

Dairy Market Watch

June 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)*
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	\$8.34
Feb 15	\$1.83	\$2.41	\$19.49	\$14.48	\$15.46	\$13.82	\$15.51	\$0.05	\$16.11	\$0.65	\$1.39	\$7.66
Mar 15	\$1.84	\$2.49	\$18.81	\$14.50	\$15.56	\$13.80	\$16.40	(\$0.31)	\$15.85	\$0.29	\$1.37	\$7.53**
Apr 15	\$1.89	\$2.56	\$18.75	\$14.98	\$15.81	\$13.51	\$15.36	(\$0.45)	\$15.96	\$0.15	\$1.38	\$7.48**
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**

May Utilization (Northeast): Class I = 32%; Class II = 25%; Class III = 22%; Class IV = 21%.
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. **Unofficial.

Dairy Commodity Markets (USDA Dairy Market News)

Cheese: Cheese production remains strong, with ample milk supplies. But change is in the air, with less surplus milk now available than in recent weeks, with less price discounting. High heat in the West is expected to soon reduce milk production volumes and hence, cheese production. Warming weather in the Northeast is also mentioned as likely to reduce milk supplies and cheese production in that region. Cheese manufacturers recognize these changing conditions as expected seasonal indicators which will be followed by less intense plant schedules, a time when deferred maintenance can be undertaken and workers can enjoy a reprieve from heavy work schedules.

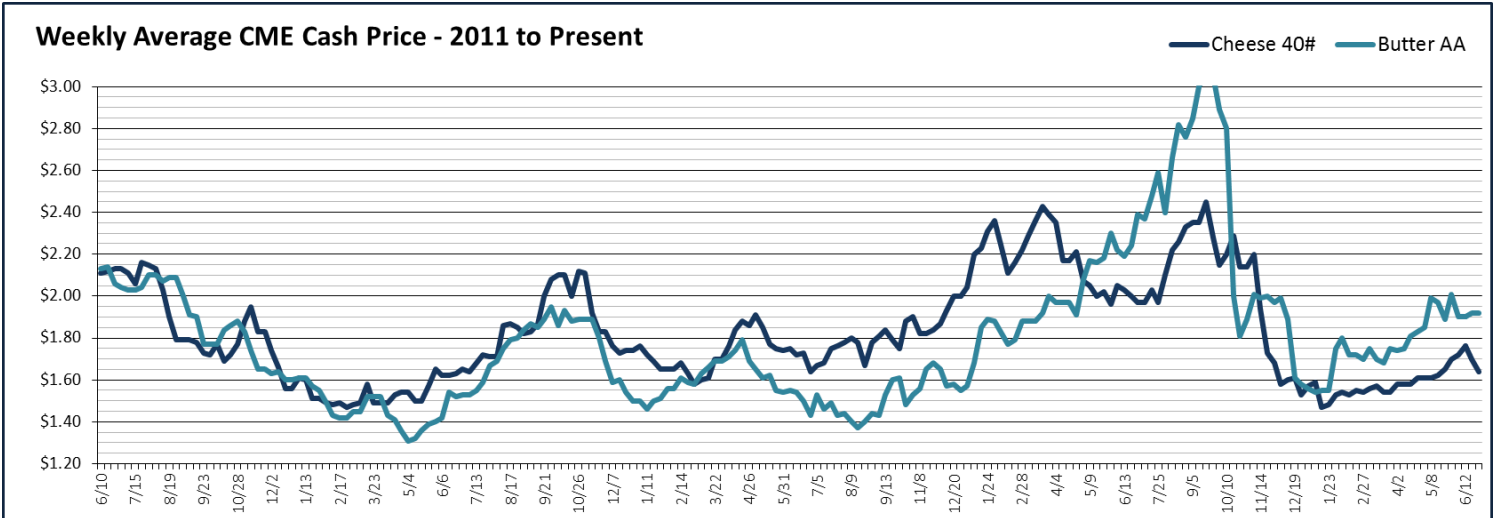
Dry Products: The prices for nonfat dry milk are generally lower this week. The market tone for NDM remains weak for all regions. The production is mixed. Prices for dry buttermilk are lower in the East and steady to lower in the Central and West regions. Dry whole milk prices are higher on the top of the range. Whey protein concentrate 34% continues to be weak with a lower price range. Lactose prices held steady with a weak market tone. The casein market undertone remains weak and prices steady.

