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Dairy Market Watch

December 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
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
Oct14	\$2.85	\$3.74	\$27.44	\$21.93	\$23.82	\$21.35	\$23.20	(\$0.62)	\$23.80	(\$0.02)	\$2.00
Nov14	\$2.20	\$3.90	\$27.31	\$19.91	\$21.94	\$18.21	\$21.11	(\$0.83)	\$21.71	(\$0.23)	\$1.87

November Utilization (Northeast): Class I = 36%; Class II = 22%; Class III = 25%; Class IV = 17%
Class I = fluid milk; **Class II** = soft products, cream, and yogurt; **Class III** = cheese (American, Italian), evaporated and condensed products; **Class IV** = butter and milk powder.

Dairy Commodity Markets (USDA Dairy Market News)

Butter: Butter makers have completed holiday orders and now are looking to restock depleted inventories. The market tone is steady. However, sales are slowing and some market participants expect prices to weaken as supplies build seasonally. Given heavy milk and cream supplies, many manufacturers were running close to full schedules. Export ordering is lackluster as U.S. prices are uncompetitive in the international markets.

Cheese: Most cheese plants will be operating through the holidays this week and next, but some have decided to close part of the time. Plants wishing to make cheese have all the milk necessary, sometimes at prices below Class prices. Those not operating are reducing hours for reasons other than milk availability. Price uncertainty is a concern throughout the industry. Demand is expected to be good, at least through the football playoff season until the Super Bowl. After that, multiple factors such as the anticipated continuing strong milk supply, international pricing, and potentially weaker demand are increasingly discussed as matters of concern.

Dry Products: Low/medium heat nonfat dry milk prices are unchanged to lower. Supplies are exceeding existing demand. Production is very active. There is more interest by producers to place multiple load transactions with buyers in the coming weeks. End users and resellers are negotiating for the best possible terms on new purchases. Lactose prices decreased as buyers appear to be sitting on the sidelines until the first few weeks of 2015.

Fluid Milk: Manufacturing milk supplies have significantly increased across the country as bottling demand and production of holiday related products have declined. Butter/powder and cheese manufacturers will manage milk intakes through the balance of the week. Where possible, plant managers are working together to maximize processing room and tanker availability. Cream supplies are heavy this week with increased volumes going to churns. Cream multiples moved lower as numerous cream based product manufacturers reduced operation schedules over the holiday period.

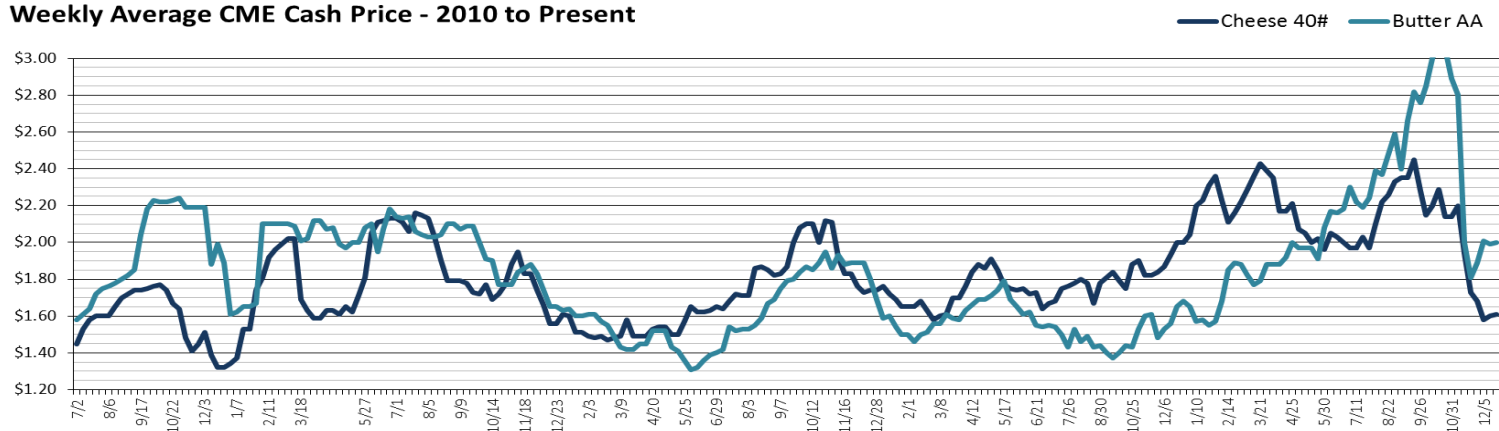
Milk Production: Milk production in the 23 major States during November totaled 15.5 billion pounds, up 3.5 percent from November 2013. Production per cow in the 23 major States averaged 1,806 pounds for November, 41 pounds above November 2013. This is the highest production per cow for the month of November since the 23 State series began in 2003.

