



Cornell University  
Cooperative Extension  
Chautauqua County

3542 Turner Road  
Jamestown, NY 14701  
t. 716-664-9502  
f. 716-664-6327  
<http://cce.cornell.edu/chautauqua>

# Dairy Market Watch

## February 2015

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)*
Jan 14	\$1.79	\$4.19	\$24.73	\$22.21	\$21.15	\$22.29	\$21.78	\$0.63	\$22.38	\$1.23	\$1.93	\$12.70
Feb 14	\$2.01	\$4.60	\$25.27	\$23.73	\$23.35	\$23.46	\$23.27	(\$0.08)	\$23.87	\$0.52	\$2.06	\$13.91
Mar14	\$2.04	\$4.52	\$26.89	\$24.22	\$23.33	\$23.66	\$23.82	\$0.49	\$24.42	\$1.09	\$2.11	\$14.01
Apr 14	\$2.12	\$4.71	\$26.90	\$24.74	\$24.31	\$23.34	\$24.31	\$0.00	\$24.91	\$0.60	\$2.15	\$13.65
May 14	\$2.27	\$3.96	\$27.72	\$24.44	\$22.57	\$22.65	\$24.09	\$1.52	\$24.69	\$2.12	\$2.13	\$12.26
June 14	\$2.44	\$3.34	\$26.11	\$23.94	\$21.36	\$23.13	\$23.23	\$1.87	\$23.83	\$2.47	\$2.05	\$11.65
July 14	\$2.63	\$3.18	\$26.27	\$24.41	\$21.60	\$23.78	\$23.60	\$2.00	\$24.20	\$2.60	\$2.09	\$12.68
Aug 14	\$2.84	\$3.15	\$27.12	\$25.34	\$22.25	\$23.89	\$24.26	\$2.01	\$24.86	\$2.61	\$2.14	\$13.74
Sep 14	\$3.24	\$3.49	\$26.88	\$26.11	\$24.60	\$22.58	\$25.01	\$0.41	\$25.61	\$1.01	\$2.21	\$15.40
Oct 14	\$2.85	\$3.74	\$27.44	\$21.93	\$23.82	\$21.35	\$23.20	(\$0.62)	\$23.80	(\$0.02)	\$2.00	\$15.62
Nov 14	\$2.20	\$3.90	\$27.31	\$19.91	\$21.94	\$18.21	\$21.11	(\$0.83)	\$21.71	(\$0.23)	\$1.87	\$13.39
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	not available

January Utilization (Northeast): Class I = 36%; Class II = 22%; Class III = 23%; Class IV = 19%

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 markets are in a stable period, with little price movement through the week. Prices near the \$1.50 level are resulting in building inventory for retail sales and cheddar aging. There is strong current buying interest and activity for both purposes. Manufacturing schedules are full in many cheese plants. A number of plants with capacity to manufacture various dairy commodities are directing milk into cheese vats as the top profitability preference.

**Butter:** Butter prices are stable. The market tone is steady to unsettled, depending on the region, as market participants take a wait-and-see approach on pricing. Inventories are building for print butter. Bulk butter buyers report having sufficient supplies on hand. Retail demand has started to pick up as the spring holidays near. Due to higher milk volumes, churns have been running at or near capacity.

**Dry Products:** Dry dairy product markets are mixed. Nonfat dry milk markets are firm, despite building inventories, and prices moved up. Dry buttermilk production is active with some plant operators reporting seasonally increasing farm milk volumes are translating to more dry buttermilk powder. Dry whole milk prices gained support as international prices took a sizeable step higher. The dry whey market is weak as production is active, stocks are building, and the usual outlet of exporting to the Far East is currently at a standstill. Although work has resumed at Western ports, the backlog of ships to be unloaded and reloaded translates to further delays in serving offshore customers.

