



Dairy Market Watch

March 2016

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)*
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	\$9.21
Nov 15	\$3.18	\$1.32	\$19.73	\$18.26	\$15.30	\$16.89	\$17.17	\$1.87	\$17.77	\$2.47	\$1.53	\$10.01
Dec 15	\$2.90	\$1.35	\$19.96	\$16.71	\$14.44	\$15.52	\$16.12	\$1.68	\$16.72	\$2.28	\$1.44	\$8.10
Jan 16	\$2.31	\$1.82	\$19.29	\$14.19	\$13.72	\$13.31	\$14.37	\$0.65	\$14.97	\$1.25	\$1.29	\$7.91
Feb 16	\$2.38	\$1.74	\$16.89	\$14.30	\$13.80	\$13.49	\$14.14	\$0.34	\$14.74	\$0.94	\$1.27	Not Available

February Utilization (Northeast): Class I = 34%; Class II = 25%; Class III = 24%; Class IV = 17%.

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 steady and active across most of the country. Midwestern and northeastern cheese manufacturers are running full production schedules to handle current milk intakes. Some additional milk is being diverted into cheese vats as educational institutions go on spring break. Although cheese makers still report relatively good retail demand for cheese, buyers are wary about making purchases beyond near term needs. Some end users have fuller storage facilities and are watching price movements closely. Many industry contacts perceive that cheese inventories are long and growing.

Dry Products: The low/medium heat nonfat dry milk market undertone is weak and quiet. Demand from the baking sector is waning. High heat nonfat dry milk production is irregular, driven by contractual needs. Dry buttermilk spot sale activity is light. Moderate condensed buttermilk loads are moving to ice cream as condensed skim volumes dominate dryer time. The dry whole milk market is weak and international prices are putting some pressure on the domestic prices. In the Northeast dry whey supply exceeds demand as stocks increase.

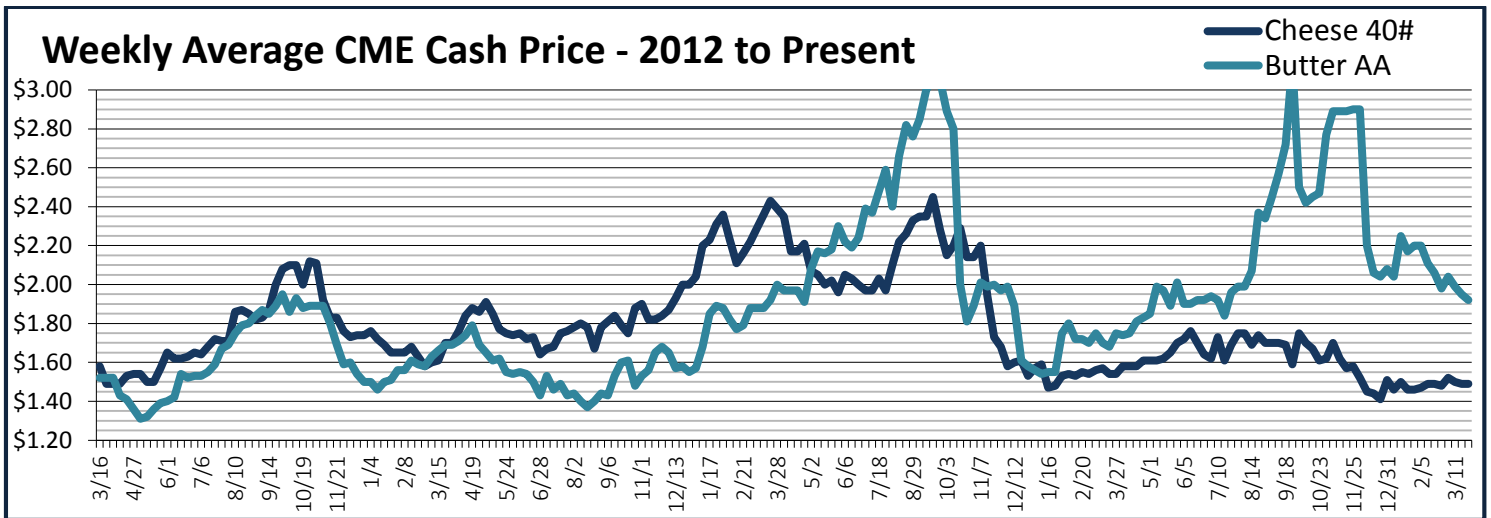
Fluid Milk: Farm level milk production is gradually increasing in the country. In the Northeast, Mid-Atlantic, Pacific Northwest and Florida, bottling sales moved lower due to school closings. Cream supplies are readily available throughout the country and demand is fair to good across the different Classes of dairy products. Demands for cream from ice cream/frozen dessert makers are seasonally increasing.

