

Dairy Market Watch

November 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)*
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	\$9.48
Oct 16	\$2.04	\$2.29	\$19.85	\$14.09	\$14.82	\$13.66	\$15.08	\$0.26	\$15.68	\$0.86	\$1.35	Not Available

October Utilization (Northeast): Class I = 34%; Class II = 24%; Class III = 25%; 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: During Thanksgiving week, some extra milk not needed for fluid sales was flowing into cheese making. Northeast cheese production is expected to rise. Demand for cheese is uneven in the Northeast.

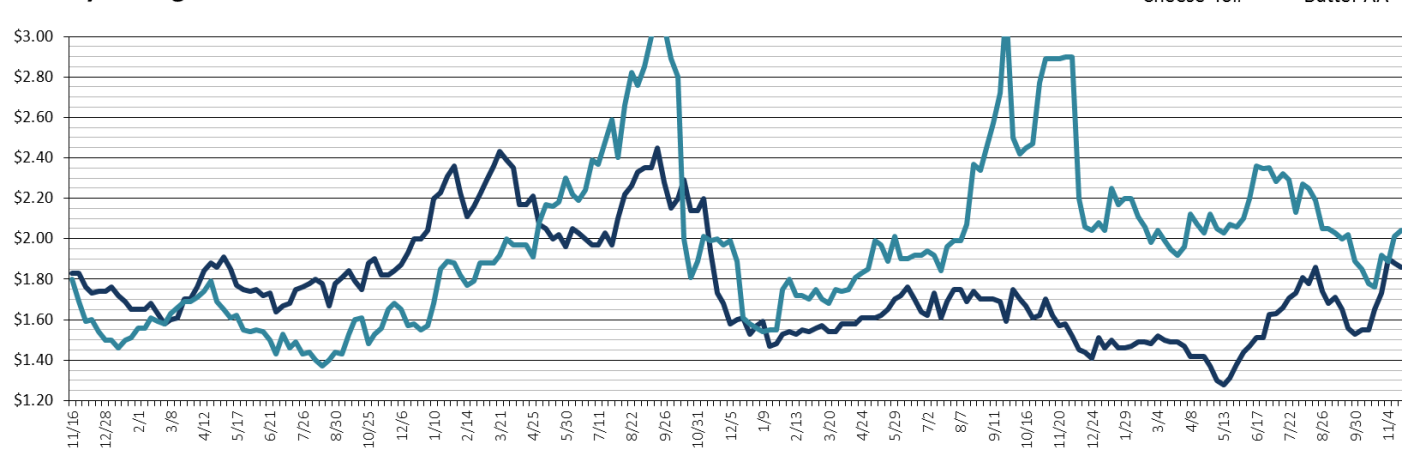
Dry Products: Light trading activity kept many of the dairy dry commodity markets trending sideways to marginally higher. Low/medium heat nonfat dry milk markets are steady to higher as some last minute interest emerged for f.o.b. spot loads. Much of the December contracting is already in place. Dry buttermilk markets are somewhat hampered by light inventories in the Central and East. Dry whey prices are generally steady. With export demand slowing as the end of the year approaches, inventories may rebuild behind active cheese production throughout the country. The whey protein concentrate 34% market is steady to firm, with tight inventories curtailing spot market activity. The lactose market is mixed, with improved availability of lower mesh size loads, but continued scarcity of high mesh size lactose. The whole milk powder market is steady with limited trading activity on the spot market.

Fluid Milk: Milk production is higher in the eastern and southern portions of the country. On farm milk production in the Northwest and mountain states is following the seasonal norm of hovering on either side of the low point. Processors in the north Central area report milk production is trending higher. Operational expansions are ongoing in many areas. In additional dairy operators are holding onto some cows a little longer as feed supplies are ample and cull cow prices offer few incentives. Demand from the fluid sector is mixed, with strong bottling orders early in the week that tapered down as the week passed. With limited ordering from schools, most bottling orders are for multi-serve containers, and retailers stocked up to meet expected consumer holiday demand. Cream demand is steady to lower into aerated and/or heavy cream and ice cream/mix manufacturing. However, cream cheese/sour cream/dip producers are taking cream in spot cream loads. Butter manufacturers are also showing some interest in cream to beef up inventories ahead of the year end holidays.

