

# Dairy Market Watch

## November 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)*
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	\$8.95
Oct 15	\$2.91	\$1.70	\$19.09	\$16.44	\$15.46	\$16.43	\$16.45	\$0.99	\$17.05	\$1.59	\$1.47	Not Available

October Utilization (Northeast): Class I = 38%; Class II = 23%; Class III = 25%; 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 active throughout the country. Last minute holiday orders have pressed supplies, at least for the short term. Larger manufacturers anticipate running full schedules over the weekend as surplus holiday milk increases. Foreign type cheese demand is seasonally active. NASS reports total natural cheese stocks in refrigerated warehouses on October 31, 2015 totaled 1.149 billion pounds, 15% more than a year ago. The holiday shortened week saw mixed daily cheese prices at the CME group. The gyrating price spread is concerning for some manufacturers.

**Butter:** Cream supplies for butter manufacturing are increasing in all regions. At this point, butter production is improving and is mostly focused on orders for year-end holidays. In the Northeast, the market undertone is unsettled. However, interest for butter from food service is active.

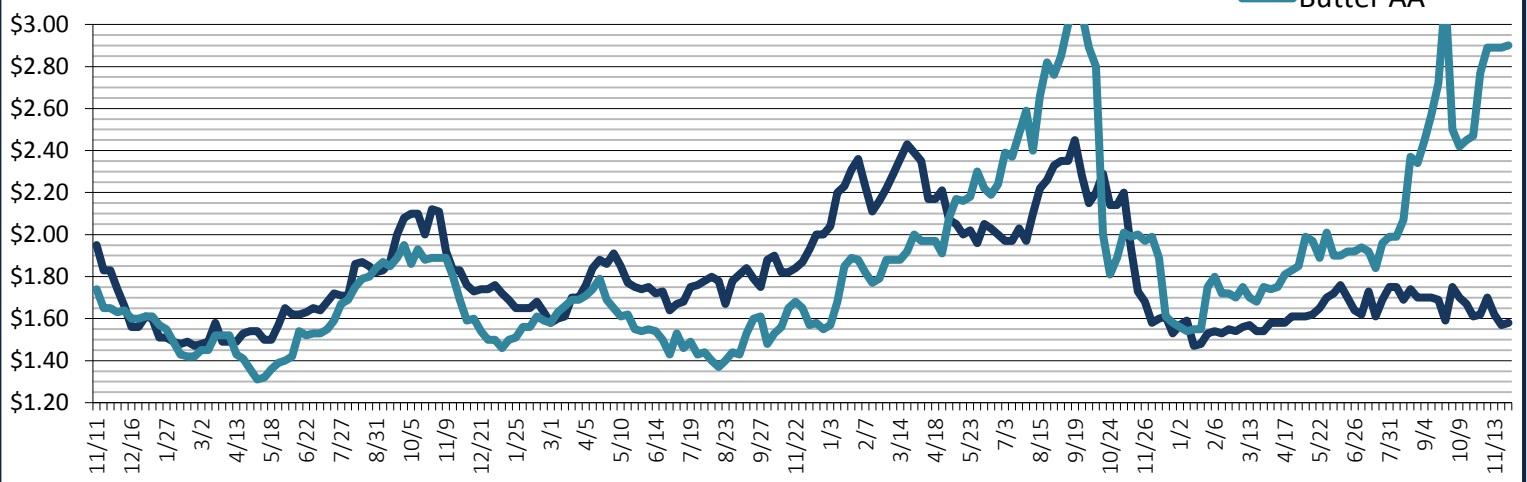
**Fluid Milk:** The general trend of seasonally steady to higher farm-level milk production continues for most of the country, with reports of lower output in some areas of the Pacific Northwest. Fluid milk production volumes were high to begin the week as bottlers added to orders and satisfied last minute holiday retail needs. With the country-wide closing of schools for Thanksgiving, fluid milk sales volumes trended lower by mid-week. Cream markets are weaker with lower multiples. Cream availability is up, as Class II cream sales slowed. Interest is building for eggnog as the year-end holiday approach.

