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Dairy Market Watch

September 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	\$7.45
Aug 15	\$2.27	\$2.57	\$19.53	\$14.54	\$16.27	\$12.90	\$15.75	(\$0.52)	\$16.35	\$0.08	\$1.36	Not available

August Utilization (Northeast): Class I = 32%; Class II = 27%; Class III = 26%; Class IV = 15%.
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 production has been relatively steady across the country. Active cheese making has made a home for all available milk supplies. Some northeastern cheese manufacturers say they would make more cheese if they could get more milk. Nationwide, milk intakes are mixed and have been reduced by stretches of hot temperatures in some regions. Consumer cheese demand remains strong. In the Northeast, mozzarella plants are increasing output to keep pace with improving pizza sales. Industry contacts suggest inventories for commodity cheese may be longer than usual for the end of Q3. The market for semi-hard cheese is still strong, while demand for other foreign-type cheese is steady. Prices, both in the U.S. and abroad, are moving lower.

Dry Products: Low/medium heat nonfat dry milk prices are higher in a firming market. Production is steady at most locations. Prices for dry whole milk are lower to steady with sporadic spot market activity. Some manufacturers note a slight increase in activity from buyers as seasonal baking is ramping up for Q4. Lactose prices held steady.

Friday CME Cash Prices					
Dates	8/28	9/4	9/11	9/18	9/25
Butter	\$2.34	\$2.45	\$2.57	\$2.72	\$3.14
Cheese (40# Blocks)	\$1.70	\$1.70	\$1.70	\$1.69	\$1.59

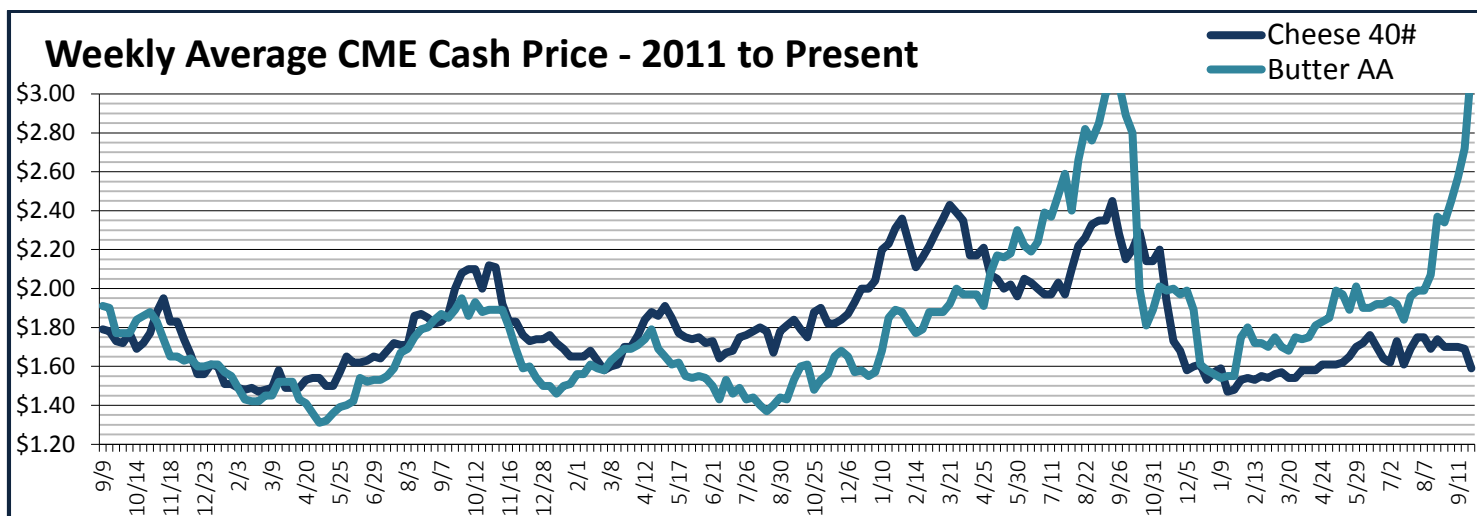
Butter: Churning rates in the East and West regions are increasing, while the Central region is showing slight declines. The availability of cream is thwarting production as other cream-based products are also in high demand right now. Some manufacturers report selling available cream to capture returns week to week. The current climbing prices on the CME Group have many manufacturers concerned about the overall impact on future demand. Inventories are sufficient for current needs, but some processors are depleting stocks or microfixing in order to fill current orders.

Fluid Milk: Milk production across the United States is mixed. Northern tier states are generally seeing a seasonal decline in milk production; however, some handlers also note farm milk pickups are higher in certain areas. Cream supplies are mostly adequate for processors. There is an increased demand for cream from butter and cream cheese processors.

Production: Milk production in the 23 major States during August totaled 16.3 billion pounds, up 0.8 percent from August 2014. Production per cow in the 23 major States averaged 1,891 pounds for August, 6 pounds above August 2014. This is the highest production per cow for the month of August 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, 43,000 head more than August 2014, but unchanged from July 2015.

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Comments: Many things happen around the world, out of our control, that seemingly have nothing to do with the milk check in our mailbox – yet they do. This month has been no exception. China has had a double round of currency devaluation in response to the decline of their economy; Russia and Ukraine's issues are ongoing; the European Union is facing challenges with Greece; immigrants are rushing out of the Middle East and North Africa; Congress has been unable to propose a budget that President Obama will sign; – these are all things that have created some turmoil for our dairy markets. Closer to home, corn and soybean crops have recovered in the Corn Belt, lowering feed prices. The U.S. dollar is strong, undermining export opportunities and decreasing domestic prices. (Dunn, Jim. Penn State Dairy Outlook. August 2015).

Dairy prices have been a “mixed bag” in September. Butter was \$2.29 per pound in late August, but has held in September with a current price of \$3.14. Butter and nonfat dry milk prices have improved the September Class IV price, but cheese and dry whey prices have weakened. World dairy product prices are at their lowest in over a decade – well below U.S. prices. Imports have increased of butter and cheese, and world dairy stocks are at a surplus level. (Cropp, Bob. Memo to Dairy-L. September 2015).

Looking into 2016, prices will hold as stocks of butter and cheese reach the holiday level by early November, but after that, prices will begin to weaken. Exports are down from where they were a year ago, 58% for butter, 21% for cheese, and 22% for nonfat dry milk. July 31st stocks are also higher than where they were a year ago, 40.7% higher for butter. Class III price is expected to decline to the high \$15's to low \$15's for the remainder of the year and into the first half of 2016. Class IV price will be near \$14 in November, and will likely decline to the \$13's after holiday orders are filled, depending on any increase in export volume. (Cropp, Bob. Memo to Dairy-L. September 2015).

Penn State's measure of income over feed cost (IOFC) rose by 7.8% in August, as milk prices rose, and feed costs fell. August's feed cost was 12 cents/cow/day less than in July, making August's IOFC \$6.79/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. August 2015).



A Drop in the Bucket

A lot of things are happening all around the world that affect our milk price. Holiday orders are driving up butter prices (which closed at \$3.14 on 9/25). World dairy product prices are at 10 year low – imports of dairy products are increasing. August's value of Income Over Feed Cost is \$6.79 which reflects milk prices' slight uptick, and declining feed costs. Buyers are busy building stocks for holiday orders, prices will begin to fall again once these are completed. Class III prices will likely fall to the \$15's for the remainder of the year.

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