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Dairy Market Watch

December 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)*
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	\$7.94
Sep 15	\$2.75	\$1.98	\$17.68	\$15.36	\$15.82	\$15.08	\$16.53	\$0.71	\$17.13	\$1.31	\$1.48	\$8.95
Oct 15	\$2.91	\$1.70	\$19.09	\$16.44	\$15.46	\$16.43	\$16.45	\$0.99	\$17.05	\$1.59	\$1.47	\$9.21
Nov 15	\$3.18	\$1.32	\$19.73	\$18.26	\$15.30	\$16.89	\$17.17	\$1.87	\$17.77	\$2.47	\$1.53	Not Available

November Utilization (Northeast): Class I = 36%; Class II = 23%; Class III = 26%; Class IV = 13%.

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: As usual, more milk is available for making cheese over the yearend holidays and cheesemakers are taking advantage of the increased milk that is available. According to the NASS Cold Storage report, U.S. stocks of cheese (total natural) at the end of November 2015 were 1.146 billion pounds, unchanged from October 2015, but up 13% from November 2014.

Butter: Butter production is very active across the country as cream demand from sour cream, whipping cream, aerated cream, and ice cream manufacturers fell sharply ahead of the holiday. Butter makers are ambivalent about churning during this unsettled market. Multiples are lower on cream loads, which benefits cost of production. However, with weak domestic demand and comparatively lower world prices, butter producers are hesitant to add to already sizeable butter inventories. At the end of November, butter stocks were at their highest level since November 2009. The butter market is unsettled, with butter trading within a narrow range for the week.

Friday CME Cash Prices					
Dates	11/25	12/04	12/11	12/18	12/24
Butter	\$2.90	\$2.90	\$2.20	\$2.06	\$2.04
Cheese (40# Blocks)	\$1.58	\$1.52	\$1.45	\$1.44	\$1.41

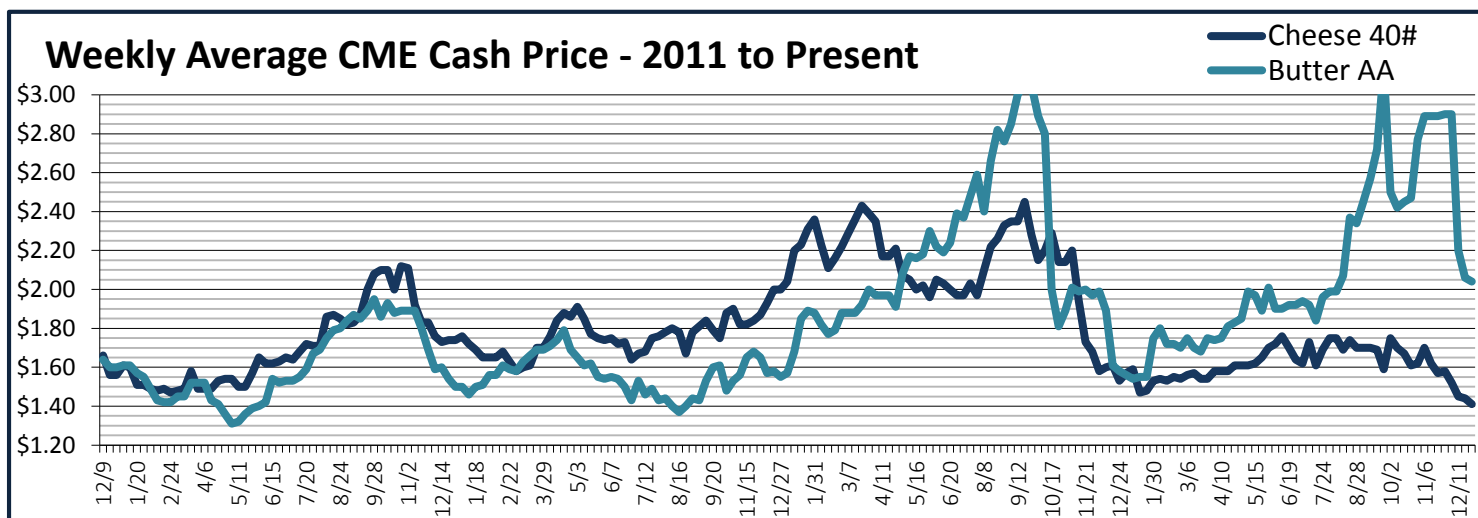
Fluid Milk: Milk production across the nation is steady to Higher. Bottling demand is sharply lower this week as most K-12 and many higher education institutions enter the winter break. Milk is shifting back into manufactured dairy products as bottling slows over the holidays. Cream demand is also light and will likely continue until after the New Year.

