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Dairy Market Watch

October
2014

An educational newsletter to keep producers informed of changing market factors affecting the dairy industry.

Funded by Cornell Pro-Dairy. Compiled at Cornell Cooperative Extension of Chautauqua County by Katelyn Walley-Stoll, Community Educator.

Milk Component Prices			Milk Class Prices				Statistical Uniform Price & PPD			
Month	Butterfat	Protein	I(Boston)	II	III	IV	Jamestown, NY	Albany, NY	Albany \$/gal. to farmer	
Sep13	\$1.52	\$3.54	\$22.41	\$19.78	\$18.14	\$19.43	\$19.43 \$1.29	\$20.03 \$1.89	\$1.73	
Oct13	\$1.66	\$3.41	\$22.45	\$20.56	\$18.22	\$20.17	\$19.73 \$1.51	\$20.33 \$2.11	\$1.75	
Nov13	\$1.63	\$3.63	\$23.45	\$20.76	\$18.83	\$20.52	\$20.13 \$1.30	\$20.73 \$1.90	\$1.79	
Dec13	\$1.77	\$3.54	\$23.62	\$21.66	\$18.95	\$21.54	\$20.64 \$1.69	\$21.24 \$2.29	\$1.83	
Jan 14	\$1.79	\$4.19	\$24.73	\$22.21	\$21.15	\$22.29	\$21.78 \$0.63	\$22.38 \$1.23	\$1.93	
Feb 14	\$2.01	\$4.60	\$25.27	\$23.73	\$23.35	\$23.46	\$23.27 (\$0.08)	\$23.87 \$0.52	\$2.06	
Mar14	\$2.04	\$4.52	\$26.89	\$24.22	\$23.33	\$23.66	\$23.82 \$0.49	\$24.42 \$1.09	\$2.11	
Apr14	\$2.12	\$4.71	\$26.90	\$24.74	\$24.31	\$23.34	\$24.31 \$0.00	\$24.91 \$0.60	\$2.15	
May14	\$2.27	\$3.96	\$27.72	\$24.44	\$22.57	\$22.65	\$24.09 \$1.52	\$24.69 \$2.12	\$2.13	
June14	\$2.44	\$3.34	\$26.11	\$23.94	\$21.36	\$23.13	\$23.23 \$1.87	\$23.83 \$2.47	\$2.05	
July14	\$2.63	\$3.18	\$26.27	\$24.41	\$21.60	\$23.78	\$23.60 \$2.00	\$24.20 \$2.60	\$2.09	
Aug14	\$2.84	\$3.15	\$27.12	\$25.34	\$22.25	\$23.89	\$24.26 \$2.01	\$24.86 \$2.61	\$2.14	
Sep14	\$3.24	\$3.49	\$26.88	\$26.11	\$24.60	\$22.58	\$25.01 \$0.41	\$25.61 \$1.01	\$2.21	

September Utilization (Northeast): Class I = 37%; Class II = 26%; Class III = 25%; Class IV = 12%

[Class I = processed as beverage milk; Class II = soft products, cream, yogurt and cottage cheese; Class III = cheese (American, Italian), evaporated and condensed products, Class IV = butter, nonfat and whole milk powder.]

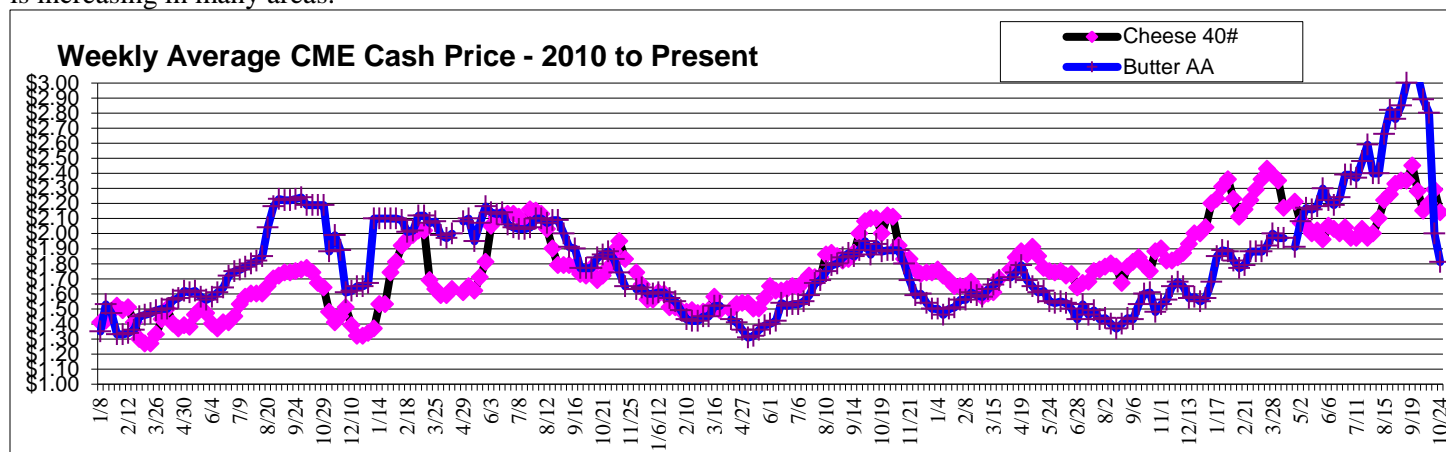
Dairy Commodity Markets (USDA Dairy Market News):

Butter: Friday CME cash prices: 9/26 \$3.05, 10/3 \$2.89, 10/10 \$2.80, 10/17 \$2.00, and 10/24 \$1.81. Lower butter prices have sparked some buyers to place increased holiday orders. The market tone is unclear given the current prices and the market nearing what is seasonally the strongest demand time of the year. Manufacturers are focused on fulfilling domestic orders and limiting the stock building.

