



Dairy Market Watch

March 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)*
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	\$11.05
Feb 17	\$2.42	\$2.23	\$19.98	\$16.52	\$16.88	\$15.59	\$16.62	(\$0.26)	\$17.22	\$0.34	\$1.48	Not Available

February Utilization (Northeast): Class I = 32%; Class II = 24%; Class III = 25%; 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)

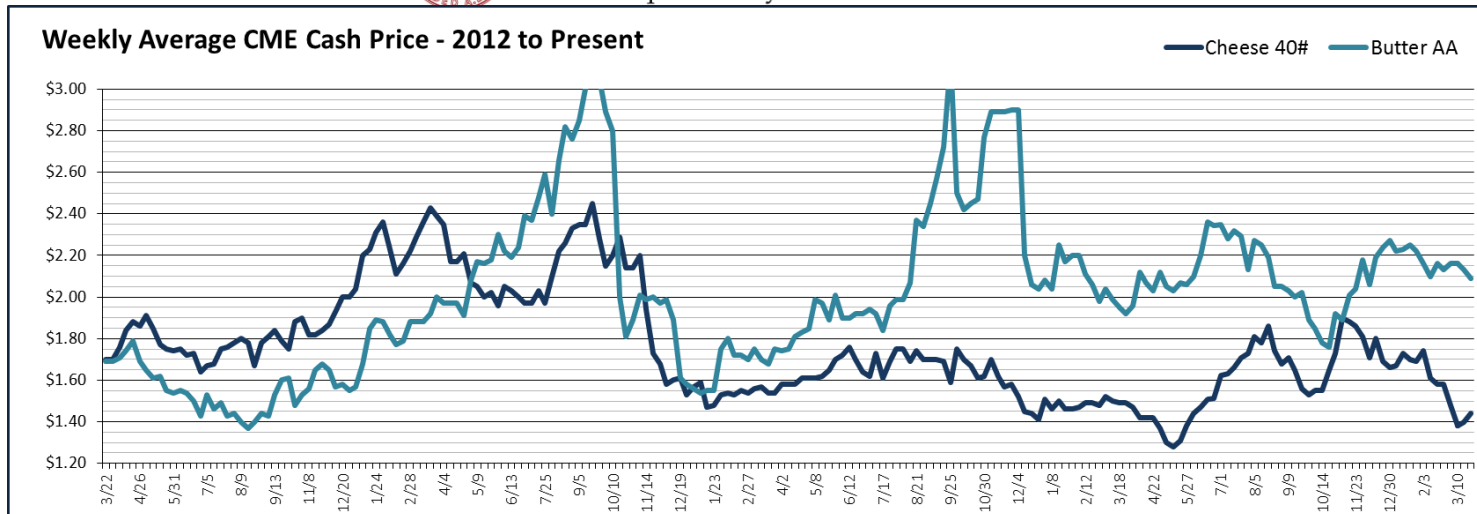
Cheese: Milk continues to be readily available to U.S. cheesemakers. However, contractual and internal milk supplies are meeting most cheese production needs. Cheese production is steady to strong across the country. Northeastern food service demand is lower with many schools on spring break. The market tone is uncertain. Average weekly barrel cheese prices on the CME increased from the previous week's average after five weeks of decreasing average prices. Weekly average block prices also increased, after six weeks of declining weekly averages.

Butter: Throughout the United States there are heavy cream supplies clearing to butter producers, who are churning at full swing. In the Northeast, butter output is in excess of producers' present needs. The United States butter demand is fair to strong. A few Northeastern producers' holiday orders have been placed and interest for both bulk and print butter is good to mixed, as more orders are placed for the upcoming celebrations.

Friday CME Cash Prices					
Dates	2/24	3/3	3/10	3/17	3/24
Butter	\$2.13	\$2.16	\$2.16	\$2.13	\$2.09
Cheese (40# Blocks)	\$1.58	\$1.43	\$1.40	\$1.36	\$1.39

Fluid Milk: Milk production has steadied a bit in some areas of the Eastern region. In the Midwest and East, spring break continues to constrain Class I sales. Spot sales into Class III range from flat to \$3 under Class. Cream demand is trickling up across the nation. Ice cream manufacturers' interests in cream vary from contact to contact. Some cream producers are getting regular inquiries from ice cream makers, while others expect more interest after the spring holidays.

Dry Products: Low/medium heat nonfat dry milk (NDM) prices decreased this week in the Central and East, but prices were mixed in the West. Eastern low/medium heat NDM manufacturers are seeing some movement into Mexico and Canada. Condensed skim is available to meet NDM manufacturing needs across the country. Overall, the low/medium heat NDM market tone is mixed. Low/medium heat NDM inventories are adequate. High heat NDM production is light, but increasing. High heat NDM prices have decreased across the country. High heat NDM inventories are adequate for contractual obligations. Demand for dry buttermilk is light to moderate across the country. Dry buttermilk production is generally active. Inventories of dry buttermilk vary from balanced in the West, to growing in the East and Central U.S. Dry whole milk prices are steady to lower. Domestic dry whole milk values are currently priced above the international market. Sales of dry whole milk on the spot market have been infrequent, and inventories vary by region.



*Excerpt from "Dairy Situation and Outlook, March 20, 2017"
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension*

Dairy product prices have declined during March with the exception of butter and dry whey. Butter has remained well above \$2.00 per pound ranging from \$2.2325 to \$2.11 and is now \$2.13. Dry whey has held steady in the \$0.48 to \$0.50 pound range. But, 40-pound cheddar blocks started the month at \$1.49 per pound, fell to a low of \$1.36 and is now \$1.4025. The cheddar barrel price started the month at \$1.465 per pound, fell to a low of \$1.35 and is now \$1.36. Nonfat dry milk which was in the \$90's in February has been in the \$0.80 to \$0.81 range during March. With lower cheese prices the March Class III price will be near \$15.70, down from \$16.88 in February. While butter prices have held the lower nonfat dry milk price will push the March Class IV price to about \$14.40, down from \$15.59 in February.

Butter and cheese sales have softened as buyers are not building inventories and waiting to see if prices fall further. Fluid (beverage) milk sales continue their downward trend. Fluid sales declined 0.7% last year and January sales this year were 0.8% lower than last year. Dairy exports continue to improve. January exports compared to a year ago were up 13% for nonfat dry milk/skim milk powder, 3% for cheese, 24% for total whey products and 1% for lactose. Butter exports however were 26% lower.

Milk production will increase during the spring flush and likely will push milk prices lower. We can expect the Class III price to be in the low \$15's and the Class IV price in the low \$14's for the months of April and May. But, with continued favorable butter and cheese sales along with continued improvement of dairy exports milk prices should trend back upward after that. The Class III price could be back to the \$16's by June and reaching into the high \$17's by fourth quarter. The Class IV price could reach the \$15's by June and the higher \$15's by fourth quarter. Currently, dairy futures are not that optimistic. Class III futures don't reach the \$16's until July and stay well below the \$17's for the remainder of the year. Class IV futures don't reach the \$15's until August.

As we move ahead we will get a better sense of how domestic sales, milk production and exports will turn out in 2017. Any change in these factors could result in quite different milk prices. USDA is forecasting a 2.4% increase in milk production for 2017 from 52,000 more cows, an increase of 0.6% and 410 more pounds of milk per cow, an increase of 1.8%. This is a lot of milk. Good domestic sales and continued improved exports will be necessary to reach the high \$17's for Class III and high \$15's for Class IV.