



# Dairy Market Watch

## May 2015

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)*
Apr 14	\$2.12	\$4.71	\$26.90	\$24.74	\$24.31	\$23.34	\$24.31	\$0.00	\$24.91	\$0.60	\$2.15	\$13.65
May 14	\$2.27	\$3.96	\$27.72	\$24.44	\$22.57	\$22.65	\$24.09	\$1.52	\$24.69	\$2.12	\$2.13	\$12.26
June 14	\$2.44	\$3.34	\$26.11	\$23.94	\$21.36	\$23.13	\$23.23	\$1.87	\$23.83	\$2.47	\$2.05	\$11.65
July 14	\$2.63	\$3.18	\$26.27	\$24.41	\$21.60	\$23.78	\$23.60	\$2.00	\$24.20	\$2.60	\$2.09	\$12.68
Aug 14	\$2.84	\$3.15	\$27.12	\$25.34	\$22.25	\$23.89	\$24.26	\$2.01	\$24.86	\$2.61	\$2.14	\$13.74
Sep 14	\$3.24	\$3.49	\$26.88	\$26.11	\$24.60	\$22.58	\$25.01	\$0.41	\$25.61	\$1.01	\$2.21	\$15.40
Oct 14	\$2.85	\$3.74	\$27.44	\$21.93	\$23.82	\$21.35	\$23.20	(\$0.62)	\$23.80	(\$0.02)	\$2.00	\$15.62
Nov 14	\$2.20	\$3.90	\$27.31	\$19.91	\$21.94	\$18.21	\$21.11	(\$0.83)	\$21.71	(\$0.23)	\$1.87	\$13.39
Dec 14	\$2.10	\$2.74	\$25.78	\$19.09	\$17.82	\$16.70	\$19.87	\$2.05	\$20.47	\$2.65	\$1.76	\$10.66
Jan 15	\$1.69	\$2.67	\$21.83	\$16.18	\$16.18	\$13.23	\$16.42	\$0.24	\$17.02	\$0.84	\$1.47	\$8.34
Feb 15	\$1.83	\$2.41	\$19.49	\$14.48	\$15.46	\$13.82	\$15.51	\$0.05	\$16.11	\$0.65	\$1.39	\$7.66
Mar 15	\$1.84	\$2.49	\$18.81	\$14.50	\$15.56	\$13.80	\$16.40	(\$0.31)	\$15.85	\$0.29	\$1.37	not available
Apr 15	\$1.89	\$2.56	\$18.75	\$14.98	\$15.81	\$13.51	\$15.36	(\$0.45)	\$15.96	\$0.15	\$1.38	not available

April Utilization (Northeast): Class I = 33%; Class II = 24%; Class III = 24%; 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 production continues to be at high levels in all regions. That is leading to continuing strong cheese production. Even if the flush begins to recede, new milk supplies available from expiring school year fluid milk contracts are expected to maintain strong milk availability for cheese manufacturing in the near future. Inventories are building in the Northeast, particularly aged Cheddar.

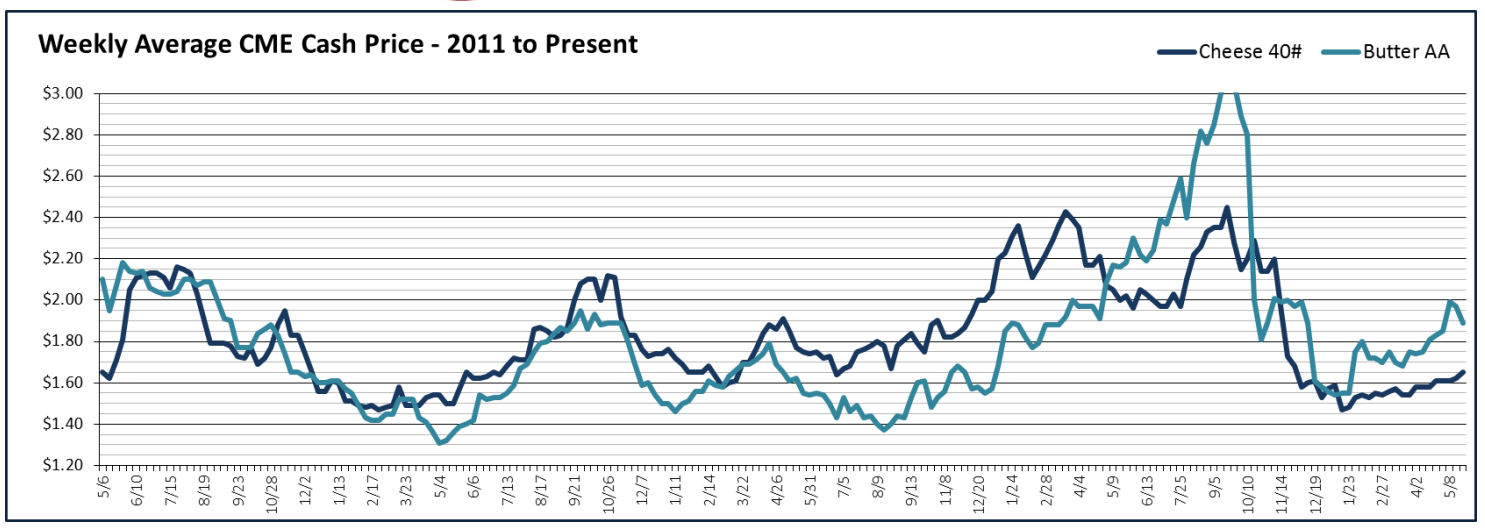
**Dry Products:** A steady to weaker undertone subsists for most dry product markets. Prices for low/medium heat nonfat dry milk were mostly lower across the nation. Where milk is readily available, production and inventories are building. Inventories for high heat nonfat dry milk are tighter. Many manufacturers have opted to produce other dry products in lieu of high heat NDM. Demand for dry buttermilk has increased as ice cream manufacturers buy at higher volumes. Inventories however, continue to build and prices are mostly stable. Dry whole milk prices are unchanged and discount pricing is scarce. Dry whey prices are mainly lower this week. Demand has been light and product is generally readily available.

