

Dairy Market Watch

May 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)*
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	\$9.35
Apr 17	\$2.35	\$1.69	\$19.30	\$14.81	\$15.22	\$14.01	\$15.24	\$0.02	\$15.84	\$0.62	\$1.37	Not Available

April Utilization (Northeast): Class I = 30%; Class II = 23%; Class III = 25%; Class IV = 22%.

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 – Volume 84, Report 20, May 19th)

Cheese: Milk supplies are abundant for cheese production in the United States. Milk management is becoming a concern for cheese manufacturers across the country. Northeastern and Midwestern cheesemakers continue to try to match milk supplies with active production. Generally, cheese barrels are long. In the Northeast, retail orders have increased. CME market prices have given contacts mixed feelings. Bullish contacts are taking the increasing prices as a sign of market improvement. Other contacts suggest increased CME prices could ward off potential global interests.

Butter: United States butter prices are fluctuating. In the Northeast, prices are steady to higher. Recent news of export opportunities has many individuals wondering what will happen to the butter price. The recent price increases prompted a rush of domestic buying activity. Butter production is generally steady. Throughout the U.S., cream is available for churning. Ice cream manufacturers are pulling larger amounts of cream, allowing some butter makers to ease back a little on production. Butter inventories are controllable to long, as some plants are planning to build late summer/fall inventories. Interest is mixed.

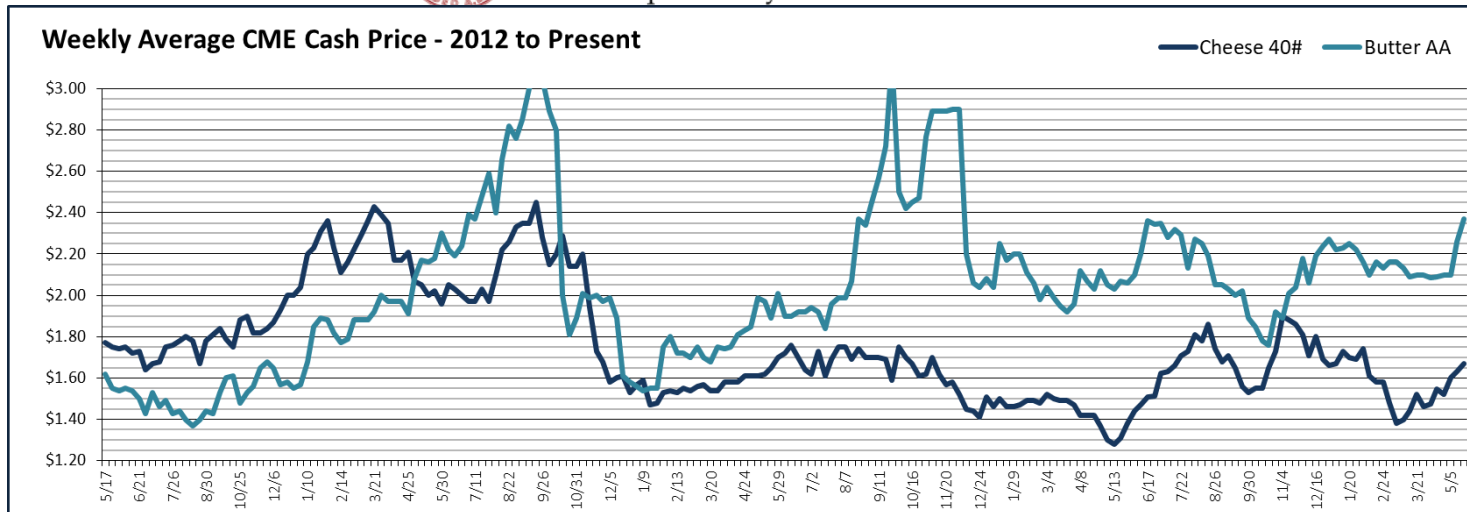
Fluid Milk: In most regions of the U.S., farm milk output is steady to higher. Bottling demand is steady to slower across the country. Bottling demand in the Northeast, Florida, and much of the Western/Mountain states is declining

