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# Dairy Market Watch

## February 2017

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)*
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	\$8.84
Nov 16	\$2.10	\$2.80	\$18.03	\$14.60	\$16.76	\$13.76	\$15.19	(\$1.57)	\$15.79	(\$0.97)	\$1.36	\$9.98
Dec 16	\$2.34	\$2.69	\$20.13	\$15.26	\$17.40	\$14.97	\$16.53	(\$0.87)	\$17.13	(\$0.27)	\$1.43	\$11.10
Jan 17	\$2.53	\$2.18	\$20.70	\$16.36	\$16.77	\$16.19	\$17.06	(\$0.29)	\$17.66	(\$0.89)	\$1.52	Not Available

January Utilization (Northeast): Class I = 32%; Class II = 23%; Class III = 26%; Class IV = 19%.

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 to abundant across the country, and the requests for cheese vary from region to region. The demand for cheese is seasonally slow in the West. In the Northeast, the drops in CME price prompt slightly higher cheese sales. However, buyers are holding on placing orders hoping for more declines in the price. There has been a CME barrel to block inversion since early February. Buyers are seeing this as a sign of market instability. Cheese inventories both Blocks and barrels are growing.

**Butter:** Butter production continues active, prompted by large cream supplies throughout the country. Current butter output is split between print and bulk packaging. Retail demand for print butter is improving ahead of the Q1 spring holiday season. Similarly, bulk butter sales to large-scale bakeries and food processors are active, too. Overall, bulk butter stocks are building into cold storage in many processing plants.

**Fluid Milk:** Milk yields are steady to higher in most regions this week. Bottling demands are down in the East, but steady in the Midwest and some areas of the West. Cream supplies are readily available in all parts of the United States. Some market actors sold class II cream at higher multiples in the East.

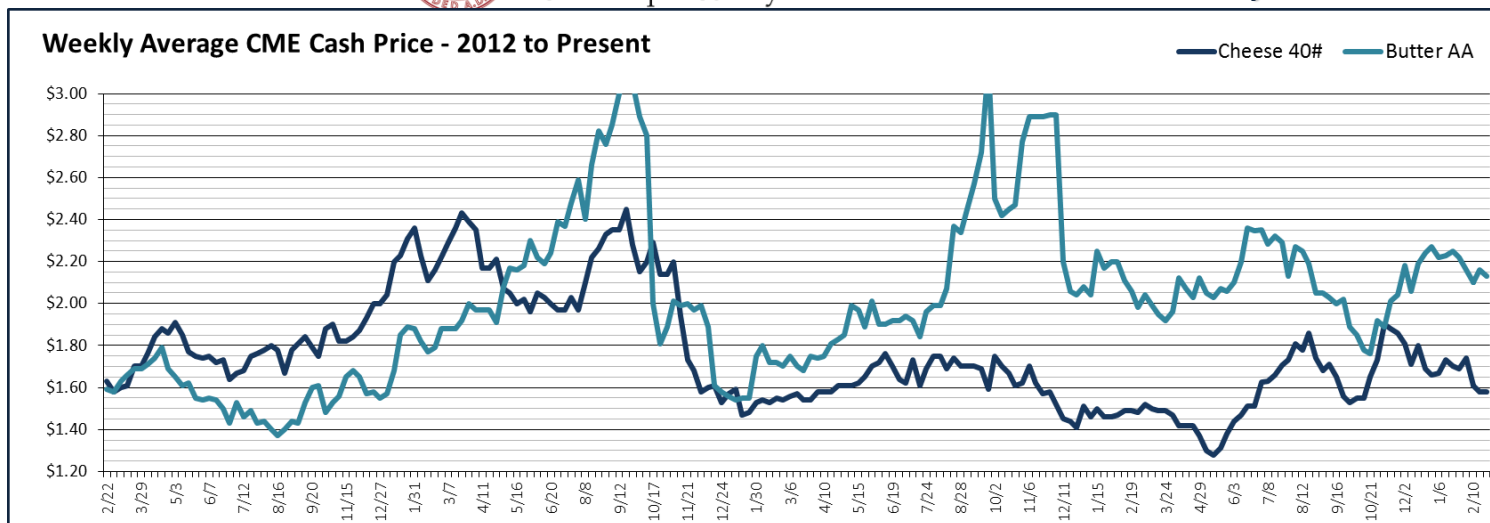
**Dry Products:** Around America, low/medium nonfat dry milk (NDM) prices shifted downward on the range and mostly pricing series this week. Some market participants are staying quiet, studying the market while other customers are finalizing spot market transactions in order to receive lower prices. Currently, the demand for Low/medium NDM is light and sluggish internationally, while inventories are strongly building. The market undertone is unsteady. International buyers are cautious over currency and trade policies. With milk production continuing to climb, low/ medium NDM production progresses. Inventories are light, but are in balance to cover contractual requirements. The demand for dry buttermilk is slightly above current supply. Production is sporadic because of the attention towards low/medium NDM production. Inventories are tightening, but are adequate to meet contract needs. Dry whole milk held steady on the price series this week. With the spring holidays approaching, baking and confectionary demand is improving. The market undertone is balanced and production is expected to be active in order utilize upcoming spring flows of milk.

### Friday CME Cash Prices

Dates	1/27	2/3	2/10	2/17	2/24
Butter	\$2.22	\$2.16	\$2.10	\$2.16	\$2.13
Cheese (40# Blocks)	\$1.69	\$1.74	\$1.61	\$1.58	\$1.58

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*Excerpt from "Dairy Situation and Outlook, February 21, 2017"*

*by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension*

Milk prices ended 2016 at a high for the year. December Class III was \$17.40 compared to a low of \$12.76 back in May. December Class IV was the high for the year at \$14.97. But, milk production continues to increase at a relatively high level and the peak demand for cheese and butter during the holidays is over so some weakening of milk prices is expected for the start of this year. On a positive note dairy exports improved last quarter of the year. Nevertheless, stocks of both butter and cheese grew during December. Compared to a year ago, December 31st stocks were 12.8% high for butter and 5.3% higher for cheese.

Milk prices are still expected to stay much more favorable than last year for all of 2017. Domestic sales of butter and cheese are expected to continue to show growth. Milk production in four of the five leading exporters—EU, New Zealand, Australia and Argentina—is expected to continue below year ago levels at least for the first half of the year with only modest increases as a possibility for the last half of the year. U.S. the fifth largest exporter will continue to show relatively strong increases in milk production. Increase demand by China and others is expected pushing up world dairy product prices. With these conditions continued improvement in dairy exports is expected. The level of milk production will be a key factor in how much milk prices improve over 2016.

With relatively low feed prices and improved milk prices we can expect the average number of milk cows to increase in 2017 and further improvement in milk per cow. USDA is forecasting the average number of milk cows to increase 0.4% and milk per cow to increase 1.9% resulting in an increase in total milk production of 2.3%. With this level of milk production good domestic sales and dairy exports will be required to strengthen milk prices. USDA's forecast of a 1.9% increase in milk per cow could be on the high side. The annual increase in milk per cow for the past 5 years has been 1.3%.

As of now it looks like the Class III price to be in the low \$16's through about May, then increasing to the \$17's with high \$17's and even low \$18's by October or November with an average for the year around \$17.15 compared to \$14.87 last year. The Class IV price may stay in the \$15's first half of the year reaching the \$16's and even the \$17's for the last half of the year and averaging about \$16.30 for the year compared to \$13.77 last year. How dairy exports actually perform over the next couple of months and the level milk production will provide better insight for milk prices during the year.