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Dairy Market Watch

January 2017

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 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
June 16	\$2.41	\$1.48	\$16.39	\$14.12	\$13.22	\$13.77	\$13.86	\$0.64	\$14.46	\$1.24	\$1.25	\$5.75
July 16	\$2.59	\$1.91	\$16.95	\$15.16	\$15.24	\$14.84	\$15.07	(\$0.17)	\$15.67	\$0.43	\$1.35	\$7.59
Aug 16	\$2.48	\$2.57	\$18.32	\$15.21	\$16.91	\$14.65	\$15.82	(\$1.09)	\$16.42	(\$0.49)	\$1.36	\$9.26
Sep 16	\$2.31	\$2.56	\$19.81	\$14.66	\$16.39	\$14.25	\$15.95	(\$0.44)	\$16.55	\$0.16	\$1.38	\$9.48
Oct 16	\$2.04	\$2.29	\$19.85	\$14.09	\$14.82	\$13.66	\$15.08	\$0.26	\$15.68	\$0.86	\$1.35	\$8.84
Nov 16	\$2.10	\$2.80	\$18.03	\$14.60	\$16.76	\$13.76	\$15.19	(\$1.57)	\$15.79	(\$0.97)	\$1.36	\$9.98
Dec 16	\$2.34	\$2.69	\$20.13	\$15.26	\$17.40	\$14.97	\$16.53	(\$0.87)	\$17.13	(\$0.27)	\$1.43	Not Available

December Utilization (Northeast): Class I = 35%; Class II = 22%; Class III = 25%; 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: Cheesemakers across most of the country are continuing to see readily available milk. Cheese production, corresponding with the milk supply, is fully active. Cheese contacts are anxious regarding the near-term market as the CME price spread between blocks and barrels on Friday grew to \$0.2400, favoring blocks. As recently as November 2016, the price spread was as low as \$0.04. Demand, both in food service and retail, has been fair to strong across the U.S. Steady demand, particularly for pizza cheese, has been stimulated by the football playoffs and the upcoming Super Bowl.

Butter: Nationwide, butter production is active as large cream supplies continue clearing into butter churns. Processors are hesitant to buy extra cream, as their supplies are plentiful at this moment. Overall, butter makers are focusing operational schedules on bulk production, while stocks continue building into cold storage. Meanwhile, print output is strengthening in some plants ahead of the upcoming spring holiday needs. Demand for butter varies throughout the country. Butter interest from global markets is sluggish, as tender values from several international manufacturers are below the current domestic prices.

Friday CME Cash Prices					
Dates	11/23	12/2	12/9	12/16	12/23
Butter	\$2.04	\$2.18	\$2.06	\$2.19	\$2.24
Cheese (40# Blocks)	\$1.86	\$1.81	\$1.71	\$1.80	\$1.69

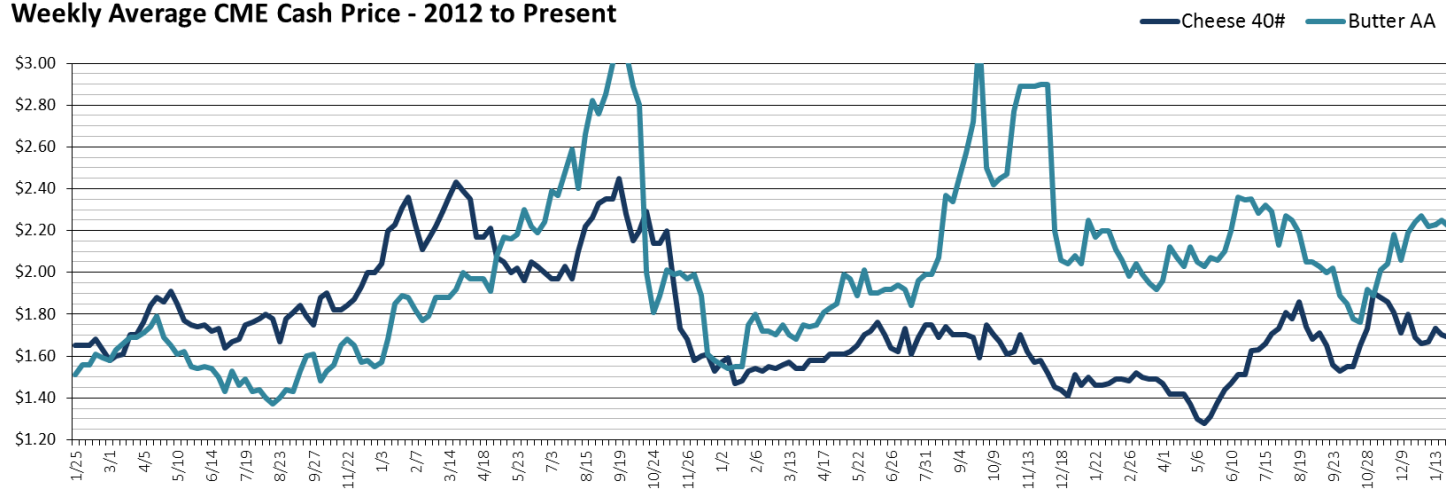
Fluid Milk: Farm milk production is higher in most parts of the country, following seasonal patterns. However, milk output is down in California and New Mexico mainly due to muddy conditions at some dairy operations. The wintry weather in the Pacific Northwest and the mountain states of Idaho, Colorado, and Utah, has been conducive to lower milk yields. Nationwide, farm milk intakes are more than adequate for manufacturing purposes. In the South Central area, there have been some fluctuations in farm milk pick up volumes due to the rainy weather. Bottled milk requests from several market channels vary in every region of the country. Condensed skim is readily available in all regions with most of the volumes clearing into dryers. Heavy cream supplies continue clearing into churns. Spot cream demand from butter makers is light.