Butter: At this point, churners are focusing operational schedules on print demands for the year-end holiday. With reduced cream pulls from Class II manufacturers, butter production rates are expected to be much heavier throughout the week. Butter requests from some restaurants are active. Some buyers are finding spot loads of bulk butter hard to find as inventories are heavily committed.

Friday CME Cash Prices					
Dates	10/21	10/28	11/4	11/11	11/23
Butter	\$1.76	\$1.92	\$1.89	\$2.01	\$2.04
Cheese (40# Blocks)	\$1.65	\$1.73	\$1.90	\$1.88	\$1.86

Weekly Average CME Cash Price - 2012 to Present



Comments: Cheese prices fluctuated throughout November, barrels ranged from \$1.59 to \$1.86 and settled on the 23rd at \$1.69; blocks ranged from \$1.73 to \$1.90 and settled on the 23rd at \$1.86. October's Class III price was \$14.82. Cheese prices, and thereby Class III prices, have unexpectedly showed strength in spite of fluctuating weekly reports. However, after the Year-End Holiday orders are filled, cheese prices will likely weaken to create a Class III price in the low \$16's to close out the year. Class III price average for 2016 should be near \$14.75 as compared to last year's \$15.80 and 2014's \$22.24. Cheese stocks are more than adequate – September's American cheese stocks were 6.5% higher than a year ago. Cheese prices were not helped by exports either – September exports were 20.5% lower than in 2014. Total cheese production was 1.6% higher in September and 1.9% higher year-to-date.

Class IV prices have remained steadier. CME butter has averaged over \$2 per pound from January through September and averaged \$1.82 in October. Holiday sales will push prices upwards, and November's prices have ranged between \$1.86 and \$2.04 per pound. Class IV hit a low in April at \$12.68, and was \$13.66 in October. November's Class IV price will likely end up at \$13.80. U.S. butter exports saw an increase, and were 137% higher than a year ago, but still 30% lower than in September 2014. (Cropp, Bob. Memo to Dairy-L. November 18, 2016).

Penn State's measure of income over feed cost rose by 0.6% from September to October due to lower milk prices and somewhat lower feed prices. October's IOFC is the highest we've seen since November 2015 at \$7.30. 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, November 2016).

2017 milk prices will, once again, largely be driven by levels of milk production. Production continued to run above 2015 levels, and October milk production was up 2.5%. Cow numbers have declined by 6,000 since their peak in August. Milk per cow is driving milk production increases, and is 2.3% higher than a year ago. Of the 23 states that report milk production data, only 3 had lower milk per cow averages than a year ago. Milk production was up 4.7% in New York. 2016's milk production will be up by 2% as compared to 2015. USDA forecasts milk production to increase another 2.1% throughout 2017. Continued good butter and cheese sales will help to lessen the blow as well as, hopefully, improved export opportunities into 2017. World milk production growth has slowed as the EU, New Zealand, Australia, and Argentina are all experiencing lower milk production. At the same time, world demand has picked up as China and other importers become more active. This levelling out of supply and demand should reduce world surpluses and make U.S. dairy productions more competitive on the world market.

Class III price may be in the high \$15's as we head into 2017, and should improve to at least the high \$16's throughout the year, and maybe even the \$17's by the fourth quarter. The average for the year could be \$16.50 for Class III, although the USDA is forecasting an average ranging from \$15.30 to \$16.20. Milk prices will fluctuate with changes to milk production, sales, or exports. (Cropp, Bob. Memo to Dairy-L. November 18, 2016).

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