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Dairy Market Watch

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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					MPP
Month	Butterfat	Protein	I (Boston)	II	III	IV	Jamestown, NY		Albany, NY		Albany \$/gal. to farmer	Milk Margin Minus Feed Costs (\$/cwt)*
Feb 14	\$2.01	\$4.60	\$25.27	\$23.73	\$23.35	\$23.46	\$23.27	(\$0.08)	\$23.87	\$0.52	\$2.06	\$13.91
Mar 14	\$2.04	\$4.52	\$26.89	\$24.22	\$23.33	\$23.66	\$23.82	\$0.49	\$24.42	\$1.09	\$2.11	\$14.01
Apr 14	\$2.12	\$4.71	\$26.90	\$24.74	\$24.31	\$23.34	\$24.31	\$0.00	\$24.91	\$0.60	\$2.15	\$13.65
May 14	\$2.27	\$3.96	\$27.72	\$24.44	\$22.57	\$22.65	\$24.09	\$1.52	\$24.69	\$2.12	\$2.13	\$12.26
June 14	\$2.44	\$3.34	\$26.11	\$23.94	\$21.36	\$23.13	\$23.23	\$1.87	\$23.83	\$2.47	\$2.05	\$11.65
July 14	\$2.63	\$3.18	\$26.27	\$24.41	\$21.60	\$23.78	\$23.60	\$2.00	\$24.20	\$2.60	\$2.09	\$12.68
Aug 14	\$2.84	\$3.15	\$27.12	\$25.34	\$22.25	\$23.89	\$24.26	\$2.01	\$24.86	\$2.61	\$2.14	\$13.74
Sep 14	\$3.24	\$3.49	\$26.88	\$26.11	\$24.60	\$22.58	\$25.01	\$0.41	\$25.61	\$1.01	\$2.21	\$15.40
Oct 14	\$2.85	\$3.74	\$27.44	\$21.93	\$23.82	\$21.35	\$23.20	(\$0.62)	\$23.80	(\$0.02)	\$2.00	\$15.62
Nov 14	\$2.20	\$3.90	\$27.31	\$19.91	\$21.94	\$18.21	\$21.11	(\$0.83)	\$21.71	(\$0.23)	\$1.87	\$13.39
Dec 14	\$2.10	\$2.74	\$25.78	\$19.09	\$17.82	\$16.70	\$19.87	\$2.05	\$20.47	\$2.65	\$1.76	\$10.66
Jan 15	\$1.69	\$2.67	\$21.83	\$16.18	\$16.18	\$13.23	\$16.42	\$0.24	\$17.02	\$0.84	\$1.47	\$8.34
Feb 15	\$1.83	\$2.41	\$19.49	\$14.48	\$15.46	\$13.82	\$15.51	\$0.05	\$16.11	\$0.65	\$1.39	not available
February Utilization (Northeast): Class I = 35%; Class II = 25%; Class III = 23%; 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												
*At a milk margin minus feed costs of \$8 or less, payments are possible depending on the level of coverage chosen by the dairy producer.												

Dairy Commodity Markets (USDA Dairy Market News)

Cheese: Cheese output continues to increase, following seasonal milk production, with many manufacturers electing cheese as the preferred use of milk volumes. Buyers are stepping up to acquire cheese at current price levels, especially cheddar. Some manufacturers are drawing on inventories to fill orders. Supplies of domestic foreign type cheese are readily available.

Fluid Milk: Farm milk production is seasonally active. With the peak of the spring flush just a few weeks away, in some areas, output rates are steady to higher across most of the country. Mild seasonal temperatures are favorable for cow comfort in the Midwest, Utah, and Idaho. Cooler weather persists in the Northeast. Spring break school closings continue to hamper Class I sale volumes throughout the East. Cream markets are seeing an increase in loads clearing to ice cream manufacturing, as interest grows across the country.

Dry Products: The nonfat dry milk market continues to weaken across the country. Increased output and limited demand is impacting prices. Reseller and end-users transactions are picking up. Dry buttermilk prices are mixed. Trading is mostly light, with some discounted transactions. The lactose market is mixed. Contract negotiations are ongoing. Casein markets are mostly unchanged.

Butter: CME Group butter prices are steady to firmer. Demand is mixed for print butter as producers finish up holiday orders. Butter production is active. Retail sales have been strong this year. Retail advertisements have increased. Cream supplies are tight among the regions as demand for other cream products have gone up. Export demand is light.

