



# Dairy Market Watch

## July 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					MPP
Month	Butterfat	Protein	I (Boston)	II	III	IV	Jamestown, NY		Albany, NY		Albany \$/gal. to farmer	Milk Margin Minus Feed Costs (\$/cwt)*
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	\$7.66
Mar 15	\$1.84	\$2.49	\$18.81	\$14.50	\$15.56	\$13.80	\$16.40	(\$0.31)	\$15.85	\$0.29	\$1.37	\$7.53
Apr 15	\$1.89	\$2.56	\$18.75	\$14.98	\$15.81	\$13.51	\$15.36	(\$0.45)	\$15.96	\$0.15	\$1.38	\$7.48
May 15	\$2.06	\$2.52	\$19.08	\$14.81	\$16.19	\$13.91	\$15.67	(\$0.52)	\$16.17	\$0.08	\$1.39	\$7.83
June 15	\$2.10	\$2.69	\$19.39	\$14.77	\$16.72	\$13.90	\$15.94	(\$0.78)	\$16.54	(\$0.18)	\$1.43	Not available

June Utilization (Northeast): Class I = 34%; Class II = 26%; Class III = 20%; Class IV = 20%.

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:** Milk is available to cheese plants in desired volumes but all regions note some decline in milk production and components. The most significant impact has been less surplus milk sold below Class. Some sales at \$2.00 below Class were made in the Midwest. Cheese sales continue to be good. There is increasing discussion about whether private cheese holdings are nearing a point where end users and cut/wrap operations may slow purchasing.

**Dry Products:** Low/medium heat nonfat dry milk prices are lower in a weak market. Dry buttermilk prices were steady to higher in the Central and East and lower in the West. Production is light across the country, limited by strong cream demand from frozen dessert manufacturers. Dry whole milk spot prices are lower on a quiet market. Central and West dry whey prices are steady to lower, although Northeastern whey prices are mixed. Production is mostly steady across the country in a weakening market. Prices for lactose moved slightly lower. Rennet and acid casein prices did not change. Buyers are hesitant to commit to Q4 contracts in a downward trending market.

**Butter:** Churning is active as demand remains strong throughout the country. Demand is limited in the Northeast, steady in the West and has increased slightly in the Central region. Cream levels have tightened so most manufacturers have decided to sell available cream as opposed to churning to higher multiples. Most manufacturers are reporting comfortable inventory levels.

**Fluid Milk:** Farm level milk production is steady to lower following seasonal declining patterns in the Midwest and West, but production is holding strong in Florida. Some processors report a decline in protein content and a reduction of cheese yields. Bottling demand is steady to lower at seasonal levels and is expected to increase as schools re-open in a few weeks.

**Production:** Milk production in the 23 major States during June totaled 16.4 billion pounds, up 0.7 percent from June 2014. May revised production, at 17.2 billion pounds, was up 1.5 percent from May 2014. The May revision represented an increase of 12 million pounds or 0.1 percent from last month's preliminary production estimate. Production per cow in the 23 major States averaged 1,895 pounds for June, no change from the record high of June 2014. The State series began in 2003. The number of milk cows on farms in the 23 major States was 8.63 million.

Friday CME Cash Prices					
Dates	6/26	7/2	7/10	7/17	7/24
Butter	\$1.92	\$1.94	\$1.92	\$1.84	\$1.96
Cheese (40# Blocks)	\$1.64	\$1.62	\$1.73	\$1.61	\$1.69



**Comments:** June milk in the Northeast continued to surpass plant capacity, and some milk was dumped. However, cheese prices are holding up due to fast food sales and the continued use from other end users and cut and wrap operations. Cheese stocks continue to build, but they may have reached a level where demand will soften, and the stock pressure will move prices downward. Milk production growth is continuing its increasingly slow trend upward. Although production was up 1.5% in May, June's increase was a measly 0.7%. This comes from a 0.5% increase in cows and a 0.2% increase in milk per cow. The USDA is still predicting, somewhat optimistically, a 2.3% increase in milk production for next year, although many people speculate it will not follow this pattern. Feed prices are going to average high this fall and winter, making margins lower, and could lead to lower increases in total milk production as producers cut back on feed and animals. (Cropp, Bob. Memo to Dairy-L. July 2015).

Globally, exports are down, and markets are irregular. Problems in Greece, additional challenges in Europe, and weakness in China and East Asia have caused the U.S. dollar to rise against the currencies of other dairy exporters. (Dunn, Jim. Penn State Dairy Outlook. July 2015). As we all have heard, exports are well below last year's level. For butter, they are 74% lower, 10% lower for cheese, and 22% lower for whey. Nonfat dry exports are stagnant with a 1% increase. Exports are not expected to improve any time soon, and for the past year Global Dairy Trade (GDT) prices have fallen – currently, \$1.12 per pound of butter, \$1.19 per pound of cheddar cheese, and \$0.77 per pound of skim milk powder. (Cropp, Bob. Memo to Dairy-L. July 2015).

Estimates show July Class III prices around \$16.25, Class IV price near \$13.45, down from June's prices of \$16.72 and \$13.90, respectively. Class III prices are expected to decline to the low to mid-\$15's for the remainder of the year, and Class IV prices are looking to be in the low 13's, and below. Milk production levels will have a huge impact on milk prices this coming year, and it could be until the second half of next year before the Class III price returns to the \$16's and the Class IV price to the \$15's. (Copp, Bob. Memo to Dairy-L. July 2015).

Penn State's measure of income over feed cost (IOFC) rose by 10% in June, as milk prices increased marginally, and feed costs fell. June's feed cost fell 10 cents from May, making June's IOFC \$7.35/cow/day. Income over feed cost reflects daily gross milk income less feed costs for an average cow producing 65 pounds of milk/day. (Dunn, Jim. Penn State Dairy Outlook. July 2015).



### A Drop In The Bucket

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Milk prices are still falling – Class III to the low \$15's and Class IV to the low \$13's. Exports are down tremendously from this time last year, due to decreased global demand and a strong U.S. dollar. June's value of Income Over Feed Cost is \$7.35 which shows a slight increase from May, as milk prices increased slightly and feed prices declined...for now. Plant production is full, milk is being dumped in some areas, and cheese stocks have probably met their capacity. Corn prices are looking high into fall and winter – weather, strong demand, and low stock piles will drive the prices up, lowering dairy margins. MPP sign up for 2016 has begun, the deadline is September 30<sup>th</sup> to enroll. Wish there was better news – but watch your margins closely, tighten up your cash flow, and keep working hard to **feed the world** with safe, wholesome dairy products!

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