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Dairy Market Watch

November 2014

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				
Month	Butterfat	Protein	I (Boston)	II	III	IV	Jamestown, NY		Albany, NY		Albany \$/gal. to farmer
Oct13	\$1.66	\$3.41	\$22.45	\$20.56	\$18.22	\$20.17	\$19.73	\$1.51	\$20.33	\$2.11	\$1.75
Nov13	\$1.63	\$3.63	\$23.45	\$20.76	\$18.83	\$20.52	\$20.13	\$1.30	\$20.73	\$1.90	\$1.79
Dec13	\$1.77	\$3.54	\$23.62	\$21.66	\$18.95	\$21.54	\$20.64	\$1.69	\$21.24	\$2.29	\$1.83
Jan 14	\$1.79	\$4.19	\$24.73	\$22.21	\$21.15	\$22.29	\$21.78	\$0.63	\$22.38	\$1.23	\$1.93
Feb 14	\$2.01	\$4.60	\$25.27	\$23.73	\$23.35	\$23.46	\$23.27	(\$0.08)	\$23.87	\$0.52	\$2.06
Mar14	\$2.04	\$4.52	\$26.89	\$24.22	\$23.33	\$23.66	\$23.82	\$0.49	\$24.42	\$1.09	\$2.11
Apr14	\$2.12	\$4.71	\$26.90	\$24.74	\$24.31	\$23.34	\$24.31	\$0.00	\$24.91	\$0.60	\$2.15
May14	\$2.27	\$3.96	\$27.72	\$24.44	\$22.57	\$22.65	\$24.09	\$1.52	\$24.69	\$2.12	\$2.13
June14	\$2.44	\$3.34	\$26.11	\$23.94	\$21.36	\$23.13	\$23.23	\$1.87	\$23.83	\$2.47	\$2.05
July14	\$2.63	\$3.18	\$26.27	\$24.41	\$21.60	\$23.78	\$23.60	\$2.00	\$24.20	\$2.60	\$2.09
Aug14	\$2.84	\$3.15	\$27.12	\$25.34	\$22.25	\$23.89	\$24.26	\$2.01	\$24.86	\$2.61	\$2.14
Sep14	\$3.24	\$3.49	\$26.88	\$26.11	\$24.60	\$22.58	\$25.01	\$0.41	\$25.61	\$1.01	\$2.21
Oct14	\$2.85	\$3.74	\$27.44	\$21.93	\$23.82	\$21.35	\$23.20	(\$0.62)	\$23.80	(\$0.02)	\$2.00

October Utilization (Northeast): Class I = 38%; Class II = 24%; Class III = 24%; Class IV = 14%
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.

Dairy Commodity Markets (USDA Dairy Market News)

Butter: Butter manufacturers are busy filling orders to ensure shipment deadlines are met for Thanksgiving. Many plants are running schedules at or near capacity levels. However, they are conscious of keeping inventory levels in check as some anticipate weaker prices in the coming weeks. Cream tightened as Class II manufacturers are pulling stronger on cream supplies. Domestic butter interest is strong in both the retail and food service segments. The market tone is steady.

Cheese: Cheese production is comfortably meeting active sales demand focused on holiday retail buyers, as well as food service customers. Milk is adequate and in some areas there is surplus milk available. Most manufacturers do not have inventory concerns. Some western cheese manufacturers are encountering difficulties in getting already sold cheese moving into export due to a work slowdown in some ports along the Pacific. This is causing some inefficiencies in trucking the cheese to cold storage facilities pending the resumption of normal export flows.

Dry Products: Nonfat dry milk prices are lower throughout all regions. Manufacturers are seeing steady to marginal increases in production. Demand is light. Dry buttermilk prices continue to decline. The market is growing weaker, as holiday production climbs and buyer interest remains stagnant. The dry whey market tone is weakening, as export markets pressure prices lower. Lactose prices are mostly lower, in a weak market. Sellers have to adjust prices to aid lactose exports, due to a stronger U.S. dollar.

Fluid Milk: Milk distribution was brought to a virtual halt as cold wintery weather produced an unanticipated monster snow storm in parts of the Northeast region. Seasonally cold temperatures are factoring significantly and causing mixed levels of farm milk production across the country. Bottlers have ramped up production to keep pace with increased retail orders, prior to the holiday week. Manufacturers are expecting heavier volumes of milk intakes next week as schools close for the Thanksgiving holiday.

