



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

## October 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)*
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
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	Not Available

September Utilization (Northeast): Class I = 35%; Class II = 25%; Class III = 26%; 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.

\*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 production is generally in line with regular milk supplies. A number of plants are using manufacturer inventories to meet brisk sales orders. There is general confidence that holiday orders will be easily filled. NASS reports that total natural cheese stocks in refrigerated warehouses on September 30, 2015, 1.149 billion pounds, were down 2 percent from the previous month but up 13 percent from one year earlier.

**Butter:** Butter production remains active, especially for print butter. Manufacturers are not having trouble sourcing cream, as supplies have become more available, but most processors are using in-house or contracted cream supplies and not buying on the spot market. Processors and end users are careful not to keep high stock levels with the price fluctuations happening lately at the CME Group, Inc. The strong demand levels are helping to keep inventory levels in check. There are some buyers looking for imported spot loads, but are having trouble securing them with the recent tariffs that were added.

**Fluid Milk:** Farm milk production is following the typical seasonal declines in most areas of the country.

Manufacturing milk supplies, although limited by strong sales to Class I, are adequate for processing. Cream demand from ice cream and cream cheese accounts in the West are strong in advance of Q4 holidays. Fat and protein levels are improving.

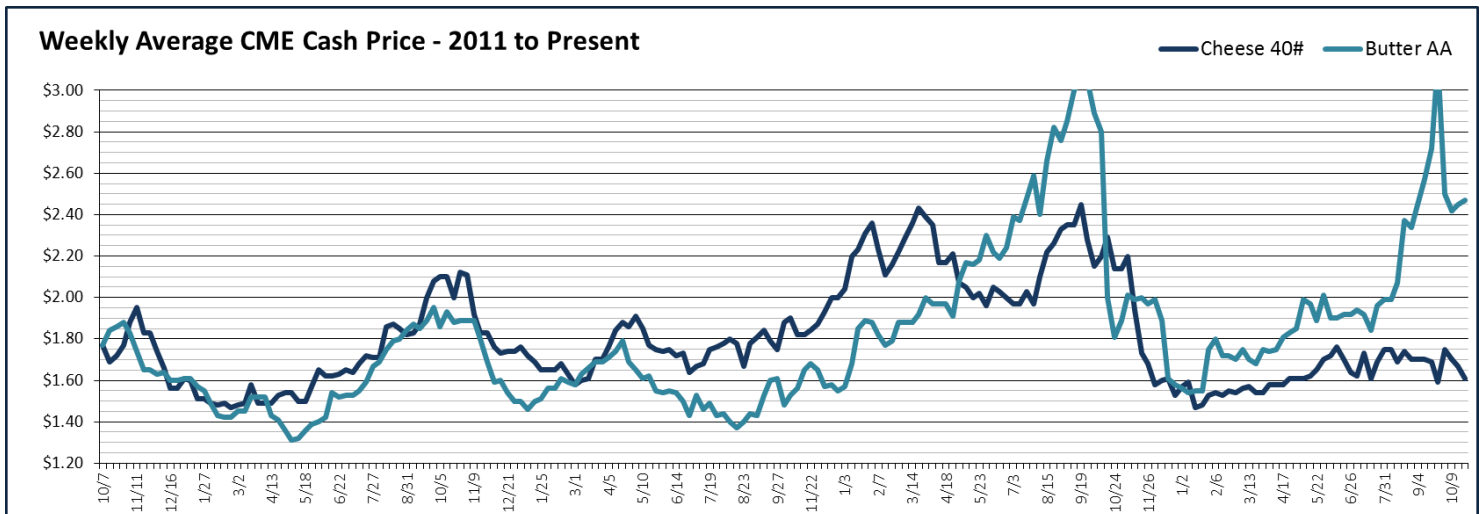
**Dry Products:** Low/medium nonfat dry milk prices are lower. Current production is steady to seasonally lighter. Most buyers are hesitant to make purchases beyond covering their near term needs. Dry buttermilk prices are mixed. Producers' dry whey stocks are limited. Resell activity has increased in the Northeast. Whey protein concentrate 34% prices are mixed. Buyer interest is steady.

**Production:** Milk production in the 23 major States during September totaled 15.6 billion pounds, up 0.4 percent from September 2014. Production per cow in the 23 major States averaged 1,805 pounds for September, 1 pound below September 2014. The number of milk cows on farms in the 23 major States was 8.63 million head, 41,000 head more than September 2014, but unchanged from August 2015. The average number of milk cows in the United States during the quarter was 9.31 million head, 7,000 head fewer than the April – June quarter, but 43,000 head more than the same period last year.

Friday CME Cash Prices					
Dates	9/25	10/2	10/9	10/16	10/23
Butter	\$3.14	\$2.50	\$2.42	\$2.45	\$2.47
Cheese (40# Blocks)	\$1.59	\$1.75	\$1.70	\$1.67	\$1.61

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**Comments:** With the decline of the export market, seemingly marginal changes in the domestic market can lead to large price fluctuations. Milk prices throughout this month have been “unsettled” as they respond to holiday orders of butter and cheese, decreasing export opportunities, and slowing increases in milk production. On a total volume basis, exports have continued to decline for the fourth straight month in August, our last available data set. Butter exports fell 35%, cheese was down 28%, nonfat dry milk/skim milk powder down 5%, and total whey products down 18%. As holiday orders continue to fill, both butter and cheese prices will be expected to fall lower, bringing down Class III and Class IV prices. Current butter stocks are 21% higher than a year ago, in spite of production being lower than a year ago. September milk production was just 0.4% higher than a year ago, and September cow numbers declined 5,000 head from August. (Cropp, Bob. Memo to Dairy-L. October 20, 2015).

Milk prices will decline slightly from September, where Class III price was \$15.82 and will be \$15.60 for October. However, we may see an uptick in Class IV prices that could reach near \$16.40 compared to \$15.08 in September as butter prices continue to hold. By December, we could see Class III at \$15.45 and Class IV down to \$14.50, and these prices will likely continue their decline into the first half of 2016. The severity of the lower prices will depend largely on milk production and domestic sales, as the export market is tied up and will continue to lack improvement until the last half of 2016. If milk production continues to increase at less than 1% going into 2016, milk prices will hold higher. (Cropp, Bob. Memo to Dairy-L. October 20, 2015).

On the crop side of things, corn and soybean markets have fallen somewhat due to good yield forecasts. The Corn Belt has recovered from wet weather earlier in the year, and excellent crops elsewhere, along with a strong US dollar, will limit export opportunities. Penn State’s measure of income over feed cost (IOFC) rose by 6.2% in September, as milk prices rose, and feed costs fell. September’s feed cost was 23 cents/cow/day more than in August, making September’s IOFC \$7.28/cow/day. Income over feed cost reflects daily gross milk income less feed costs for an average cow producing 65 pounds of milk/day. (Dunn, Jim. Penn State Dairy Outlook. October 2015).

## A Drop in the Bucket



*Katelyn Walley-Stoll*

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

The export market has been and will continue to be in a slump, pointing to tension with China and Russia, a strong US dollar, and worldwide low dairy prices.

From a year ago, exports of butter are down 35%, cheese exports down 28%, and whey products down 18%.

Butter stocks are 21% higher than a year ago, and holiday orders are filling up, which will lead to decreased Class III and Class IV prices into the end of 2015.

September’s value of Income Over Feed Cost is \$7.28 which reflects stable feed prices and slightly increased milk prices, and a 6.2% increase from August to September.

October’s Class III price will end up around \$15.60, and should remain in the 15’s through the end of the year. Class IV could drop to the \$14’s as the holiday orders slow.