Butter: Butter production is seasonally active throughout the country as heavy cream volumes continue clearing into butter churning. Some butter manufacturers are running at full capacity. With the passing of the early spring holidays, seasonal butter requests from retailers and food service are slowing down. At this point, production is mostly focused on bulk butter. Inventories are steady to building into cold storage. Bulk butter prices in all regions are ranging from 5 cents under market to 8 cents over the CME Group price, with various time frames and averages used.

Production: Milk production in the 23 major States during February totaled 15.8 billion pounds, up 4.6 percent from February 2015. Production per cow in the 23 major States averaged 1,833 pounds for February, 79 pounds above February 2015.

Friday CME Cash Prices					
Dates	2/26	3/4	3/11	3/18	3/24
Butter	\$1.98	\$2.04	\$1.99	\$1.95	\$1.92
Cheese (40# Blocks)	\$1.48	\$1.52	\$1.50	\$1.49	\$1.49

Building Strong and Vibrant New York Communities



Comments: March milk prices will round out similarly to February’s as another stagnant price month goes by, but product prices may average lower than February. Domestic sales of butter and cheese will likely remain strong, but export prices will increase only slightly in April, May and June. We might see more strength in the export market throughout the second half of the year. Milk production will seasonally increase into the spring months, but that increase may be less than 1% as compared to a year ago for the first half of the year – good news to keep milk prices from falling even further. USDA forecasts milk production for 2016 to increase by 1.4% as compared to 2015, a decrease from their previous estimate of 1.6%. This projection is based on a lower average number of milk cows, 0.2% lower than last year, with milk per cow up by 1.8%. These numbers may continue to decrease as low milk prices affect our nation’s dairy farms, and lower feed costs will help to keep margins level enough to continue to increase milk production per cow. (Cropp, Bob. Memo to Dairy-L. March 18, 2016).

Dairy exports don’t look like they’ll be helping to improve milk prices until into 2017 as the level of world stocks and increased world production coupled with decreased imports from countries like Russia and China continue to suppress the world market. On a total solid basis, exports equated to 12.5% of U.S. milk production in January, and imports were equivalent to 4.4% of milk production, the highest amount since February 2009. USDA forecasts the Class III milk price to average for 2016 between \$13.60 and \$14.20, as compared to \$15.80 last year. Futures markets show Class III to be in the \$13’s until August when it rounds up to the \$14’s for the remainder of the year and the first half of 2017. (Cropp, Bob. Memo to Dairy-L. March 18, 2016).

Penn State’s measure of income over feed costs fell by 2.4% from January to February as lower feed prices combined with slightly higher milk production in the U.S. February’s IOFC was \$6.62/cow/day and feed prices look like they will continue to remain low for the near future. (Dunn, Jim. Penn State Dairy Outlook. March 2016).



A Drop in the Bucket

Domestic sales of cheese and butter remain steady, helping to even out milk pricing swings during this challenging year.

Penn State’s February value of Income Over Feed Cost is \$6.62, a 2.4% decrease from January.

USDA forecasts milk production to be up by 1.4% in 2016 as compared to 2015, and this projection continues to decrease as milk production per cow and total milk production increases slowly.

Class III prices will be in the \$13 - \$14 range for 2016 and into 2017.

You don’t need me to tell you it’s been a tough year so far to be a dairy farmer – hang in there.

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