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Dairy Market Watch

January 2016

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)*
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	\$10.01
Dec 15	\$2.90	\$1.35	\$19.96	\$16.71	\$14.44	\$15.52	\$16.12	\$1.68	\$16.72	\$2.28	\$1.44	Not Available

December Utilization (Northeast): Class I = 36%; Class II = 21%; Class III = 26%; 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 production is steady in the West and Midwest, but lower in the Northeast due to the impact of last weekend's massive snow storm, which hindered milk movements. Some milk from the East moved into Midwest cheese plants. Overall awareness of future challenges in moving higher volumes of cheese production into markets, domestic and export, has become more pronounced.

Butter: Butter churning is strong across the nation as cream supplies are readily available. Bulk butter output is clearing into cold storage. Prices for bulk butter are ranging from 4 cents under to 8 cents over the market, based on CME Group prices and various indices. In the East, the emergency of winter storm Jonas caused a slight drop in butter sales. At this point, the market undertone is uncertain. The NASS Cold Storage report noted U.S. butter stocks on December 31 were 152.9 million pounds, 15% higher than last month and 46% higher a year ago.

Friday CME Cash Prices					
Dates	12/31	1/8	1/15	1/22	1/29
Butter	\$2.08	\$2.04	\$2.25	\$2.17	\$2.20
Cheese (40# Blocks)	\$1.51	\$1.46	\$1.50	\$1.46	\$1.46

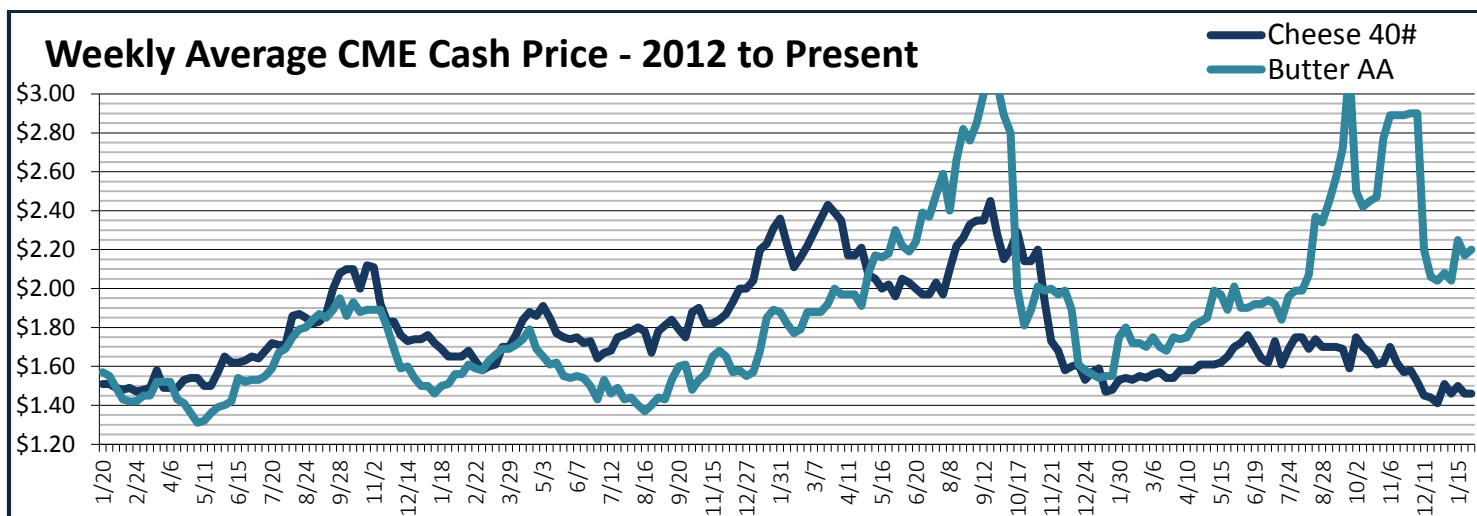
Fluid Milk: In the Northeast and Mid-Atlantic regions, farm level milk production is slightly up. Bottling orders are mixed following the heavy demand prior to the winter storm Jonas. Milk hauling has been negatively impacted by the storm. Cream volumes are heavy throughout the country and are mostly clearing into butter churns.

