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# Dairy Market Watch

## January 2015

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
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
Dec14	\$2.10	\$2.74	\$25.78	\$19.09	\$17.82	\$16.70	\$19.87	\$2.05	\$20.47	\$2.65	\$1.76

**December Utilization (Northeast): Class I = 37%; Class II = 21%; Class III = 24%; Class IV = 18%**  
**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:** The butter market is mostly steady. Buyers are generally looking to fill near-term needs at this time and are waiting for opportunities to purchase ahead. Cream is readily available while spot decisions vary from plant to plant on buying and selling. Export interest is improving as U.S. prices are now below the Global Dairy Trading market. Inventories are growing gradually. This week, a cooperative export assistance program accepted requests for 1.80 million pounds of butter.

**Cheese:** Cheese inventories are trending upward due to continuing volumes of milk moving into cheese plants, as well as some buyers moderating orders hoping for further price weakness. Decreasing export demand is also a factor contributing to inventory increases.

**Dry Products:** Low/medium nonfat dry milk prices moved lower as various indexes and spot sales weakened. Production is active and supplies are increasing. Dry buttermilk supplies continue to exceed demand, softening prices for the most part. Dry whey prices are softening on a weakening market with increasing supplies. Prices of whey protein concentrate 34% declined considerably, shadowing the weak NDM market and increasing supplies available for the spot market. Lactose prices moved lower on active discounting in the spot market as manufacturers look to lower inventories.

**Fluid Milk:** Milk production across the nation is mostly steady to slightly higher with many milk handlers noting production above year ago levels. Many processing facilities are hovering near capacity levels for milk intakes. Bottling sales are steady to improving with most educational institutions back in session. Class II demand is mixed. Interest for dips and sour cream are increasing as the Super Bowl nears, while requests for ice cream and other novelties are seasonally lower. Cream is available with a majority of interest coming from butter churn operators.

**Milk Production:** Milk production in the 23 major States during December totaled 16.2 billion pounds, up 3.2 percent from December 2013. Production per cow in the 23 major States averaged 1,886 pounds for December, 35 pounds above December 2013. The number of milk cows on farms in the 23 major States was 8.61 million head, 107,000 head more than December 2013, and 16,000 head more than November 2014.

Friday CME Cash Prices					
Dates	12/24	1/2	1/9	1/16	1/23
Butter	\$1.58	\$1.56	\$1.54	\$1.55	\$1.55
Cheese (40# Blocks)	\$1.53	\$1.57	\$1.59	\$1.47	\$1.48

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## Weekly Average CME Cash Price - 2011 to Present



### Comments:

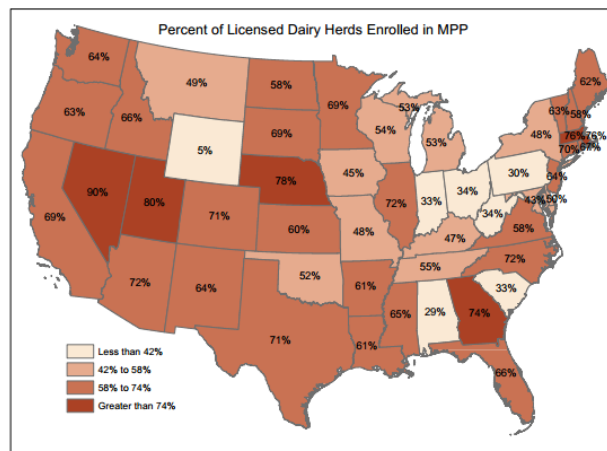
Another year is in the books, and it will certainly be remembered as a year that the dairy industry thrived. 2014 brought record milk prices – Class III averaged at \$22.34 for 2014, \$4.34 high than 2013 and peaked in September at \$24.60; Class IV was \$3.04 higher than 2013, averaging at \$22.09 and peaking in August at \$23.89. The US All Milk Price averaged \$23.97, a \$3.92 increase from 2013 and peaked at \$25.70 in September.

Unfortunately, as we look towards the coming year, prices in 2015 are expected to be much lower than 2014. Class III will likely be around \$16.00 for the month of January, and will continue to decline towards the low \$14's March through May. Price forecasts indicate, though, that after the early quarter lulls, the price may reach the \$16's again by the last quarter of the year. Class IV prices will be taking an even bigger hit, dropping to \$13.50 for January and not recovering to the low \$16's until November. The All Milk Price will be near \$17.45 this month, and is expected to drop into the \$16's. If the All Milk Price follows what is seen in 2015 projections, the price will average \$7 less than 2014. It is important to remember, however, that these are only projections, and there is a lot of uncertainty as to how low prices will actually get in 2015. The drop in upcoming milk prices can be largely attributed to increased milk production in the U.S. and a decrease in dairy exports, and the upcoming year's prices will reflect any increases or decreases in these variables (Cropp, Bob. Memo to Dairy-L. January 22, 2015).

Margin Protection Program for Dairy Producers sign up for 2015 is complete, and earlier this month USDA released preliminary enrollment numbers. 23,807 licensed dairy herds have enrolled, which accounts for 51% of our nation's dairy farms. This number is one third lower than the 35,411 dairy farms that previously participated in the Milk Income Loss Contract in 2013. In New York, approximately 2,414 farms enrolled, accounting for 48% of dairy operations. Of those who enrolled in NY, 57% opted to increase their coverage above the \$4 catastrophic level. The figure below shows participation percentages by state.

It looks like there will most likely be a MPP payment for producers who signed up for protection above the \$6 level. Below the \$6 margin has a low probability as of now for payments, although it could change in the coming months. This year's milk prices will be sensitive to small changes in milk production, domestic sales, and dairy exports (Novakovic, Andrew et. al. Comments on Summary Enrolment Data for MPP-Dairy. January 21, 2015).

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