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Dairy Market Watch

June 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)*
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	\$9.09
Jan 16	\$2.31	\$1.82	\$19.29	\$14.19	\$13.72	\$13.31	\$14.37	\$0.65	\$14.97	\$1.25	\$1.29	\$8.10
Feb 16	\$2.38	\$1.74	\$16.89	\$14.30	\$13.80	\$13.49	\$14.14	\$0.34	\$14.74	\$0.94	\$1.27	\$7.91
Mar 16	\$2.20	\$1.92	\$17.03	\$13.57	\$13.74	\$12.74	\$13.66	(\$0.08)	\$14.26	\$0.52	\$1.23	\$7.46
Apr 16	\$2.23	\$1.84	\$16.99	\$13.54	\$13.63	\$12.68	\$13.70	\$0.07	\$14.30	\$0.67	\$1.23	\$6.83
May 16	\$2.28	\$1.49	\$16.95	\$13.53	\$12.76	\$13.09	\$13.58	\$0.82	\$14.18	\$1.42	\$1.22	Not Available

May Utilization (Northeast): Class I = 31%; Class II = 25%; Class III = 26%; Class IV = 18%.

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 active throughout the country. Some manufacturers are cutting back slightly as a way to manage large inventories. Recent strength in the cheese prices has aided cheese producers. However, Western manufacturers do get the sense that buyers are shopping around, and don't have a sense of urgency to make a purchase. Sales in the Northeast are reportedly lagging behind production rates, causing stocks to accumulate. Inventories are mixed. Some market participants believe the price difference in cheese between U.S. and world competitors is too large for domestic cheese to compete in the international markets. Therefore, exports are light.

Butter: Butter churning is generally below plant capacity in much of the country. Spot cream availability is tighter. Some manufacturers are also reluctant to purchase cream at current premiums and are content to calibrate churning to contracted cream supplies. International interest is quiet, as U.S. butter prices are currently not competitive in the world market.

Friday CME Cash Prices					
Dates	5/20	5/27	6/3	6/10	6/17
Butter	\$2.07	\$2.06	\$2.10	\$2.20	\$2.36
Cheese (40# Blocks)	\$1.31	\$1.38	\$1.44	\$1.47	\$1.51

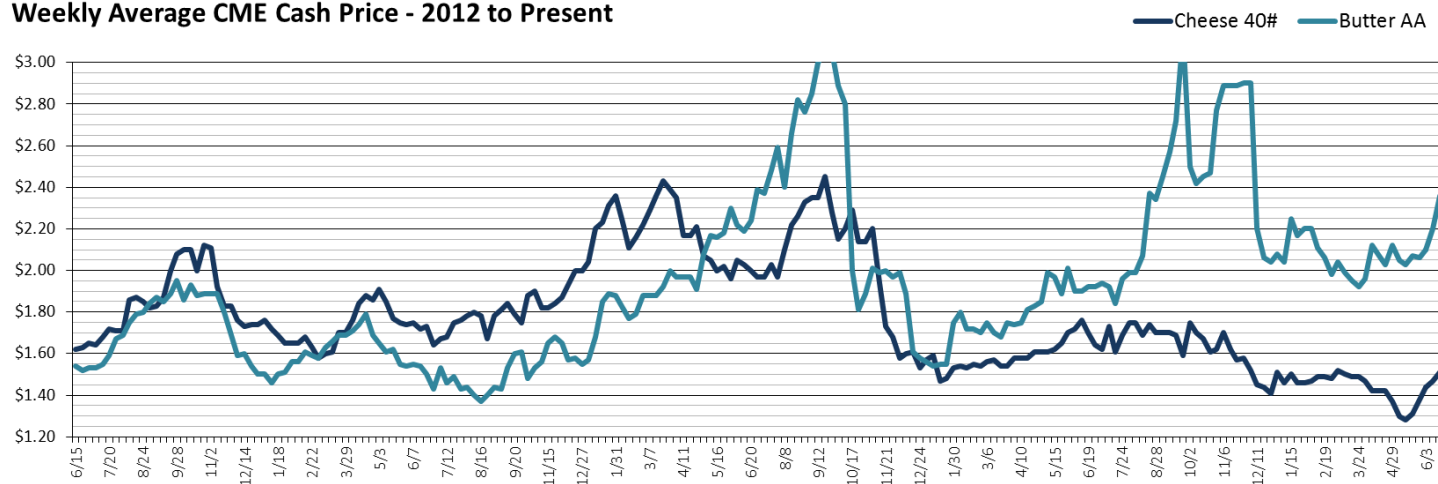
Fluid Milk: Hot humid temperatures across the U.S. are affecting cow comfort and in some cases, causing noticeable decreases in milk production. Northeast and upper Midwest contacts, however, indicate that milk production outputs remain strong. Butterfat levels are trending seasonally lower. Ice cream production is seasonally strong, causing cream to tighten. Cream spot loads are increasingly difficult to come by.

