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Dairy Market Watch

April 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)*
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	\$9.09
Jan 16	\$2.31	\$1.82	\$19.29	\$14.19	\$13.72	\$13.31	\$14.37	\$0.65	\$14.97	\$1.25	\$1.29	\$8.10
Feb 16	\$2.38	\$1.74	\$16.89	\$14.30	\$13.80	\$13.49	\$14.14	\$0.34	\$14.74	\$0.94	\$1.27	\$7.91
Mar 16	\$2.20	\$1.92	\$17.03	\$13.57	\$13.74	\$12.74	\$13.66	(\$0.08)	\$14.26	\$0.52	\$1.23	Not Available

March Utilization (Northeast): Class I = 33%; Class II = 25%; Class III = 24%; Class IV = 18%.

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: Continual rises in milk production are keeping cheese manufacturers nationwide very busy. The Northeast is experiencing modest sales. Buyers in this region are choosing to work through current inventories. Producers report comfortable stock levels with the anticipation that these inventories will be growing.

Butter: Butter production continues active in all regions. Cream volumes are more than adequate for butter processing needs. As a result, many butter manufacturers are avoiding buying extra cream loads in the spot market. Many processors are concentrating production on bulk butter ahead of summer and fall seasons. However, some print butter has been produced for groceries stores with private labels. Inventories continue building into cold storage. Nevertheless, some processors and secondary marketers are hesitant to place more stocks into cold storage without seeing a rise in demand. Sales into the retail sector have slowed near typical seasonal levels.

Fluid Milk: Farm level milk production is higher in most regions of the country as favorable weather conditions to dairy herds are boosting their comfort. Nationwide, manufacturing milk volumes are moderate to heavy. Bottled milk sales vary throughout the country depending on the current buyers needs in every region. Cream volumes are mostly moving into butter manufacturing. However, ice cream makers continue pulling moderate cream loads as the summer season approaches.

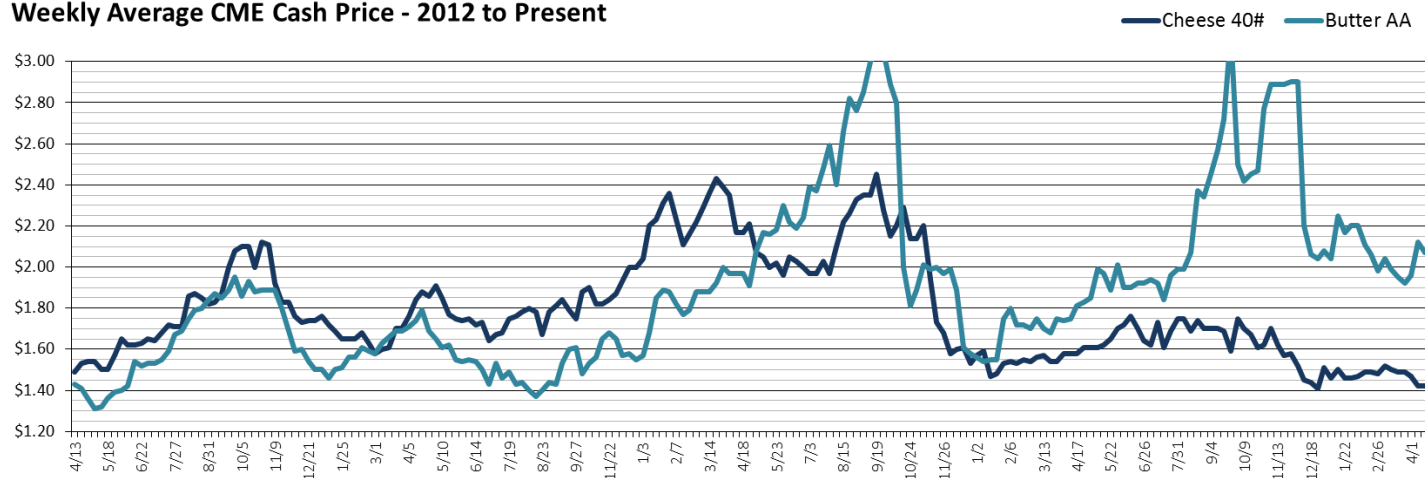
Dry Products: The low/medium heat nonfat dry milk market undertone is weak. Spot sales in the f.o.b. market are light to moderate. Production is active as condensed skim volumes continue to increase with heavy seasonal milk output. Drying schedules for high heat nonfat dry milk are irregular as production is mostly driven by contractual needs. Spot prices for dry buttermilk are steady to lower in the East and Central region, but steady in the West. The market continues weakening. Prices for dry whole milk are mixed on an unsettled market. Demand from the confectionery sector is active. Prices for whey are unchanged in the Central region, but mixed in the Northeast and West regions. Demand is steadily waning in all regions of the country. Lactose prices are unchanged to slightly higher. Casein prices are unchanged and the market is steady.

