

Dairy Market Watch

October 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)*
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	\$6.83
May 16	\$2.28	\$1.49	\$16.95	\$13.53	\$12.76	\$13.09	\$13.58	\$0.82	\$14.18	\$1.42	\$1.22	\$5.77
June 16	\$2.41	\$1.48	\$16.39	\$14.12	\$13.22	\$13.77	\$13.86	\$0.64	\$14.46	\$1.24	\$1.25	\$5.75
July 16	\$2.59	\$1.91	\$16.95	\$15.16	\$15.24	\$14.84	\$15.07	(\$0.17)	\$15.67	\$0.43	\$1.35	\$7.59
Aug 16	\$2.48	\$2.57	\$18.32	\$15.21	\$16.91	\$14.65	\$15.82	(\$1.09)	\$16.42	(\$0.49)	\$1.36	\$9.26
Sep 16	\$2.31	\$2.56	\$19.81	\$14.66	\$16.39	\$14.25	\$15.95	(\$0.44)	\$16.55	\$0.16	\$1.38	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)

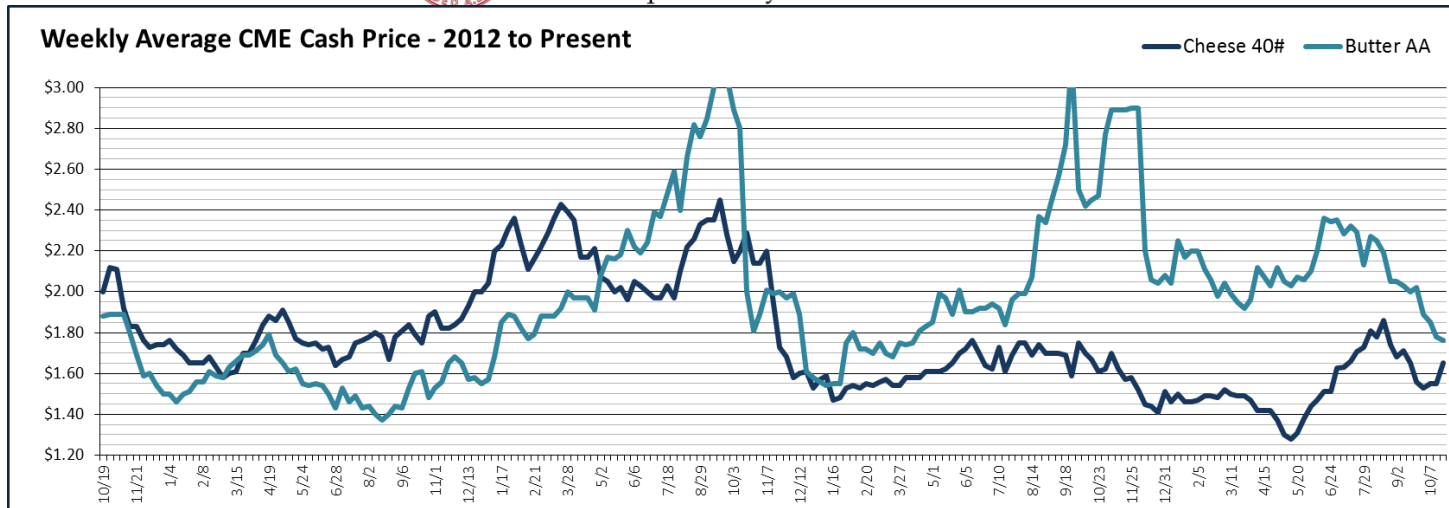
Cheese: With milk readily available and components on the rise, cheese production is seasonally strong and near full capacity at many U.S. cheese facilities. Northeast market participants note cheese stocks are sufficient for most near term commitments, however some mozzarella inventories are sold out. A few manufacturers are getting more inquiries from export channels. Although sales have not yet developed, cheese makers are hopeful it is a sign that those market opportunities may be able to grow in the near future.