**Butter:** Butter production is mixed throughout the country. It's up in the Northeast, slowed in the West and is steady in the Central region, where most manufacturers are at full capacity. Inventory levels are building, but slowly as some manufacturers are watching pricing levels and others are content selling print butter as it is made. With the higher domestic prices, imports have increased.

**Fluid Milk:** Milk production in the East and Midwest is at or near the peak of the spring flush. The heavier milk intakes are already placing strains on manufacturers and milk handlers. Driver availability is limited and milk tanker receiving has been delayed in some instances. Processors are anticipating the challenges will be compounded over the holiday. Bottled sales continue to decline as more schools end spring terms. The demand for cream has remained strong for use in cream cheese, whipping cream, ice cream and frozen desserts.

**Production:** Milk production in the 23 major States during April totaled 16.6 billion pounds, up 1.7 percent from April 2014. Production per cow in the 23 major States averaged 1,928 pounds for April, 16 pounds above April 2014. This is the highest production per cow for the month of April since the 23 State series began in 2003. The number of milk cows on farms in the 23 major States was 8.62 million head, 77,000 head more than April 2014, and 2,000 head more than March 2015.

Friday CME Cash Prices					
Dates	4/24	5/1	5/8	5/15	5/22
Butter	\$1.83	\$1.85	\$1.99	\$1.97	\$1.89
Cheese (40# Blocks)	\$1.61	\$1.61	\$1.61	\$1.62	\$1.65



**Comments:** May milk prices will be the highest thus far this year. We should end up around \$16.20 for May's Class III price and \$14.00 for Class IV (which were \$15.81 and \$13.51 last month, respectively). There is still uncertainty as to where milk prices are headed towards for the remainder of the year, but Class III futures are in the \$17's by September and Class IV is projected to reach the \$16's by November. Although milk prices don't look like they will fall or increase sharply over the course of the remaining year, prices will still average \$6 to \$7 lower than last year. (Cropp, Bob. Memo to Dairy-L. May 2015).

There are a lot of factors that play into the current milk prices and will continue to have impact through the remainder of the year. Cheese buyers have been building inventory, and restaurant and retail sales of cheese and butter have been strong. However, inventories may be built up to the point that purchasers may not be as active into the summer and fall. On the global market, there is an increase in available milk and a decrease of total purchasers, especially as the U.S. economy continues to raise the value of the dollar. China's own milk production is increasing and they are facing a slowing economy, New Zealand has gotten some much needed rain in wake of the most recent drought, and the EU's milk quota has ended. Currently, U.S. exports on a total milk solids basis is equivalent to 15.9% of U.S. milk solids production. (Cropp, Bob. Memo to Dairy-L. May 2015).

The University of Wisconsin's Mark Stephenson and Bob Cropp discussed a "tale of two regions" in a recent video presentation (available on dairymarkets.org). Many of the big states in the west are experiencing declining production while the Upper Midwest and the Northeast are awash in milk. This stronger milk production in the Northeast region has put pressure on milk plant capacity. Butter prices have been high but nonfat dry milk prices are at 2009 levels.

Penn State's income over feed cost for April was \$6.47/cow/day. April's feed cost was 10 cents less/cow/day than in March. 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. Penn State Dairy Outlook. May 2015).



**A Drop In The Bucket**

Milk prices aren't as great as they were last year - \$15.81 for Class III, and \$14.98 for Class II. But they shouldn't get much worse for a while.

There is, and will be, a lot of milk on the world market. The U.S. economy is doing great...which is bad news for the export market (about 16% of milk equivalent sold).

April's value of Income Over Feed Cost is \$6.47. Feed costs were ten cents less than last month, and milk prices were somewhat stagnate.

Western states are struggling to keep their production up while the Northeast states are pushing milk plant capacity.

Increases in total milk production are still less than 2% (this year is forecasted to be a 1.3% increase) – this might be a saving grace for milk prices. Hang in there.

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