



Cornell University
Cooperative Extension
Chautauqua County

3542 Turner Road
Jamestown, NY 14701
t. 716-664-9502
f. 716-664-6327
<http://cce.cornell.edu/chautauqua>

Dairy Market Watch

August 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)*
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	\$8.15
July 15	\$2.11	\$2.61	\$19.78	\$14.70	\$16.33	\$13.15	\$15.76	(\$0.57)	\$16.36	\$0.03	\$1.41	Not available

July Utilization (Northeast): Class I = 31%; Class II = 26%; Class III = 24%; Class IV = 19%.
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 manufacturing remains active across the country. Although milk intakes have dropped somewhat, the milk received is generally adequate for cheese production. Some Midwestern cheese makers report buying a few spot loads of milk to meet production schedules. Buyer interest for mozzarella and cheddar is high with the beginning of school terms. Domestic demand for cheese has remained strong overall. Strong U.S. prices have made it more difficult for U.S. cheese makers to find export opportunities. Some industry contacts are seeing an increase in price competition from European imports. Most international manufacturers are surprised by the U.S. prices and are clearing additional milk volumes into cheese for export to the U.S., especially hard cheeses.

Dry Products: The nonfat dry milk market tone is mixed in all regions. Upticks occurred in recent international auctions and on the CME and sellers are trying to capture those prices. National spot market activity for dry whole milk is very low. Whey market undertone continues weak in all regions. The demand for casein is steady. The lactose market is quiet with limited spot sales activity.

Friday CME Cash Prices					
Dates	7/24	7/31	8/7	8/14	8/21
Butter	\$1.96	\$1.99	\$1.99	\$2.07	\$2.37
Cheese (40# Blocks)	\$1.69	\$1.75	\$1.75	\$1.69	\$1.74

Butter: Cream availability is tight in all regions. Central and West processors are actively churning as producers are trying to rebuild inventories in advance of the typical seasonal increase in orders during Q4. The butter production activity is light to moderate in the Northeast. The demand for bulk and printed butter is active across the country. In the Northeast, a decline in orders from retailers and food service is expected after the Labor Day holiday. Butter inventories are mixed.

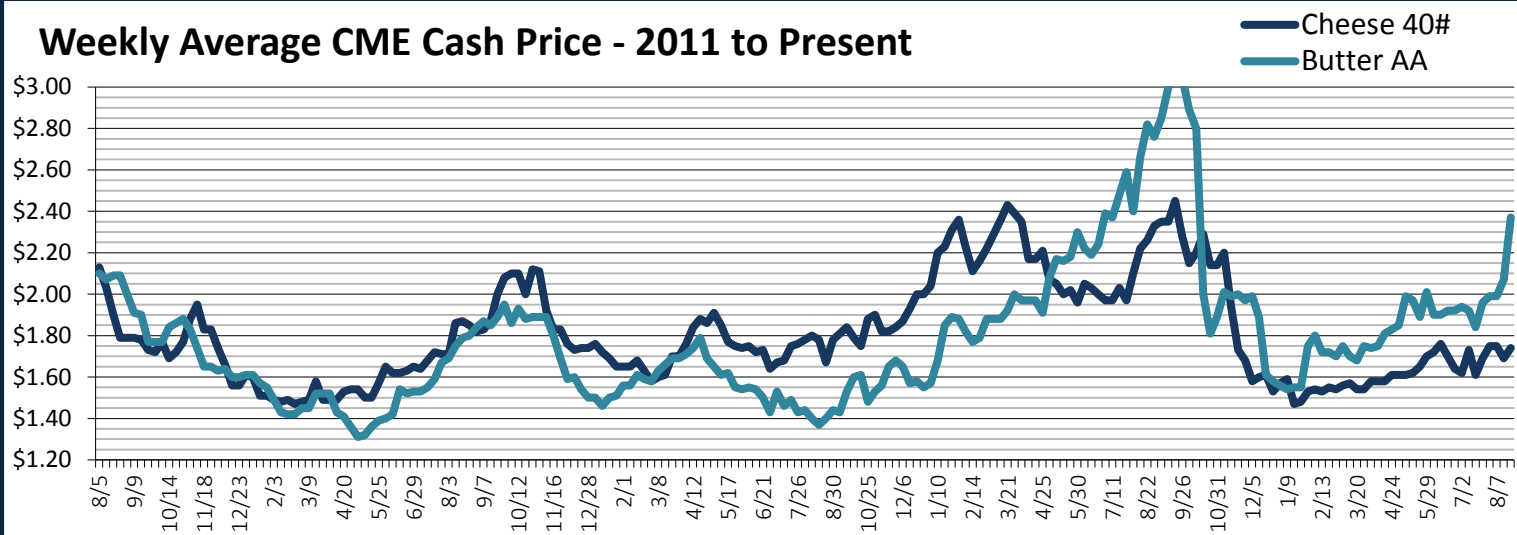
Fluid Milk: Milk production is lower across the country. Bottling orders are increasing as most of the public schools reopened or are reopening during the next few weeks. Manufacturing milk supplies are fairly strong in the Northeast and Mid-Atlantic, steady in the Northwest, and lower in the rest of the regions. Cream demand for churning is good. Cream inventories are mostly tight throughout the country.