Dry Products: Spot prices for low/medium heat nonfat dry milk (NDM) are mixed in all regions. Spot sales activity is light. Prices for high heat nonfat dry milk are unchanged. Trading is light as inventories are tight. Dry buttermilk prices are up in the East and Central regions, where offerings are light. A few spot sales of dry whole milk throughout the nation shifted down prices. Demand from dry mix manufacturers and bakers is active. Nationwide, there are limited changes on whey prices. Inventories continue tight in all regions.

Fluid Milk: Farm milk output is up in Florida, California, Arizona and the Central region, but steady in the Northeast and MidAtlantic. Nationwide, milk components are improving and milk supplies are in balance with processing needs. Bottled milk sales vary throughout the country. Condensed skim usage into NDM processing is strong. Cream is readily available in all regions and demand from sour cream, yogurt and cream cheese manufacturers is improving. Heavy cream volumes continue clearing into butter churning. Some sellers and buyers are finalizing cream contracts for Q1 of 2017.

Butter: Nationwide, butter production is very active as ample cream supplies continue clearing into churns. Most butter processors are running operations at full capacity ahead of the Q4 holiday needs. Microfixing is active as some processors want to rotate older stocks with fresh inventory. Bulk butter supplies are heavy. In order to lower bulk stocks, some manufacturers are selling at lower prices in the spot market. The current bulk prices are improving buyers' demand. Bulk butter prices reported throughout the country are ranging from 2 cents under to 8 cents over the market, based on the CME Group with various periods and averages used. Print butter requests from retailers are strong. This week, a cooperative export assistance program accepted 23 requests for export assistance to sell 859,803 pounds of butter.

Friday CME Cash Prices					
Dates	9/23	9/30	10/7	10/14	10/21
Butter	\$2.02	\$1.89	\$1.85	\$1.78	\$1.76
Cheese (40# Blocks)	\$1.56	\$1.53	\$1.55	\$1.55	\$1.65



Comments: Milk Production in New York during September 2016 totaled 1.21 billion pounds, up 4.9% from September 2015. The average milk price received by New York Farmers was \$17.30 in August, up \$0.50 from July 2016 but down \$0.10 from a year ago. The number of milking cows in New York stayed the same from a year ago, but milk per cow went up 4.8% (Northeastern Region Monthly Milk Production Report, October 24, 2016).

US Milk Production for the month of September was up 2.1% from a year ago, although the number of cows declined by 3,000 head from August to September. Cheese prices rallied in August, which helped to push up the August Class III price. Forecasts for October through December put Class III prices in the low \$15's. Weak exports, along with increases domestic milk production, have increased cheese stock levels and driven down prices in spite of strong domestic cheese sales. Stocks for American Cheese on August 31st were 5% higher than a year ago and 12% higher than the 5-year average. Cheese exports were down 17% for January through August as compared to a year ago and were almost 29% lower than in 2014. Butter sales have continued to hold throughout the year, but fell just below \$2/pound throughout October. Normally, butter prices would peak in October as we move into the holiday season, but growing stocks and weaker exports continue to suppress prices. August 31st butter stocks were almost 52% higher than a year ago, while exports were 59% lower than a year ago. The net trade deficit for butter in August was the highest since December 2006 (Cropp, Bob. Memo to Dairy-L. October 20, 2016).

Penn State's measure of income over feed cost rose by 15% from August to September due to higher milk prices and somewhat lower feed prices. September's IOFC is the highest we've seen since November 2014. Income over feed cost reflects daily gross milk income less feed costs for an average cow producing 65 pounds of milk per day (Dunn, Jim. Dairy Outlook, October 2016).

Looking ahead, Class III will likely be in the \$15's for the first quarter of 2017, and then incrementally increase throughout the year – reaching the \$16's by the end of the second quarter and possibly the high \$16's into the 3rd and 4th quarters. USDA and other forecasters differ on price points for 2017, but all of them have prices improving as we move through next year. The level of milk production and exports will be key factors determining how much of an improvement we might see. The World milk supply is starting to balance with less milk coming out of the EU and lower milk production in New Zealand, Australia, and Argentina. It's also looking like China will be more active in importing dairy products into 2017 (Cropp, Bob. Memo to Dairy-L. October 20, 2016).

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