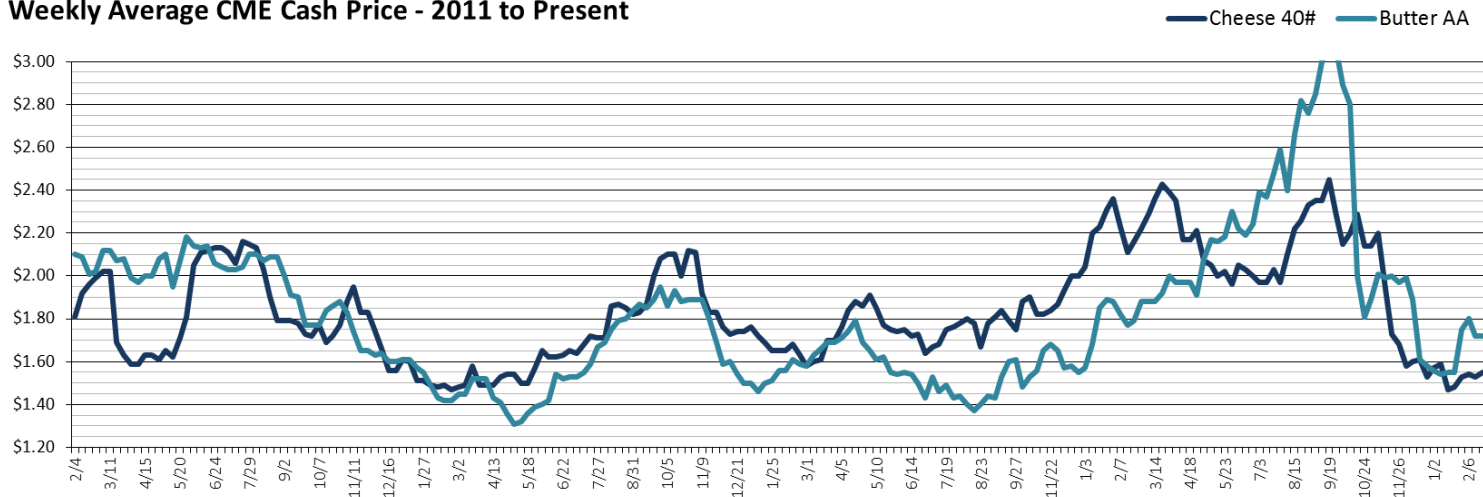
**Fluid Milk:** Farm milk production trends across the southern tier of states are increasing from week to week as warmer weather patterns settle into those areas. Across the northern tier, the Northwest states are also showing upward trends in milk production. Dairy producers in the North Central and Northeast areas report steady milk production, unfazed by recent subzero temperatures. Bottler demand is very strong in the Northeast and Mid-Atlantic areas, spurred by consumer demand ahead of recent winter storms. Most other areas also report a decent uptick in fluid milk demand for the week, especially where stores are offering gallon or half-gallon weekly feature items.

Friday CME Cash Prices					
Dates	1/23	1/30	2/6	2/13	2/20
Butter	\$1.55	\$1.75	\$1.80	\$1.72	\$1.72
Cheese (40# Blocks)	\$1.48	\$1.53	\$1.54	\$1.53	\$1.55

*Building Strong and Vibrant New York Communities*

Cornell Cooperative Extension in Chautauqua County provides equal program and employment opportunities.

### Weekly Average CME Cash Price - 2011 to Present



### Comments:

Milk prices have continued to fall as we move into 2015. February's prices will be around \$15.55 for Class III and \$14 for Class IV. A year ago in February, Class III was \$23.35 and Class IV was \$23.46. There is still a lot of uncertainty as to how low milk prices will reach for the remainder of 2015. However, dairy futures have rallied recently and may not reach as low as originally predicted. Class III futures are still in the \$15's through May, but are showing increases to the \$16's in July, and the \$17's for the rest of the year. Class IV futures are in the \$15's for May, and follow the Class III trends through 2015.

The recent increase in price projections has been driven in part by the drought in New Zealand. The world's largest dairy exporter is forecasting a 3% decrease in milk production, helping to brighten our own market futures. Many of these producers are reporting a low or even negative cash return for making milk in the current conditions. Russia is also expected to lift its ban on dairy imports from the EU-28 by August, and around that time China should be resuming imports pending stockpile usage. The EU-28 dairy producers are currently suffering from low milk prices which should slow 2015's milk production as the end of their quota system draws near. However, some countries have milk production that exceeds the existing quota, and many of these producers may face fines if they don't reduce their production before the quota's end in April.

Predicted milk production levels have also decreased for the U.S., which may help to soften the gloomy milk price forecasts if this trend continues. The USDA's prediction of a 2015 milk increase at 2.8%, as compared to 2014, has now fallen to 2.6% reflecting recent milk production data. Cheese sales will be pushing domestic growth, but exports will be lower as compared to 2014. However dry products and lactose are expected to do well. (Cropp, Bob. Memo to Dairy-L. February 2015).

As milk prices fell and feed prices rose last month, Penn State's Income Over Feed Cost (IOFC) calculation for January was \$6.53/cow/day - a 32% drop from December's value of \$9.55. Feed costs rose by 3.8%, with higher prices for corn, soybean meal and hay. IOFC reflects the daily gross income minus feed costs for an average cow producing 65 pounds of milk per day. This chart shows IOFC data by year since 2011. (Dunn, Jim. Penn State Dairy Outlook. February 2015).

*Katelyn Walley-Stoll*

Katelyn Walley-Stoll  
Extension Educator  
Farm Business Management  
716-664-9502 Ext. 202  
kaw249@cornell.edu

### PA Dairy Income over Feed Cost

