

Dairy Market Watch

May 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)*
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	\$7.46
Apr 16	\$2.23	\$1.84	\$16.99	\$13.54	\$13.63	\$12.68	\$13.70	\$0.07	\$14.30	\$0.67	\$1.23	Not Available

April Utilization (Northeast): Class I = 32%; Class II = 24%; Class III = 24%; Class IV = 20%.

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)

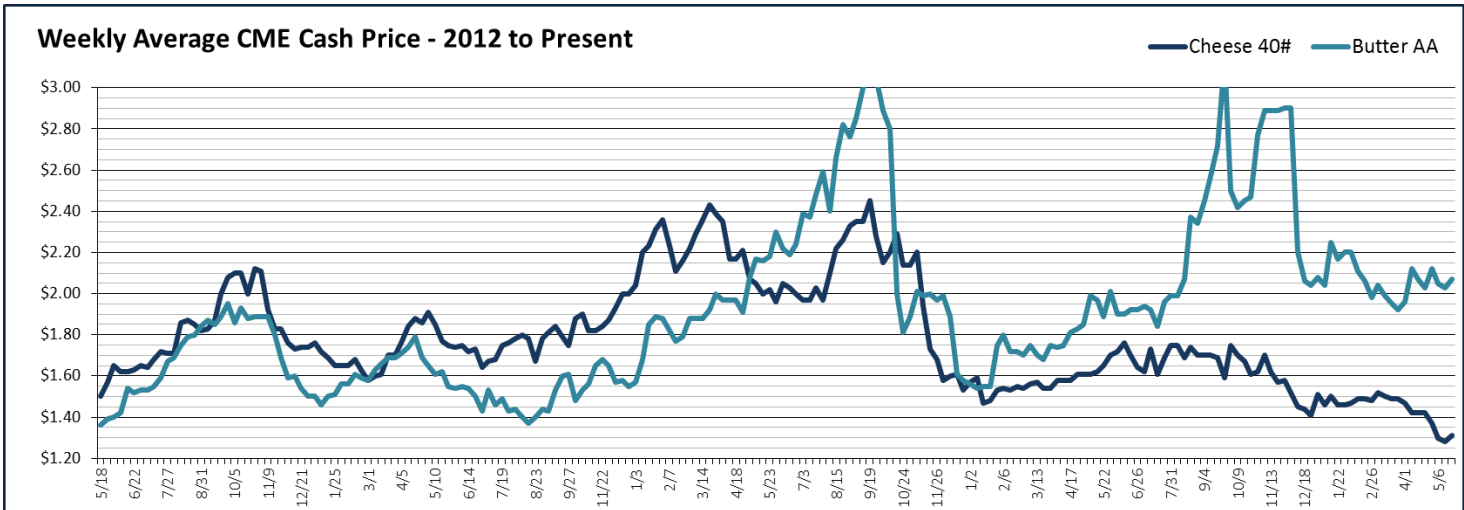
Cheese: The U.S. cheese market is mixed this week. Northeast market participants report rising production for cream cheese and Swiss varieties. Mozzarella and provolone inventories are building and demand is expected to decline as schools continue to close. There are few export opportunities, but domestic retail demand is strong. Wednesday at the CME Group, barrels and 40# blocks both had substantial sales.

Butter: Although cream orders from Class II and Class III manufacturers are seasonally inching up, cream supplies are readily available for butter processing. Overall, butter inventories are building along seasonal trends. In the West and East, butter production remains active. Nationally, demands from retailers and food service are strong as the upcoming holiday weekend approaches. This week, bulk butter pricing throughout all regions is 1 cent under market to 10 cents above, based on the CME Group with various periods and averages used.

