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# Dairy Market Watch

## July 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)*
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	\$5.77
July 16	\$2.41	\$1.48	\$16.39	\$14.12	\$13.22	\$13.77	\$13.86	\$0.64	\$14.46	\$1.24	\$1.25	Not Available
June Utilization (Northeast): Class I = 30%; Class II = 25%; Class III = 28%; 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 vats are full across the U.S. this week. Northeast cheese production remains steady despite several plant maintenance projects. Northeast contacts report slowing sales and growing inventories. International interest remains light. The market undertone is mixed.

**Butter:** Butter production is active across the nation. However, a few processors are selling cream instead of churning as multiples are relatively high. Although cream supplies are generally tight, there are enough volumes for butter manufacturing. At this point, the butter market undertone is firm. Domestic demand from retailers is strong. Butter inventories are mixed throughout the country. Small scale microfixing is taking place in some eastern plants. This week, bulk butter pricing across all regions is 1 cent under market to 8 cents above, based on the CME Group with various time frames and averages used. Foreign Agricultural Service (FAS) reports June 2016 U.S. imports of butter totaled 1.2 million pounds, an increase of 57.6% from a year ago, while 8.1% of the yearly quota.

**Fluid Milk:** Farm-level milk production is trending lower across the country as seasonally high temperatures advance. However, milk supplies are ahead of demand in most locales. In the meantime, milk producers in the Northeast are contending with developing drought conditions. Milk marketers are anticipating the current weak to steady Class I demand to rise. School pipelines are looking ahead to the beginning of another calendar year in several weeks. Class II demand for condensed skim and cream is unchanged to higher, as ice cream producers request increasingly larger volumes.

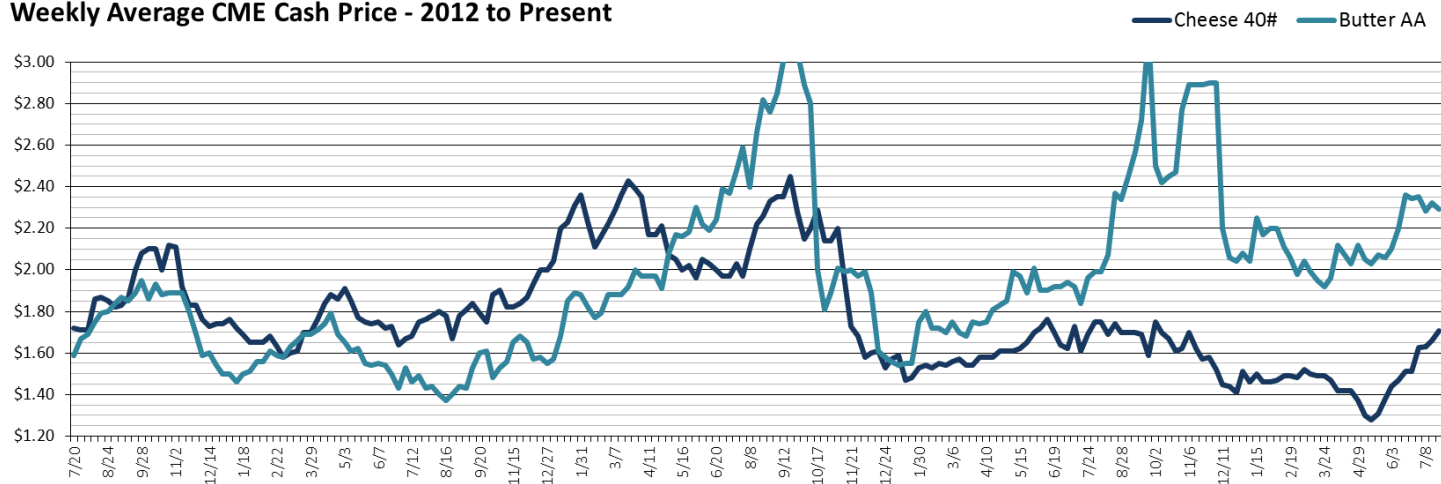
**Dry Products:** Overall, dry dairy commodities markets are unsettled. Buyers are hesitant to go long on most dry products. Nonfat dry milk stocks are building as strong production weighs on the market. Dry buttermilk markets are unsettled, with limited supplies in some areas, and pressure continuing from the NDM market. Dry whole milk prices are unchanged on light trading. Dry whey prices are steady in the Central and West regions, with some upward movement in the East. Active cheese manufacturing supports strong dry whey streams. The whey protein concentrate 34% prices are steady. Manufacturers' stock availability is good in some instances, but committed in others. The lactose market is steady. Higher mesh lactose inventories are tight. Casein market prices firmed.

Friday CME Cash Prices					
Dates	6/24	7/1	7/8	7/15	7/22
Butter	\$2.35	\$2.35	\$2.28	\$2.32	\$2.29
Cheese (40# Blocks)	\$1.51	\$1.63	\$1.63	\$1.66	\$1.71

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### Weekly Average CME Cash Price - 2012 to Present



**Comments:** It looks like, for now, that milk prices bottomed out in May and are headed upwards into June and July – though not as quickly as we all need. May Class III was at \$12.76, with June increasing to \$13.22, and July looking like it will be around \$15.35. Class IV followed a similar trend, with \$13.09 in May, \$13.77 in June, and \$15.10 projected for July. Class III futures look to be in the \$16's for the remainder of 2016, and Class IV futures should also reach the \$16's in September – still to be determined, though, if those prices will hold as projected, especially if cheese and dry whey prices don't dramatically increase in the near future.

The export market doesn't look like it will be of any help for a price boost in the near future as world dairy product prices are still low. Domestic prices can't compete, and there is still too much product on the market to move. Domestic stocks have also been steadily decreasing, with butter 22.5% higher than a year ago and cheese stocks 12.4% higher than a year ago.

June and July's price boost came in spite of increasing milk production, 1.5% higher than a year ago and relatively stable cow numbers, at 9.37 million head, 5,000 head higher than a year ago. Milk production per cow was up 1.4% in June, which we may see a decline due to seasonally high temperatures and summer conditions. New York's milk production was 4.2% higher than a year ago.

Time will tell if actual product prices will reach the peaks seen on the dairy futures market, but reaching the \$15's should be achievable, at least, for Class III and Class IV. This would put Class III averages for 2016 at \$14.50, as compared to \$15.80 in 2015 and \$22.34 in 2014. Class IV would average \$14.45 for 2016, as compared to \$14.35 last year and \$22.09 in 2014. USDA forecasts are lower for 2016, with both Class III and Class IV around a \$14 average. (Cropp, Bob. Memo to Dairy-L. July 21, 2016).



## A Drop in the Bucket

May's prices look like they may have been the bottom, as June's prices improved and July's are looking like they will improve as well.

In spite of decreased prices, milk production per cow and as a total and continued to increase, although we may start to see a slow due to seasonally high temperatures and humid conditions.

Income Over Feed Cost increased by a whopping 18.5% as product prices increased and feed prices decrease. June's IOFC was \$6.74.

Looking like we'll be up in the \$15's for Class III and Class IV by the end of the year, possibly even the \$16's.

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