Dry Products: Prices for both low/medium heat and high heat nonfat dry milk are unchanged on light trading in the East and Central regions, and mostly lower in the West. Low/medium heat production is more active compared to last week as sales into condensed skim and bottling slow during the holiday week. Dry buttermilk production is projected to be higher this week as additional cream volumes head towards the churns. Dry whole milk prices are steady to slightly higher. Dry whey inventories are projected to build through the two holiday weeks as production increases and many buyers and sellers take a wait and see position until after the holidays. Lactose prices moved slightly higher as spot sale prices continue to inch upward. Casein prices are steady.

Production: Milk production in the 23 major States during November totaled 15.6 billion pounds, up 0.6 percent from November 2014. Production per cow averaged 1,808 pounds for November, 2 pounds above November 2014. The number of milk cows was 8.64 million head, 37,000 head more than November 2014, but unchanged from October 2015.

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Comments: All of Santa's cookies needed some milk this holiday season, but it wasn't enough to help bring up dairy prices. Prices have continued to decline into December, and we will see lower milk prices in the first quarter of 2016. Cheese prices, which closed at \$1.43 per pound for a 40-pound block on December 24th, have likely bottomed out, but may remain low for some time, although optimistic forecasts show a slight uptick over the coming months. Butter prices, still up from the holidays, will continue to decline, while nonfat dry milk and dry whey prices should at least hold. December's Class III price will round out to about \$14.50 compared to \$15.30 in November, and Class IV should round out at \$15.79, down from November's \$16.89. Class III prices will likely bottom out in the low \$13's at the start of this year, and Class IV could be lower than that. There continues to be a large amount of milk on the market, still adjusting from last year's 2.3% increase in milk production followed by this year's 1.1% increase. However, that increase in milk production slowed in the past few months, amounting to 0.3% in October and 0.6% for November nationally, but was 3.3% in New York. (Cropp, Bob. Memo to Dairy-L. December 19, 2015).

Early December brought good cheese and butter sales, but demand virtually halted once the holiday sales were filled. Exports continue to take a hit due to excess worldwide product, decreased demand from market driving countries like China and Russia, and a strong U.S. Dollar. Butter exports were 57% lower in October 2015 compared to October 2014, while butter stocks increased 21%. The price of butter and cheese, which is well above world values, makes an attractive import market for those products coming into the US. (Cropp, Bob. Memo to Dairy-L. December 19, 2015).

Feed costs this winter are looking to be lower than last year, at least for the first half of 2016, helping to hold income over feed costs above catastrophic levels, but milk prices will be too low to really feel "comfortable". This will likely lead to higher cow slaughter and slower rates of increasing milk per cow. Sales of butter and cheese should continue to grow after this holiday season. Depressed milk prices in major exporting countries should lead to lower world milk production, which will help to ebb away at the worldwide buildup of stocks. Recent trading on the Global Dairy Trade has shown some strengthening of prices, which should help US export prices in the 2nd half of the year, along with our declining domestic prices. Some futures show overall dairy prices holding in 2016 – Class III price could be in the \$15's by the third quarter, and \$16's towards the end of 2016. (Cropp, Bob. Memo to Dairy-L. December 19, 2015).

A Drop in the Bucket



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Seasonal Holiday orders, which were helping to keep dairy prices afloat, have all been filled, and stock piles continue to remain well-supplied, leading to low 1st quarter prices in 2016.

Penn State's November value of Income Over Feed Cost is \$7.13, a 5.2% decrease from October as feed prices rose and milk prices stayed the same.

December's Class III price will likely end up at \$14.50, but will decline to the low \$13's into the first quarter of 2016. Class IV could be even lower than that, but will round off at \$15.79 this month.

Many farms will increase slaughter rates as milk prices decline, which will lead to less milk on the market. This, along with more favorable export conditions, may help rally prices in the second half of 2016.