Dry Products: The market undertone is mixed for nonfat dry milk products. Interest is sluggish for some, but others are optimistic about future prices. Dry buttermilk production is active, in line with the butter output. However, in the East, drying schedules are steady to somewhat lighter, as the snow storm disrupted butter production. Dry whole milk spot sales have been light throughout the week. Dry whey production is stable and inventories are balanced. Spot load availability is light to moderate. The interest for lactose is generally good and steady this week.

Production: Milk production in the 23 major States during December totaled 16.4 billion pounds, up 0.7 percent from December 2014. Production per cow averaged 1,894 pounds for December, 6 pounds above December 2014. This is the highest production per cow for the month of December since the 23 State series began in 2003. The number of milk cows was 8.64 million head, 29,000 head more than December 2014, and 1,000 more than November 2015.

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Comments: 2015 was a transition year for our nation's dairy farmers as the industry struggled with declining prices after the record high year of 2014. But now, as we look into 2016, low dairy prices will be the theme – at least for the first two quarters. Following the fulfillment of holiday orders in the last quarter of 2015, prices fell significantly. Butter, which started out in December 2015 at \$2.90 a pound, dropped as low as \$2.01 at the end of the month, but has since rallied to \$2.20 at the end of January. 40-pound block cheddar was \$1.71/lb at the end of November 2015, falling to a mostly stagnant \$1.46 throughout the first month of 2016. Product prices for January 2016 for Class III will likely settle near \$13.75 compared to \$14.44 last December and \$16.18 a year ago. The last time Class III was this low was in January of 2011. Class III will remain below \$14 throughout the first quarter (Cropp, Bob. Memo to Dairy-L. January 23, 2016).

The USDA is forecasting milk cows to average 0.2% lower and milk per cow to average 1.8% higher netting a 1.6% increase in total milk production. Lower feed prices should help to offset lower milk prices, but many dairy producers will increase their cull rates. This may make the overall milk production increase for 2016 compared to 2015 lower than 1.6%, which will help prices rally later this year. The first half of the year will continue to bring lower exports as the still lingering buildup of world dairy stocks doesn't help with market competition from the EU and New Zealand. Early estimates, however, show that New Zealand could be down on milk production as much as 10% for the July 2015 to June 2016 production year due to drought conditions, and lowered cow numbers (Cropp, Bob. Memo to Dairy-L. January 23, 2016).

As 2016 rolls along, milk prices will show improvement. Class III prices could be back into the \$16's by the end of the year, averaging \$0.50 lower than 2015. Butter prices will play a key role in keeping milk checks stable, and the Average All Milk Price for 2016 could average \$15.35 to \$16.15, according to the latest USDA milk price forecast. However, a lot can change as the year moves along, and we will be watching closely the export market, domestic production, and average cow numbers and how those factors affect worldwide and U.S. Dairy Stocks.



A Drop in the Bucket

2016 will be a year of low dairy product prices - how low they will go is the question of the hour...and how long it will take for them to recover is on everyone's mind.

Penn State's December value of Income Over Feed Cost is \$6.88, a 10.5% decrease from November, and the lowest value since summer, and is lower than any other December values from the past 5 years.

January's Class III price will likely end up at \$13.75, and will continue to stay below \$14 for the first quarter of 2016.

In related news, 3 servings of dairy continued to remain a staple product in the newly updated USDA Dietary Guidelines for Americans, as an effort to provide excellent nutrition and nutrients to help combat our nation's poor bone health (low bone mass) which afflicts 51% of women and 35% of men.

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