Dry Products: Low/medium heat nonfat dry milk (NDM) prices shifted up in all aspects across the country. Low/medium heat NDM demand is fair, and contacts suggest current demand has helped prices. However, other contacts question the price increases with ample NDM production and supplies. High heat NDM prices held steady in the Central and East as spot trading was light, but the bottom of the range slightly dipped in the West. Dry buttermilk spot activity was generally light across the country, and inventories are mixed in the Central/East regions, while Western supplies are decreasing. Dry whole milk prices are steady. Trading of dry whole milk was moderate. Dry whole milk market undertones are uncertain, but showing signs of firmness.

Organic Dairy Market News: AMS reports total organic milk products sales for March 2017, 231 million pounds, is up 8.0 percent from the previous March and up 2.7 percent, January -March compared with the same period of 2016. Total organic whole milk products sales for March 2017, 89 million pounds, is up 17.4 percent compared with March last year and up 10.6 percent, January-March compared with the same period of 2016.

Friday CME Cash Prices					
Dates	4/21	4/28	5/5	5/12	5/19
Butter	\$2.09	\$2.10	\$2.10	\$2.26	\$2.37
Cheese (40# Blocks)	\$1.54	\$1.52	\$1.60	\$1.63	\$1.67

Building Strong and Vibrant New York Communities



Excerpt from "Dairy Situation and Outlook, May 19, 2017"
by Bob Cropp, Professor Emeritus, University of Wisconsin Cooperative Extension

April may have been the bottom for milk prices. The Class III price fell from \$16.77 in January to \$15.22 in April and May should be near \$15.60. Cheese and butter prices have responded to a slower growth in milk production and improved dairy exports. January milk production was 2.6% higher than the previous year, but March production was up just 1.7%. First quarter dairy exports were up 14% by volume compared to a year ago, the best first quarter since 2014. While butterfat exports were 49% lower cheese exports were 12% higher. With nonfat dry milk/skim milk powder exports 19% higher and total whey exports 27% higher first quarter exports on a total solids basis were equivalent to 14% of total milk production compared to 12.6% a year ago.

Dairy product prices strengthened despite higher production and increased stock levels. While March butter production was just 0.3% higher than a year ago, cheddar cheese production was 8.0% higher and dry whey production 6.4% higher. Compared to a year ago, March 31st stocks of butter were 12.1% higher, total cheese stocks 8.5% higher and dry whey 3.6% higher. The wider than usual price spread between cheddar blocks and barrels is explained by stocks of barrels being more plentiful than blocks. The spread will likely return to more normal as the demand for processed cheese increases with the grilling out season soon starting.

Milk prices should continue to improve from here out. Domestic sales appear to be favorable for butter and cheese. Dairy exports are expected to continue above year ago levels. As world supply and demand tightens world dairy product prices will increase making U.S. dairy product prices more competitive. Milk production among major dairy exporters has been below year ago levels for the EU-28, New Zealand, Australia and Argentina. U.S. has been the exception with higher milk production. However, milk production by the other four exporters, particularly the EU-28 and New Zealand is expected to start running above year ago levels during the second half of the year. But, stronger buying by China and others will help to keep a tighter world supply-demand situation.

The level of U.S. milk production will determine how much milk prices strengthen. With expected favorable domestic sales and higher dairy exports we can expect improvement in milk prices if the increase in milk production stays close to 2%. USDA is forecasting 2017 milk 2.1% higher than 2016.

Class III futures have turned more optimistic about milk prices than at the beginning of May. Class III futures reach the low \$16's by June and the low \$17's August through November. With continued good domestic sales and improved dairy exports a Class III price in the higher \$17's by October is very possible. Some price forecasters even see \$18 as a possibility. Weather will also be a factor as to where milk prices end up. Hot and humid summer weather can reduce the increase in milk production and depress milk components lowering the yield of dairy products per 100 pounds of milk. Milk prices will respond to relatively small changes in milk production, domestic sales and dairy exports. But, milk prices could average for the year \$1.30 to more than \$2 higher than last year.