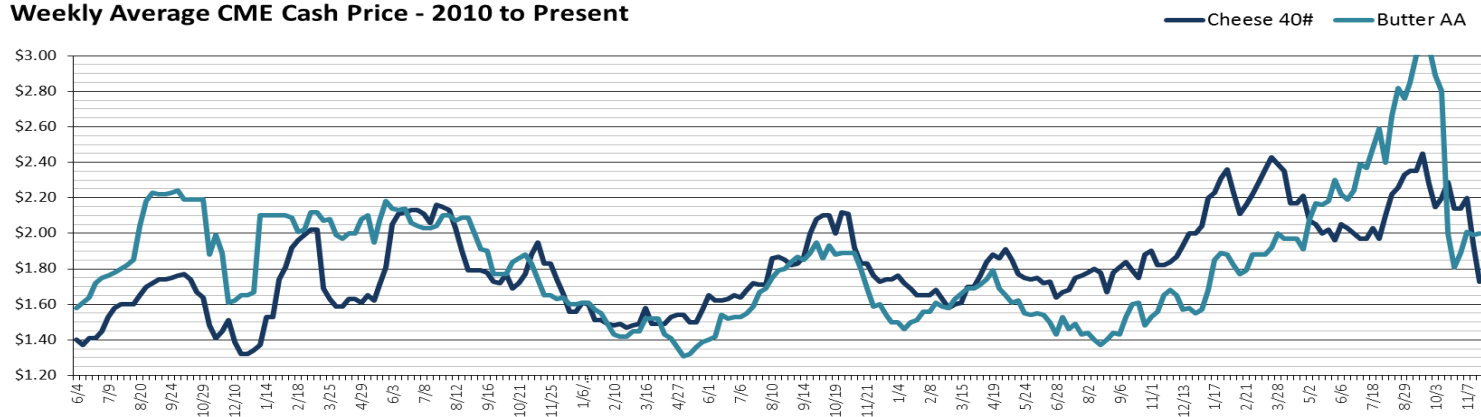
Milk Production: Milk production in the 23 major States during October totaled 16.0 billion pounds, up 3.9% from October 2013. Production per cow averaged 1,868 pounds for October, 51 pounds above October 2013. This is the highest production per cow for the month of October since the 23 State series began in 2003.

Friday CME Cash Prices					
Dates	10/24	10/31	11/7	11/14	11/21
Butter	\$1.81	\$1.89	\$2.01	\$1.99	\$2.00
Cheese (40# Blocks)	\$2.14	\$2.14	\$2.20	\$1.94	\$1.73

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Weekly Average CME Cash Price - 2010 to Present



Comments:

Although the 2014 Average U.S. All Milk Price will be \$4 higher than 2013, near \$24, milk prices have continued to show weakness since their peak in August and September. A major cause has been increased milk production here in the U.S. which has moved up 3.8% since this time last year. Almost 3% more milk was produced per cow with relatively similar cow numbers, which have only increased 0.8% over the past year. In New York, this milk production increased by 3% as compared to October 2013. The relative completion of holiday orders of cheese and butter have also contributed to milk price declines. The sales of these products are typically high during the holidays. However, retail buyers need to build inventory levels for peak sales by early November, and these purchases will decline as we finish out the month (Cropp, Bob. Memo to Dairy-L. 19 November 2014).

A continued decline in U.S. dairy exports was also a key factor in price decline this past month. World milk production is well above what it was a year ago, in particular for New Zealand, Australia, and the EU-28 countries. China, who in the beginning of 2014 was aggressively importing, has backed off as they have built their own dairy product stock pile. Russia's ban of EU-28 imports has disrupted EU exports. World dairy product prices have dropped by about 50% from earlier in the year, and US exports have declined from a year ago - butter dropped by 79%, non-fat dry milk by 29%, and whey protein concentrate by 19%. However, cheese is up by 9% from last year, although it will likely drop as orders decline, and lactose is up 7% (Cropp, Bob. Memo to Dairy-L. 19 November 2014).

Looking into 2015, milk prices will continue to slide, however it remains unclear exactly how low they will become. USDA is still projecting a 3% increase in milk production in 2015 as cows are added and feed costs remain lower. However, with cow slaughter prices continuing to remain high, replacement costs are high and cattle inventory is tight. Many producers are also wary of a milk price decline for 2015 and will post-pone expansion plans or pursue them slowly. There is still uncertainty surrounding dairy export levels going into 2015 and they are likely to be lower than they were in 2014. Class III prices are projected to be below \$18 by January and in the low \$17's for February – June. It may drop below \$16 in the summer months if milk production continues to increase and exports continue to weaken (Cropp, Bob. Memo to Dairy-L. 19 November 2014).

Many producers are still determining whether or not to sign up for MPP-Dairy for the 2015 year (the deadline is **December 5th**). Projections are showing a 30% probability that margins could drop below \$8 and trigger a payment in the Mar/Apr and May/Jun cycles. Forecasters warn of worrisome international prices and the tendency for projections to be optimistic in down markets. Participation estimates remain low, but are expected to increase after the holiday week with the approaching deadline (Novakovic, Andrew. Dairy Markets and Policy Information Letter Series. 24 November 2014).

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