Dry Products: Low/medium heat nonfat dry milk prices are mixed this week. Some market participants anticipate prices to continue to climb and are making forward purchases. Other industry contacts believe firming prices to be short lived, and are taking the wait and see approach. International interest is reportedly stronger than domestic in a steady to firm market. Dry buttermilk prices are higher in the Central and East regions but unchanged in the West. Production slowed for many manufacturers as cream cleared into alternative dairy processing use. Production is intermittent in a mixed market. Dry whey prices are steady to higher. WPC 34% prices are steady to higher. Strong sales to both domestic and international outlets have tightened inventories and firmed up the market. Lactose prices are unchanged in a firm market. Supply is limited outside of contracts. International interest is strong. Seasonal changes are limiting casein supply and driving prices for both rennet and acid casein higher.

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Weekly Average CME Cash Price - 2012 to Present



Comments: Maybe it was the push for “June is Dairy Month” or an early summer bringing the ice cream crowd out early, but last month’s prices did not drop as far as expected and remained steady. The future of dairy prices look much brighter than it did a month ago for several reasons and considerations in spite of strong milk production, increasing domestic product stocks, and a weak export market. We should see June’s Class III price to be around \$13.25, as compared to May’s low of \$12.76. June’s Class IV price should round out around \$13.79, compared to May’s \$13.09. If these dairy product prices hold, or, probably a bit too optimistically, increase...milk prices will remain much higher than they were forecasted at the beginning of 2016.

There are several reasons that prices rallied, what little they did, and sales of butter and cheese have been good and look like they’ll remain steady. Exports remained low, but there seems to be some unrest around the world due to weather conditions and the effect of low prices getting to our international competitors. China may start to increase imports later this year, and New Zealand, Australia, and the EU look like they are slowing down production. High grain prices and hot, humid weather in the U.S. will also lower milk components and decrease milk production per cow. Although milk production in New York jumped 4.9% in the past month, nationally the trend is slowing with only an additional 3,000 cows being milked as compared to a year ago.

Class III and Class IV futures have responded to this month’s higher dairy prices. Future for Class II show prices as \$15.05 for July, in the \$16’s for August through November, and ending the year in the high \$15’s. Class IV futures show \$15.59 for July, and steadying in the \$16’s for the rest of the year. These number are looking much better as far as forecasting goes, however the prices of corn, soybean meal, and alfalfa have all increased – tightening the margins on dairy farms even further. (Cropp, Bob. Memo to Dairy-L. June 21, 2016).

While we’ve still got a tough year ahead for the industry, this past month has given prices some hope that we all need to get through the summer season while dealing with the hot, humid weather, and ever-demanding crops. Hang in there – and Happy “June is Dairy Month”. Thank you for all that you do to provide the world safe, wholesome dairy products!



A Drop in the Bucket

Price have remained steady and things are looking like we’ve hit the low. June’s Class III should be around \$13.25 and Class IV should be around \$13.79.

Cow numbers and milk production have started to slow, which should help to even out the supply domestically.

The weather is playing a big role this year – production per cow increases are slowing, feed prices are rising, and milk components will continue to drop as farms back off on feed additives and forages.

Looking like we’ll be up in the \$15’s for Class III and the \$16’s for Class IV to round out this tough year of 2016.

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