese in 2018.

CME Spot Prices

CME Spot Prices (\$/lb.)	Close	Chg. ¢	Trades
Butter	\$2.2250	+2.50	20
Cheddar Block	\$1.4700	-4.25	9
Cheddar Barrel	\$1.5700	+0.75	8
NDM Grade A	\$0.7125	NC	0
Corn Futures (MAR)	\$3.5275	-1.00	NA
Soybean Futures (JAN)	\$10.0275	-5.75	NA
Soybean Meal Futures (JAN)	\$342.30	-1.00	NA
Live Cattle Futures (FEB)	\$119.275	-125.00	NA

December 6 Trading Activity

	CME Futures (United States)												NZX Futures (New Zealand)				EEX Futures (Europe)		
	Class III \$/cwt.	chg. ¢	Class IV \$/cwt.	chg. ¢	Cheese ¢/lb.	chg. ¢	Whey ¢/lb.	chg. ¢	Butter ¢/lb.	chg. ¢	NDM ¢/lb.	chg. ¢	WMP \$/MT	SMP \$/MT	AMF \$/MT	Butter \$/MT	SMP €/MT	Butter €/MT	Whey €/MT
DEC17	15.42	NC	13.58	NC	163.60	-0.20	32.15	-0.25	222.00	+1.08	73.85	NC	2,845	1,720	6,725	4,620	1,462	4,587	588
JAN 18	14.24	-5	13.41	NC	154.10	-0.40	27.50	+0.50	224.00	+1.98	71.25	+0.25	2,930	1,740	6,425	4,800	1,485	4,084	589
FEB	14.25	-6	13.63	NC	155.10	-0.80	25.00	-0.03	225.53	+1.28	72.63	+0.10	2,930	1,705	6,225	4,775	1,485	4,200	592
MAR	14.42	-5	13.76	NC	157.20	-0.60	24.95	+0.05	227.13	+0.63	73.48	+0.58	2,930	1,700	6,050	4,750	1,440	4,025	595
APR	14.72	-4	14.04	NC	160.20	-0.30	25.00	-0.38	232.25	+2.88	75.00	+0.25	2,910	1,740	5,900	4,725	1,495	4,021	596
MAY	15.03	-3	14.25	NC	162.80	-0.50	25.75	+0.18	232.68	+1.53	76.40	+0.38	2,915	1,740	5,890	4,700	1,495	4,017	599
JUN	15.32	-7	14.45	NC	166.10	-0.60	25.75	+0.05	233.93	+1.65	77.98	-0.03	2,930	1,800	5,800	4,720	1,510	4,019	614
JUL	15.66	-2	14.64	+14	168.40	-0.60	26.18	+0.15	234.78	+1.60	80.00	-0.05	2,940	1,800	5,750	4,740	1,525	4,031	635
AUG	15.77	-3	14.82	+12	170.00	-0.60	26.23	+0.20	235.53	+1.50	81.65	+0.45	2,940	1,860	5,800	4,760	1,560	4,107	645
SEP	15.84	+1	14.99	+8	170.80	-0.40	26.50	NC	236.53	+1.50	83.38	NC	2,940	1,875	5,850	4,780	1,585	4,031	650
OCT	15.86	NC	15.11	+1	171.20	-0.50	26.50	+0.48	236.53	+1.53	84.65	-0.23	2,940	1,860	5,900	4,800	1,605	4,300	645
NOV	15.77	NC	15.19	+5	169.80	-0.70	26.03	+0.03	235.50	+1.50	86.10	-0.23	2,940	1,840	5,825	4,820	1,615	4,350	645

Nov. 2017 milk prices (with chg. vs. prior month): Class III \$16.88 (+\$0.19); Class IV \$13.99 (-\$0.19); California 4a \$13.62 (-\$0.89); 4b \$15.52 (-\$0.65)

The Daily Dairy Report is written by Mary Ledman, Sara Dorland, Sarina Sharp and Karen Endres. To subscribe visit www.dailydairyreport.com.

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