

Dairy Market Watch

April 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)*
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	\$10.58
Mar 17	\$2.42	\$1.82	\$20.15	\$16.21	\$15.81	\$14.32	\$16.15	\$0.34	\$16.75	\$0.94	\$1.44	Not Available

March 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: Cheese plants across the nation are handling abundant milk intakes. Class III spot milk prices were reported from \$1.50 to \$5.00 under Class. Cheese production, therefore, continues at active levels. In some cases, processors are seeing seven-day workweeks. Cheese inventories are long throughout the country. In the West, some fast food chains are transitioning from process to natural cheese, and some contacts are curious to see how this will impact the block versus barrel demand.

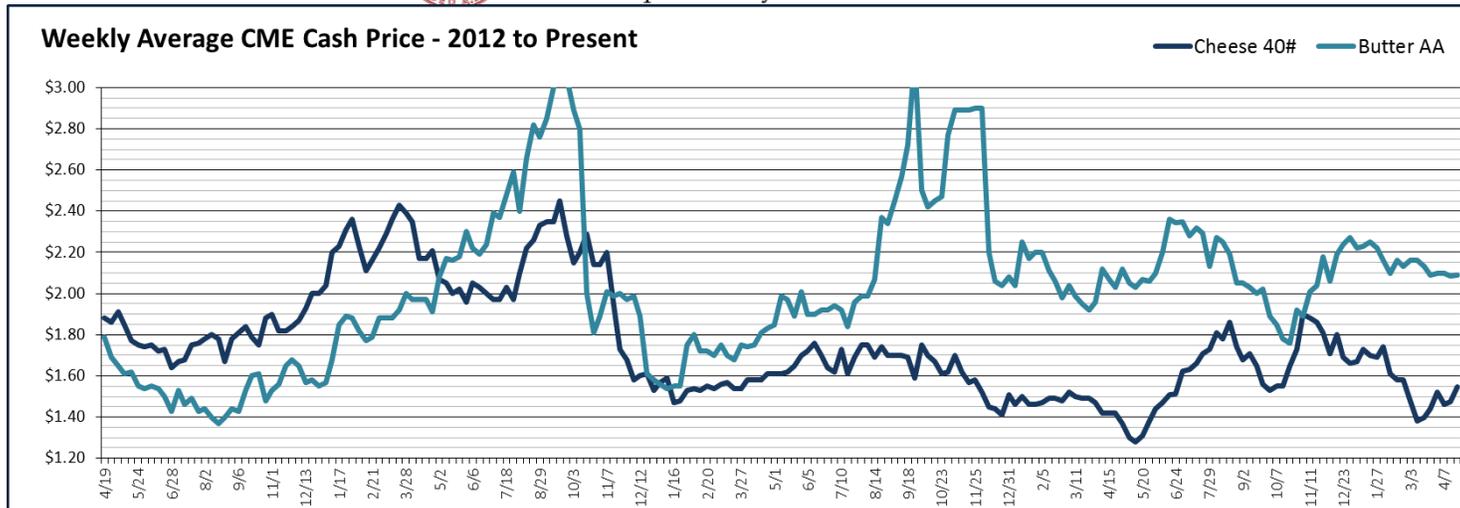
Butter: The United States butter production is at active levels. Cream is readily available throughout the country. Butter inventories are heavy. In the Northeast and West, there has been seasonally lighter demand. Bulk butter sales are at 4 cents below to 6 cents over the market, with various time frames and averages used.

Fluid Milk: Overall U.S. milk production is increasing. Northeast milk production is higher than one year ago. Southeast milk production is heavy. Milk output is adding to Mid-Atlantic manufacturers' milk supplies. Midwest milk production shows no signs of a near term slowdown. Spot milk is moving to cheese plants at prices between \$1.50 to \$5.00 below Class.

Dry Products: All nonfat dry milk prices are stronger for low and high heat in all regions except Central and East high heat, which is steady. The low/medium heat market tone is uncertain/unsettled in all regions. Production and inventories are generally ahead of demand, driven by heavy milk supplies. All buttermilk powder prices are weaker in all regions except steady in the Central and East's bottom of the range. Inventories are adequate.

Organic Dairy Market News: The latest AMS national data reports total organic milk products sales for February 2017 were 203 million pounds, down 4.8% from the previous February. January-February 2017 sales are even with January-February 2016. March increases in organic milk sales have been reported in the Northeast. Federal Milk Market Order 1 reports utilization of types of organic milk by pool plants. During March 2017, organic whole milk utilization totaled 16.3 million pounds, up from 14.6 million one year earlier, an 11.6% increase.

Dates	3/24	3/31	4/7	4/13	4/21
Butter	\$2.09	\$2.10	\$2.09	\$2.08	\$2.09
Cheese (40# Blocks)	\$1.39	\$1.52	\$1.46	\$1.47	\$1.54



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

Milk prices have been trending downward since last December and will likely continue through May. The Class III price was \$17.40 last December, fell to \$16.77 in January and was \$15.81 in March. April should be around \$15.15 and May at \$15 or a little below \$15. Prices should start to trend upward again by June. This pricing pattern is not unusual. After strong seasonal sales of butter and cheese during Thanksgiving through Christmas sales soften, and at the same time milk production starts to increase seasonally. Then as we move into summer milk production slows, by September schools open increasing beverage milk sales and by fall milk plants and buyers of cheese and butter start building stocks to again meet the strong seasonal sales.

First quarter sales of butter and cheese have softened some from a year ago, but are expected to show growth for the year. For the nine months from last June through February dairy exports have improved over a year earlier. February exports were the highest since May of 2015. Milk production has been lower than a year ago in major dairy exporters with the exception of the U.S. World demand has picked up with China, Mexico and others increasing their imports. With a tighter world supply demand situation world dairy product prices have increased making U.S. dairy products more competitive. Compared to February a year ago, exports increased 26% for nonfat dry milk/skim milk powder, 8% for cheese, 22% for total whey products, but were 55% lower for butterfat and 5% lower for lactose. On a total solids basis February exports were equivalent to 14.8% of milk production compared to 13.4% a year ago.

With relatively strong milk production stocks of dairy products have been building putting downward pressure on prices. Butter stocks grew by 27.6% January to February with February stocks 20% higher than a year ago. Natural American cheese stocks grew by 2.9% January to February as did total cheese stocks, and February stocks were 8.1% and 6.4% higher respectively than a year ago.

Milk production is expected to continue to run higher than a year ago. USDA is forecasting 2017 milk production to be 2.3% higher than last year. But, with expected growth in butter and cheese sales along with continued improved dairy exports milk prices are forecasted to increase starting with the month of June. While reduced some from earlier in the year milk prices are expected to average for the year higher than last year. The Class III price could be back to about \$15.35 by June, in the \$16's by July with the \$17's possible by September giving an average for the year around \$16.35 compared to \$14.87 last year. Some price forecasters have a possible Class III of \$18 by August. However, Class III futures do not reach the \$16's until August and stay below \$17 for the remainder of the year giving an average for the year of about \$16.10. USDA forecasts Class III to average between \$16.10 and \$16.60. No doubt as we move through the year and observe the actual level of milk production, dairy product sales and exports price forecasts will be revised, and that could be higher or lower than now forecasted. It doesn't take big changes to result in changes in milk prices.