Butter: Production is active for bulk and print butter in the East, trending lower in the Central Region, and steady to lower in the West. Cream availability/pricing for butter churning show more tightness in the Northeast and Central regions than the West, where some manufacturers are selling cream to ice cream producers. There is a mixed picture surrounding inventory building, with some manufacturers building and others focusing production schedules on contract fulfillment.

Fluid Milk: Milk production is mixed, transitioning to lower levels. The prolonged hot and humid conditions are decreasing milk volumes and component levels in the Southern tier of states across the U.S. and in parts of the Pacific Northwest. Milk production in the upper Midwest and Northeast regions is strong with most manufacturing facilities operating near capacity. Bottling demand is mostly steady across the nation. Demand for cream has increased across the nation with strong pulls from ice cream and frozen dessert manufacturers.

Production: According to NASS, May milk production for the 23 surveyed states totals 17.2 billion pounds, 1.4% higher than a year ago. Monthly milk production per cow for the 23 surveyed states was 1,990 pounds. Milk cow numbers on farms in the 23 selected states totaled 8.630 million cows, 72,000 head more than May 2014.

Friday CME Cash Prices					
Dates	5/29	6/5	6/12	6/19	6/26
Butter	\$2.01	\$1.90	\$1.90	\$1.92	\$1.92
Cheese (40# Blocks)	\$1.70	\$1.72	\$1.76	\$1.70	\$1.64



Comments: Prices have continued to fare better than expected and, although CME prices have jumped around for June, will average slightly higher for the month. Strong butter and cheese sales this year have supported prices. April butter stocks increased 25% from March and were 23% higher than in 2014. However, due to the seasonal increase in the use of cream for frozen treats and declining milk production with seasonally depressed butterfat composition, some butter makers question whether there will be adequate stocks for fulfillment of seasonal sales come Thanksgiving and Christmas seasons. Butter prices are expected to remain at comparatively steady levels. Weaknesses in butter and cheese prices could still occur before strengthening in the fall. Milk production in the Northeast and Midwest has been straining cheese plant capacity. Milk has been selling at discounts of \$5 to \$7 to entice cheese plants for purchase. Class III futures were above \$17 July through December, but now are below \$17 for the rest of the year. Class IV futures reached the \$15's by August, but now remain below \$15 for the year. The final prices for this year will depend on the pace of increased milk production and the building of cheese stocks. (Cropp, Bob. Memo to Dairy-L. June 2015).

The U.S. dollar remains strong, presenting a challenge for export markets, which have fallen significantly since the record highs of 2014. Not helping are the weakening Chinese economy, the Russian embargo, and overall stagnant world market and global economy, as well as increasing production from Australia, New Zealand that can serve markets held by the U.S., including Mexico. (Dunn, Jim. Penn State Dairy Outlook. June 2015).

Penn State's measure of income over feed costs rose by 8% in May, as milk prices rose and feed prices stayed the same. May's feed cost is 3 cents/cow/day more than in April. May's value of IOFC of \$6.79/cow/day is well below 2014's value. Income over feed cost reflects daily gross milk income less feed costs for an average cow producing 65 pounds of milk per day. (Dunn, Jim. Penn State Dairy Outlook. June 2015).

Milk production in April was up 1.8% from a year ago, which shows a significant increase when compared to the slower growth of recent months. May milk production was up 1.4% from a year ago. If the increase in milk production stays below 2%, dairy exports increase unexpectedly, and the hot/humid weather decreases milk production, prices could be held higher for the second half of the year. However, many projections show a lull in July and August, with a slight uptick in September. The Class III price may not reach \$17 and Class IV \$15.



A Drop In The Bucket

Milk prices will probably decrease as the seasons change – Class III below \$17 and Class IV below \$15 for the remainder of the year.

The global market is becoming stagnant, and our competitors are producing more milk that can compete with the strong U.S. dollar to supply U.S. export markets.

May's value of Income Over Feed Cost is \$6.79 which only shows a slight increase from April, as milk prices increased slightly and feed prices stayed the same.

Cheese production is at capacity, milk is being sold at a discount, and plants are hoping for a dip in production to allow for plant maintenance.

Increases in total milk production are still less than 2% (this month was 1.8%).

A lot of things need to happen to see price increases –seasonal weather decreasing milk production, an increase in exports, and an increase in dairy product demand. Fingers crossed.

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

Building Strong and Vibrant New York Communities