Friday CME Cash Prices					
Dates	3/18	3/24	4/1	4/8	4/15
Butter	\$1.95	\$1.92	\$1.96	\$2.12	\$2.07
Cheese (40# Blocks)	\$1.49	\$1.49	\$1.47	\$1.42	\$1.42

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Weekly Average CME Cash Price - 2012 to Present



Comments: It's been another rough month for dairy prices in the U.S., and they continue to be well below where they were a year ago. April's Class III prices should round out at \$13.65, as compared to \$15.81 in 2015 and \$24.31 in 2014. Class IV doesn't fair any better with a monthly price near \$12.80 as compared to \$13.51 in 2015 and \$23.34 in 2014. Doesn't look like there will be much upward price movement over the next couple of months, as production seasonally increases and milk saturates the market. The latest dairy product report shows butter production at a 5.8% increase from last year, and cheese 4.0% higher. Although domestic sales continue to remain steady to strong, a weak export market continues to keep lower market prices. Domestic dairy stocks are also continuing to grow, which will work to keep milk prices stagnant for the near future. As compared to a year ago, February butter stocks were 31.5% higher and cheese stocks were 10.8% higher. As compared to a five year average, February butter stocks were 26.2% higher and cheese stocks were 13.5% higher.

Despite the strong domestic butter and cheese sales, exports are not expected to show improvement until late in the year or into 2017. World dairy product prices remain lower than U.S. prices, and key players like China and Russia are still not importing at normal levels, while E.U. production is high. Because of the stagnant export market and growing inventories domestically, prices for the rest of 2016 will largely be determined by domestic milk production levels. March milk production was 1.8% higher than a year ago with 0.2% more cows and 1.6% more milk per cow. New York's milk production was up 5.5%. This amount of additional milk is high and is expected to continue to rise throughout the spring flush. Farmers are also holding onto cows longer than they normally would in a down market due to lower beef market prices. High milk production levels will continue to stress milk plant capacity.

Looking farther ahead in 2016, prices will slowly increase but continue to remain low. Class III futures don't get back up to \$14 until July, with a forecast of \$15 in September and the low \$15's to round out the year. Class IV futures look to be \$13 in May, \$14 in July, \$15 in September, and peaking in the low \$15's later in November. USDA is forecasting prices for 2016 to be averaging \$13.65 to \$14.15 for Class II, \$12.90 to \$13.50 for Class IV, and \$15 to \$15.50 for the U.S. All Milk price. Continued increases in milk production will continue to keep our prices low throughout the year (Cropp, Bob. Memo to Dairy-L. April 20, 2016).



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A Drop in the Bucket

Domestic sales of cheese and butter remain steady, but exports continue to be low and dairy product stocks continue to build.

Penn State's March value of Income Over Feed Cost is \$6.48/cow/day, a 2.9% decrease from February due to decreasing milk prices and low feed prices.

The seasonal milk flush and overall increased milk production will work to keep milk prices low – the extent of the increased milk production will largely affect future market prices throughout the rest of 2016.

USDA is forecasting the 2016 All Milk Price to average between \$15.00 and \$15.50 for 2016.

Cow numbers continue to rise as producers hold onto animals longer despite low milk prices due to low beef market prices.

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