Cheese: Friday CME cash prices (40# blocks): 9/26 \$2.28, 10/3 \$2.15, 10/10 \$2.20, 10/17 \$2.29, and 10/24 \$2.14. Cheese manufacturers have adequate milk supplies for their desired production levels, even with milk output nearing seasonal lows in some areas. Inventory levels are mostly considered adequate, with some plants noting inventory levels being worked lower. Both manufacturers and customers are attuned to cheese pricing and anticipated downward price movement ahead.

Dry Products: Western low/medium heat nonfat dry milk prices are mostly steady while central and eastern prices are mixed. The market tone remains unsettled to weak. High heat NDM prices are slightly lower. Dry buttermilk prices are lower. Building inventories are motivating sellers to attempt to move product.

Fluid Milk: Milk production is generally at expected levels and overall nearing the low point of national production before increases are expected in many areas. Production of holiday items such as half and half, whipping cream and sour cream is increasing in many areas.



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Milk Production: Milk production in the 23 major States during September totaled 15.5 billion pounds, up 4.1 percent from September 2013. Production per cow in the 23 major States averaged 1,804 pounds for September, 56 pounds above September 2013. This is the highest production per cow for the month of September since the 23 State series began in 2003. The number of milk cows on farms in the 23 major States was 8.59 million head, 78,000 head more than September 2013, and 4,000 head more than August 2014.

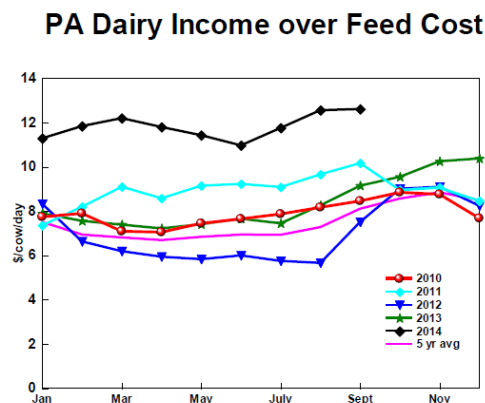
Comments:

Many factors have pushed down current milk prices including higher U.S. milk production, decreased dairy exports and increased dairy imports. According to USDA data, milk production for the month of September was 4.0% higher than a year ago, while cow numbers only increased by 2,000 head since August. Milk per cow has increased by 3.4% since last year. In New York, milk per cow has increased by 4.5% over the past year (Cropp, Bob. Memo to Dairy-L. 20 October 2014).

China has continued to decrease imports of dairy products while world milk production has steadily increased, leading to substantially declined world product prices that are lower than U.S. prices. The effect of this price difference can be found in decreased U.S. exports. Compared to a year ago, August exports were 59% lower for butter, 10% lower for nonfat dry milk, 20% lower for dry whey, 36% lower for whey protein concentrate, and 11% lower for lactose. However, cheese exports have increased by 11%. Because of the World vs. U.S. price discrepancy and the strengthening of the U.S. dollar compared to the Euro and Oceania currencies, imports of butter and cheese have increased by 175% and 3% respectively for the January through August period. Imports are expected to drop as U.S. dairy product price declines and stock levels increase in the coming months (Cropp, Bob. Memo to Dairy-L. 20 October 2014).

Penn State's measure of income over feed costs only rose by 0.4% in September, but continues to be well above last year's numbers. Feed cost increased by \$0.27/cow/day this month, and September's value for IOFC is \$12.61/cow/day. This is \$3.97/cow/day above the August 2013 value. (Dunn, Jim. Penn State Dairy Outlook, October 2014).

Figure 1: PA Income over feed cost



The USDA is forecasting cow numbers to increase by 0.8% next year, with milk per cow increasing by 2.2%, pushing total milk production to 212.5 billion pounds, a 3% increase. This prediction may be optimistic, however, as many dairy producers will be more cautious adding cow numbers knowing milk prices are likely to decline. The cull cow price will also continue to remain relatively high, slowing the continued growth of cow numbers. While milk prices will be lower next year, feed costs are projected to be lower as well, creating a favorable margin for dairy producers. However, this margin will not be as profitable as this past year's returns over feed costs (Cropp, Bob. Memo to Dairy-L. 20 October 2014).

As a reminder – There is a new safety net program in place for dairy producers called the Dairy Margin Protection Program which will replace the Milk Income Loss Contract. The program supports producer margins, not milk prices, which will be calculated monthly by the USDA, by looking at the milk price and the average feed cost determined by a national feed ration. The deadline to sign up for the 2015 cycle, done through your local USDA office, has been extended to **December 5th, 2014**. There is an online decision making tool available for free at <http://dairymarkets.org/MPP/> or contact your local extension office for more information.

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