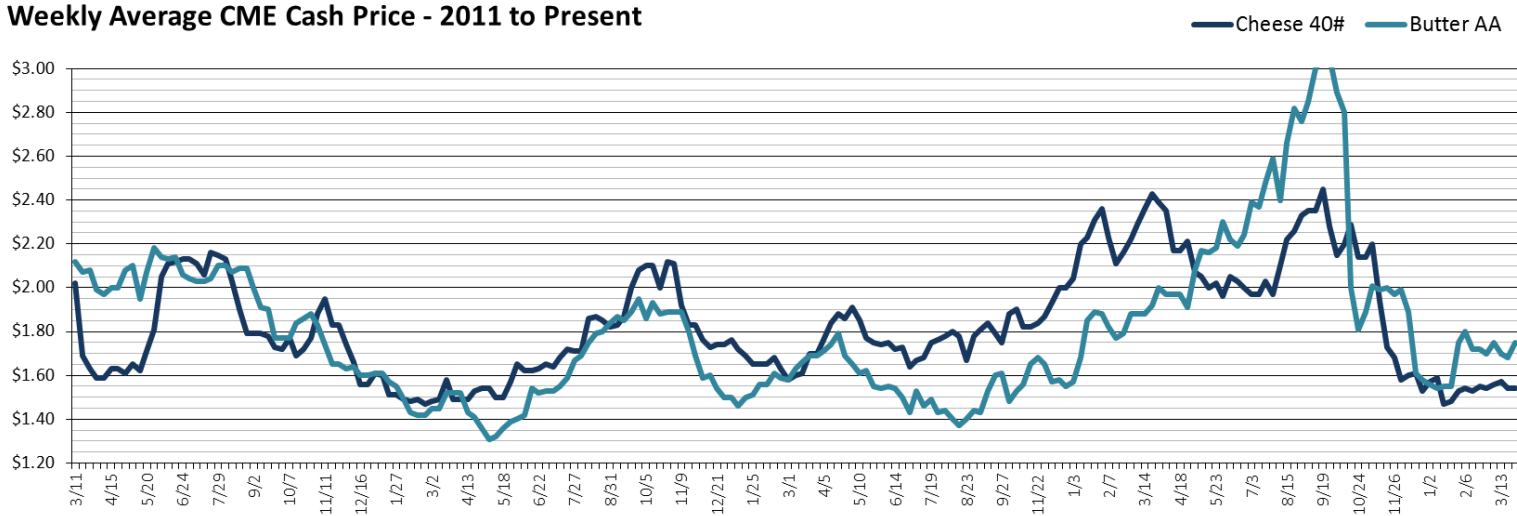
Production: Milk production in the 23 states during February totaled 15.1 billion pounds, up 1.7 percent from February 2014. January revised production, at 16.5 billion pounds, was up 2.2 percent from January 2014. Production per cow averaged 1,757 pounds for February, 8 pounds above February 2014. The number of milk cows on farms in the 23 major states was 8.62 million head, 106,000 head more than February 2014 and 2,000 more than January 2015.

Friday CME Cash Prices					
Dates	2/27	3/6	3/13	3/20	3/27
Butter	\$1.70	\$1.75	\$1.70	\$1.68	\$1.75
Cheese (40# Blocks)	\$1.54	\$1.56	\$1.57	\$1.54	\$1.54

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Weekly Average CME Cash Price - 2011 to Present



Comments: On farm milk prices have remained steady due to stable product prices on the market. Although butter prices declined on the CME from \$1.78/lb to \$1.68/lb they recovered to \$1.75 at the market close on Friday, March 27th. Cheese has shown strength hovering around \$1.55 for 40 pound blocks. March prices have increased from February for all classes, but are still significantly lower than they were in 2014. The March Class III price should round out to be \$15.55, up from February's \$15.46, but much lower than last year's \$23.33.

Dairy exports have not contributed to stable prices for butter, cheese, or dry whey. According to the U.S. Dairy Export Council, dairy exports are at their biggest slump since January 2012. Compared to January a year ago, butterfat exports are down 75%, cheese is down 26%, dry whey is down 15%, and lactose down 23%. On a total milk solids basis, January exports accounted for 11.2% of U.S. milk production compared to a high of 17.7% last year. Because of the strength of the U.S. dollar and the economy, U.S. products are unable to remain competitive on the world market. Europe's economy is still stagnant, and Chinese dairy imports are falling, creating a difficult export market for the U.S. to be successful. (Cropp, Bob. Memo to Dairy-L. March 2015).

It still appears that milk prices may not fall as low this spring as previously expected, and may be higher for the last half of the year. Futures are currently predicting that Class III will be over \$16 by June, \$17 by September, and will hold level through the year's end. However, these prices may be optimistic as we are heading towards the welcome beginning of milk's seasonal flush following drastic winter temperatures and are expecting softening exports through July. This could strain the capacity of some manufacturing plants here in the Northeast. Current trends support an increase in milk production. Last year the USDA estimated that milk production would be 2.2% higher for January, but it ended up only being 1.7% higher. The number of milk cows continued to increase, but at a slow pace of just 2,000 head more than January – Only a 1.1% increase over the past year. (Cropp, Bob. Memo to Dairy-L. March 2015).

Penn State's measure of Income over Feed Costs fell drastically by 10.4% in February as milk prices dropped and feed prices remained unchanged. February's value for IOFC of \$6.41/cow/day is well below 2014's average of \$11.62. Income over feed cost reflects daily gross milk income less feed costs for an average cow producing 65 pounds of milk per day. (Dunn, Jim. Penn State Dairy Outlook. March 2015).

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