Dry Products: Low/medium heat nonfat dry milk pricing weakness was seen this week at the CME. The market is primarily firm in the Central region, but looks to be unsteady in the East and West regions. Inventories vary throughout the country. Supplies of high heat nonfat dry milk are sufficient for customer needs in the Central region, but are tight in the East and West coasts. Central dry buttermilk output is on track with active butter churning in the Central region. However, dry buttermilk production is limited in the East and West due to large condensed skim volumes clearing into dryers. Overall, the dry buttermilk market undertone is steady in all regions.

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Weekly Average CME Cash Price - 2012 to Present



Excerpt from "Dairy Situation and Outlook, January 24, 2017"

by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

USDA's milk production report estimated December milk production to be 2.2% higher from a year ago, the results of 0.4% more cows and 1.8% more milk per cow. This brings total milk production for the year to 212.5 billion pounds, 1.9% more than 2015. The increase in milk production was driven primarily by more milk per cow which was 1.7% higher than 2015. The average number of milk cows was just 0.2% higher than 2015. Milk prices ended the year much improved over prices during the first half. The Class III averaged just \$13.48 for the first half, but improved to \$16.25 for the second half. Class III was \$16.76 for November and the high for the year of \$17.40 for December. The Class IV price averaged \$13.18 for the first half and \$14.36 for the second half and the high for the year of \$14.97 for December.

The Class III price improved with CME butter prices above \$2.00 per pound since mid-December, higher cheese prices and higher dry whey prices. On the CME 40-pound block cheddar cheese averaged \$1.7335 in December and cheddar barrels averaged \$1.6132. Dry whey prices were in the \$0.20's per pound the first seven months of the year improved to \$0.40 by December. Butter above \$2.00 per pound and nonfat dry milk which averaged \$0.89 per pound in November reached \$1.02 the end of December improved the December Class IV price. Despite relatively high stocks December prices held for butter and cheese. December 31st butter stocks increased from November and were 12.8% higher than a year ago. Total cheese stocks also increased from November and were 5.3% higher than a year ago.

Forecasts are for improved milk prices in 2017. USDA is forecasting the average number of milk cows to increase 0.4% and milk per cow to increase 1.8% resulting in 2.2% more milk to be produced. With that relatively strong production increase how much milk prices increase will depend upon continue good butter and cheese sales and continued growth in dairy exports. Continued growth in the economy and improved consumer confidence spells well for good sales. Milk production for four of the major exporters—EU, New Zealand, Australia and Argentina—are expected to be lower than a year ago and not expected to show increases any time before the second half of the year. U.S. is the only major exporter experiencing higher milk production. World demand is also improving with more activity from China, Southeast Asia and others. The world supply and demand is slowly tightening and world dairy product prices are increasing. These are favorable factors for growth in U.S. dairy exports.

The January Class III price will fall from the December high but the January Class IV price will be higher. Butter has fallen from its January high of \$2.30 per pound to \$2.2175 and is expected to fall some more. CME 40-pound block cheddar started January at \$1.67 per pound, peaked at \$1.75, but has fallen to \$1.64. Cheddar barrels started January at \$1.595 per pound, peaked at \$1.6975 and have fallen to \$1.48. Dry whey prices continues to strengthen is trading as high as \$0.48 per pound giving support to the Class III price. Nonfat dry milk prices have also fallen to \$0.995 per pound, but should show strength in the months ahead. The January Class III price could be about \$16.50 and the Class IV price near \$16.00. But, unless cheese prices rebound the Class III could fall below \$16 for February. But, Class III should stay in the \$16's through May or June and then move into the \$17's for the remainder of the year. The Class III price could average more than \$2.00 higher than 2016.