Production: Milk production in the 23 major States during July totaled 16.6 billion pounds, up 1.2% from July 2014. Production per cow in the 23 major States averaged 1,921 pounds for July, 12 pounds above July 2014. This is the highest production per cow for the month of July since the 23 State series began in 2003. The number of milk cows on farms in the 23 major States was 8.63 million head, 47,000 head more than July 2014, and 2,000 head more than June 2015.

Building Strong and Vibrant New York Communities

Cornell Cooperative Extension in Chautauqua County provides equal program and employment opportunities.

Weekly Average CME Cash Price - 2011 to Present



Comments: July milk prices held as expected, and prices will continue to remain steady for at least another month. This is due to price supporting factors including declining milk production and seasonal composition, building inventory and order placement for holiday season needs of butter and cheese, and the opening of schools which will return demand on fluid milk. However, dairy production is higher than it was a year ago, and looks to be on an expected upward trend, product stocks are higher than where they were a year ago, and demand for fluid milk is declining. (Cropp, Bob. Memo to Dairy-L. August 2015).

Despite weaker exports, restaurant and food service demand remains strong. June exports declined for the 4th straight month and accounted for 14.6% of total milk production on a total solids basis, compared to 15.4% last year. June cheese exports were 22% lower than a year ago and butter exports were 75% lower. World prices are well below U.S. prices and are at a 10 year low for milk powder. Exports won't be offering much support until at least the second half of 2016. Imports, a result from higher U.S. prices, accounted for an equivalent of 3.8% of U.S. milk production in June, the highest of the year. (Cropp, Bob. Memo to Dairy-L. August 2015).

Milk production is likely to continue to increase by more than 1.0%, and this will likely cause weakness in the market after butter and cheese buyers fulfill their holiday orders, although prices may hold for another month or two. Class III futures show a strengthening for the next few months with October set to peak at \$16.90 and dipping to \$16.25 by December. Looking into 2016, Class III futures show January in the \$15's and rallying to the \$16's towards the end of 2016. (Cropp, Bob. Memo to Dairy-L. August 2015).

Penn State's measure of income over feed cost (IOFC) fell by 3.5% in July, as milk prices increased, and feed costs rose. July's feed cost rose 37 cents from June, making July's IOFC \$6.43/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

Katelyn Walley-Stoll
Extension Educator
Farm Business Management
716-664-9502 Ext. 202
kaw249@cornell.edu

Schools are opening up, holiday orders are building, and milk production is declining. Milk prices are holding – and Class III will probably hang out in the \$16's.

Exports are only accounting for 14.6% of milk production on a total solids basis – down from last year. We can thank a strong domestic economy and low global prices.

July's value of Income Over Feed Cost is \$6.43 which shows a decline from June, as milk prices increased slightly but feed prices increased by even more.

Buyers are busy building stocks for holiday orders, seen by a significant increase in cheese and butter prices.

MPP sign up for 2016 has begun, the deadline is September 30th to enroll.

Looking into 2016, Class III prices are forecasted at the \$15 - \$16 range.