Friday CME Cash Prices					
Dates	11/21	11/26	12/5	12/12	12/19
Butter	\$2.00	\$1.97	\$1.99	\$1.89	\$1.61
Cheese (40# Blocks)	\$1.73	\$1.68	\$1.58	\$1.60	\$1.61

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Weekly Average CME Cash Price - 2010 to Present



Comments:

The USDA estimates that November milk production will be 3.4% higher than last year. Cow numbers have been increasing slowly, with November's numbers only 4,000 head above October, and will likely round out at 9.255 million by the end of the year. Milk per cow has increased to an average of 22,261 pounds, 2% higher than last year. Total milk production for the year is estimated to be 205.8 billion pounds, 2.3% more than last year (Cropp, Bob. Memo to Dairy-L. December 21, 2014).

Penn State's measure of Income Over Feed Cost (IOFC) fell by almost 8% in November, but is still above last year's levels. This month's feed cost is \$0.11/cow/day more than it was in October, making November's value of IOFC \$11.17/cow/day. Last year in November, that value was 9% lower at \$10.25 (Dunn, Jim. Penn State Dairy Outlook, December 2014).

2014 has been a great year for the dairy industry in terms of milk prices, and that time is slowly coming to an end as we move into 2015. We know that milk prices will be falling as we move into the new year, however there is still much speculation as to how far they will actually drop over the coming months. 2015 projections have certainly been lowered from forecasts made earlier this year, estimating that Class III prices could drop down towards \$15 by February.

Throughout 2014, the export market has played a critical role in domestic prices farmers receive, and it will continue to impact our milk prices. This year, U.S. dairy exports set a new record, and peaked in March, accounting for 17.7% of all milk product sales. China's massive push on importing dairy products helped achieve this early in the year, but as their stockpiles increased and they began to pull back from importing dairy products, reducing its imports from the first part of the year by more than 50%, we saw our prices start to slide. Looking into 2015, the beginning of the year could bring turmoil for dairy exports. The U.S. dollar continues to strengthen, reducing our price competitiveness in the international market. Russia, who has banned dairy imports from the EU, and China combined account for 20% of the export market. Without those two major players on the buying field, and increased milk production across major international milk producers, world dairy product prices have dropped far below U.S. prices. Exports compared to what they were a year ago have fallen 82% for butter, 3% for cheese, 25% for nonfat dry milk, 9% for dry whey, and now account for less than 15% of U.S. milk production. The high U.S. prices are also attracting imports which, compared to a year ago, are 42% higher for butter and 12% higher for cheese (Cropp, Bob. Memo to Dairy-L. December 21, 2014).

There are several other factors that will come into play affecting 2015 milk prices. The U.S. Economy will continue to improve and increase in domestic dairy sales. Feed prices are projected to remain low. However, major exporters (Oceania, the European Union, and the U.S.) have had, and will continue to have, increases in milk production that will affect export pricing. We also don't yet know how factors such as extreme drought in California, the beginning of an El Niño event, and uncertain demand strength from China will affect pricing. This year will also be interesting to see the need for and the effectiveness of the new Margin Protection Program (Stephenson, Mark. 2015 Dairy Outlook from Dyson Agribusiness Conference. December 2014).

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