Friday CME Cash Prices					
Dates	4/22	4/29	5/6	5/13	5/20
Butter	\$2.03	\$2.12	\$2.05	\$2.03	\$2.07
Cheese (40# Blocks)	\$1.42	\$1.37	\$1.30	\$1.28	\$1.31

Fluid Milk: Milk production varies this week across the different regions. The Northeast is reaching seasonal peaks while Southeast milk producers faced warm temperatures and tapering production. The North Central area reports little to no signs of slowing production. California farm level milk output has plateaued and Arizona production is declining because of high temperatures. Pacific Northwest milk production continues to climb. Regardless of geographical region, bottling demand is decreasing. Educational institutions across the country are readjusting orders as they dismiss for the school year.

Dry Products: The low/medium nonfat dry milk market is firming. Prices are mixed and leaving some market participants perplexed. Large volumes of condensed skim are clearing into dryers across the nation. High heat nonfat dry milk production is intermittent through the country. Small amounts are being made outside of contractual needs. Inventories are comfortable to tight. The buttermilk market is mixed. The whey market is firming. Aggressive contracting and spot sales are helping whey sellers throughout the U.S. alleviate inventory pressures. Whey protein concentrate 34% prices are higher and the market is firm. WPC 34% is in short supply outside of contracts across the nation. Some manufacturers choose to produce higher protein concentrations in lieu of WPC 34%. U.S. lactose demand is strong in a firm market.



Comments: April was another rough month for dairy prices, and declining cheese prices will put Class III prices at a level that hasn't been seen since the Fall of 2009. In April, the CME 40-pound clock cheddar cheese averaged \$1.42, but ranged from \$1.27 to \$1.36 a pound throughout May. Class III prices were \$13.63 in April and will be near \$12.75 for May, nearly half of 2014's \$22.57. Butter still remains above \$2.00/pound, which, along with a slight increase in the nonfat dry milk price, will show a Class IV price increase for May near \$13.25.

Domestic dairy sales remain good, although there is an anticipated decline as schools begin planning for summer closures. Butter and cheese sales remain stable, but exports remain soft. Exports are well below the record levels recorded in 2014, and cheese exports are 26% lower than a year ago. On a total solids basis, March exports ended up being equivalent to 12.1% of milk production, and imports were equivalent to 3.9% of milk production. Compared to a year ago, stocks on March 31st were up 24% for butter and 11% for cheese. Exports look like they will continue to remain low this year due to milk production well above 2015 levels in the EU, China's continued low import levels, and Russia's ban on imports from the EU. Low oil prices have also decreased exports to oil producing countries, leading to a soft world demand, low world dairy product prices, and an overabundance of supply.

Milk prices may show a very slow recovery through the year depending on production levels and exports. In spite of these low prices, we are seeing strong increases in milk production, especially in the Northeast and Midwest. New York's milk production alone was up 5.3% for April as compared to a year ago. The overproduction continues to stifle the market demand, continuing to keep dairy prices low, while plant and storage capacity is strained. April cow numbers were up by 4,000 in March and cow numbers have increased each month throughout this year, uncharacteristic for the milk prices we're seeing. There is an ample supply of replacement heifers and dairy cow slaughter is down 1.7% from a year ago, likely because of lower beef prices.

Looking ahead, Class III prices aren't forecasted to go above \$14.15 in the fourth quarter and will average around \$13.50 for the year, as compared to 2015's \$15.80. Class III futures show prices below \$14 until August and peaking below \$15 in December. The U.S. Average All Milk price should average between \$14.60 and \$15.10 for 2016, as compared to 2016's \$17.11. The small silver lining continues to be lower feed costs. Penn State's measure of Income Over Feed Cost rose by 6.9% from March to April to \$6.46/cow/day. (Cropp, Bob. Memo to Dairy-L. May 19, 2016)

A Drop in the Bucket



Class III prices are as low as they were in the Fall of 2009 and will average near \$12.75 for May as compared to 2014's \$22.57.

Penn State's March value of Income Over Feed Cost is \$6.46/cow/day, a 2.9% decrease from February due to decreasing milk prices and low feed prices.

USDA is forecasting the 2016 All Milk Price to average between \$14.60 and \$15.10 for 2016.

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

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