**Dry Products:** Nonfat dry milk market prices are lower, with little activity occurring for the holiday shortened week. The market undertone is weak. Production is likely to surge as bottling declines support higher NDM drying rates. Dry buttermilk prices are steady throughout the regions. Stocks are mixed. Manufacturers expect to add to inventories this week. Prices for dry whey are unchanged across the U.S.

Friday CME Cash Prices					
Dates	10/30	11/6	11/13	11/20	11/25
Butter	\$2.77	\$2.89	\$2.89	\$2.89	\$2.90
Cheese (40# Blocks)	\$1.62	\$1.70	\$1.62	\$1.57	\$1.58

**Production:** According to NASS, milk production in the 23 major states during October 2015 totaled 16.0 billion pounds, up 0.1% from one year ago. Milk cows in the 23 selected states totaled 8.632 million head in October, 38,000 head more than a year ago.

## Weekly Average CME Cash Price - 2011 to Present



**Comments:** Dairy prices have held during November, with little changes from October. The November Class III price will probably end around \$15.35, which is close to October's value of \$15.46. The Class IV price will be near \$16.75, a 32 cent increase from October. Although these prices will hold for November, milk prices could weaken significantly into the first quarter of 2016, and continue to be in a slump until late in 2016. Milk production is increasing seasonally, and holiday orders of butter and cheese are almost filled, which will lessen the overall demand that has helped to keep November numbers up. Production has increased compared to a year ago for butter, cheese, and nonfat dry milk, but fluid milk sales have declined by 1.5% compared to a year ago. Domestic Stocks of dairy products are also higher than they were a year ago, 23% for butter, 13% for cheese, and 25% for nonfat dry milk. (Cropp, Bob. Memo to Dairy-L. November 19, 2015).

Low Global Dairy Trade prices continue to hinder exports, with cheese exports 20% lower than a year ago, butter 83% lower, and dry whey 32% lower. September imports of cheese were 18% higher than a year ago, and butter was a staggering 90% higher. World dairy stocks look bleak due to higher overall world dairy production, and loss of demand from Russia and China, as well as the Africa and Middle East Region, typically stable importers of U.S. Product. U.S. exports will likely continue to decline until at least the second half of 2016. Depressed milk prices and production in the EU and New Zealand, the two largest dairy exporters, may help to slow the import market and strengthen world dairy prices in 2016. U.S. Milk production is growing at a slower than projected rate, with less than 1% increases in September (0.5%) and October (0.1%). Cow numbers are also growing slowly with just a 0.3% increase from September to October. Milk per Cow has also been below trend, just 0.3% higher than a year ago. (Cropp, Bob. Memo to Dairy-L. November 19, 2015).

Although many prices continued to hold for October and into early November, it looks like prices will be heading lower into the end of 2015 and the beginning of 2016. Butter and cheese prices will decline early in December, and there is nothing apparent on the horizon to help rally these prices. The Class III prices will likely be \$15 or below for December, and the low \$14's by the beginning of 2016. Class IV prices will likely be in the low \$13's for 2016, and may rally to the \$16's by the end of 2016. Class III and Class IV dairy futures have similarly declined. (Cropp, Bob. Memo to Dairy-L. November 19, 2015).

## A Drop in the Bucket



Global Dairy Trade prices are low, resulting in decreased export opportunities, due to China and Russia's decreased purchasing, global unrest in Africa and the Middle East, and increased worldwide milk production. But, with New Zealand's continued decrease in production and the return of the El Nino weather pattern on the horizon, things could start to look up for U.S. export opportunities.

Penn State's October value of Income Over Feed Cost is \$7.49, a 0.4% decrease from September's value as feed prices rose more than milk prices.

November's Class III price will likely end up at \$15.35, but will decline to the low \$14's into the first quarter of 2016. Class IV could be in the low \$13's, but will round off at \$16.75 this month.

Time to tighten the margins and conserve the cash flow even more than usual – it might not be until the 4<sup>th</sup> quarter of 2016 that we see prices increase. Hang in there!

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