

# PREMIER PRESS

SEPTEMBER 2015

## Condolences

We would like to express our sincere sympathies to Tony Jackson and his family. Taylor Jackson, Tony's daughter, passed away on September 2, 2015. Please keep Tony and his family in your thoughts and prayers as they move forward from this tragedy.

## Seminar Opportunity

UF Extension is putting on a seminar that will cover the corn and soybean markets, dairy markets and Margin Protection Program. This seminar will be held on Sept. 29 from 3 – 5 pm at the Southeast Livestock Pavilion, North Auditorium on 2232 NE Jacksonville Road in Ocala, FL.

Questions concerning feed pricing and contracts, milk price outlook, and should you sign up for the MPP again will be answered. Speakers are Dr. John Van Sickle and Calvin Covington.

## Important Contact Info

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## Has The Dairy Market Peaked for 2015?

Are milk prices going higher, lower and staying similar through the rest of 2015? That seems to be the big question that everyone would like to know. Let's look at several factors that affect milk prices.

1) Milk Production – US milk production continues to grow at about 1.2%. Most of the growth is in the Midwest where they are growing at about 4%. California's production is down about 3%. Milk production in the last part of the year should slow down some, but still grow at about 0.5 – 1.0%. Production in Europe is growing at about 3.5%. Quotas were removed earlier this year in Europe and producers were ready to gear up and produce more milk. However their prices are lower than the US prices, so that milk production should slow some going into 2016. New Zealand is projecting lower milk production for the rest of 2015 and going into 2016. Their milk prices are down as well, so producers in New Zealand are culling cows.

2) Exports – US is still exporting some product. Not nearly as much as the previous several years. CWT is helping move product offshore. US dairy commodity prices for cheese and butter is significantly higher than the world market prices. US butter prices are \$2.80's and the world price for butter is \$1.30's. US cheese prices are in the \$1.50's and world prices are in \$1.30's. Also exported butter and cheese were going to Mid-East countries. With the price of oil down, these countries do not have as much money to import and buy butter and cheese as they did prior to 2015. Russia has banned the imports of the cheese from Europe and US. It is estimated that Russia imported over a half billion lbs of cheese each year of which most of it came from Europe. As result there is more cheese from Europe looking for a home somewhere in the world. World powder prices have bottomed out finally and have started to climb. Skim milk powder reached the mid \$0.70's as a low and has now climbed to a little more than \$0.80/lb. Whey powders have bottomed out at \$0.19/lb. Whey prices have not been this low for almost 20 years now. It is expected that skim milk powder should climb to about \$1.00/lb. and whey should get to \$0.30/lb. as we move into 2016.

3) US Demand – US demand for cheese and butter has remained strong. With lower gas prices, consumers have more money available for spending in other areas and it appears that food service industry is getting its share of those available dollars. Cheese use in the US is up about 2.5% over last year, which is highest growth year over year for the past eight years. Butter prices are spiking high again this year. Today's market closed at \$2.8325/lb. which compared to a year ago it was just hitting \$3.00/lb. McDonalds recently announced that they are going to use only butter in all of their restaurants going forward. It is anticipated that more companies will follow McDonalds lead and switch to butter. This will help keep butter prices higher than normal.

So what does this all mean? Our milk prices in FL closely follow the Class I price, which is set by using the higher of Class 3 or 4 prices. With Class 3 (cheese) prices setting the Class I price, higher butter markets does not increase the Class 3 price. In fact with steady cheese prices plus with a higher butter price will yield a lower Class 3 price. The only time a higher butter price helps is when we are using Class 4 (butter/powder) prices as the setter for Class I prices. If butter prices stay high for a month or two, than we may be using Class 4 prices to set Class I. I have provided a price forecast on the back of this page for the next 6 months. If butter prices stay up for a month or two yet, then prices will be higher than what I have forecasted. If butter goes down to the mid \$2.30's, then that forecast may be pretty close. The world has too much milk production and too much product in inventory right now. New Zealand and Europe milk prices are in \$11 – 12.00/cwt area. If those prices stay that low, it is anticipated that milk production will decline in those areas and that will help keep US milk prices from going much lower.

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# Premier Milk MARKET MINUTE

Commodity Prices	Jan	Feb	March	April	May	June	July	Aug	Current
Cheese - World Market	\$ 1.6783	\$ 1.6783	\$ 1.6216	\$ 1.5876	\$ 1.5762	\$ 1.5365	\$ 1.4572	\$ 1.3409	\$ 1.3608
Cheese - CME Block	\$ 1.5218	\$ 1.5382	\$ 1.5549	\$ 1.5890	\$ 1.6308	\$ 1.7052	\$ 1.6659	\$ 1.7111	\$ 1.6425
Cheese - CME Barrel	\$ 1.4995	\$ 1.4849	\$ 1.5290	\$ 1.6135	\$ 1.6250	\$ 1.6690	\$ 1.6313	\$ 1.6689	\$ 1.5250
Cheese - NASS	\$ 1.5807	\$ 1.5446	\$ 1.5750	\$ 1.6122	\$ 1.6557	\$ 1.7222	\$ 1.6997	\$ 1.7386	\$ 1.7204
Butter - World Market	\$ 1.5579	\$ 1.6698	\$ 1.6547	\$ 1.5139	\$ 1.4770	\$ 1.4231	\$ 1.3778	\$ 1.2375	\$ 1.3353
Butter - CME Cash	\$ 1.5714	\$ 1.7293	\$ 1.7166	\$ 1.7937	\$ 1.9309	\$ 1.9065	\$ 1.9056	\$ 2.1542	\$ 2.7550
Butter - NASS	\$ 1.5633	\$ 1.6823	\$ 1.6945	\$ 1.7355	\$ 1.8725	\$ 1.9065	\$ 1.9159	\$ 2.0438	\$ 2.3562
NFDM - World Market	\$ 1.0306	\$ 1.1283	\$ 1.1668	\$ 1.0234	\$ 0.9497	\$ 0.9171	\$ 0.8477	\$ 0.7612	\$ 0.8590
NFDM - Central A.O.M.	\$ 1.0358	\$ 1.0750	\$ 1.0788	\$ 1.0059	\$ 0.9735	\$ 0.9414	\$ 0.8583	\$ 0.7817	\$ 0.8800
NFDM - NASS	\$ 1.0202	\$ 1.0308	\$ 1.0217	\$ 0.9684	\$ 0.9464	\$ 0.9283	\$ 0.8366	\$ 0.7443	\$ 0.8025
Whey - Central A.O.M.	\$ 0.5305	\$ 0.4782	\$ 0.4416	\$ 0.4251	\$ 0.4129	\$ 0.3773	\$ 0.3364	\$ 0.2462	\$ 0.2000
Whey - NASS	\$ 0.5875	\$ 0.5169	\$ 0.4824	\$ 0.4610	\$ 0.4450	\$ 0.4245	\$ 0.3937	\$ 0.3108	\$ 0.2485
F. O. 6 Class I @ Tampa	\$ 23.98	\$ 21.64	\$ 20.96	\$ 20.90	\$ 21.23	\$ 21.54	\$ 21.93	\$ 21.68	\$ 21.74
Net Cl. I Prem. @ Tampa	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
F.O. 6 Class I Utilization	86.2%	84.8%	82.7%	83.3%	83.0%	84.0%	86.8%	83.0%	
F. O. 6 Blend @ Tampa	\$ 22.21	\$ 220.84	\$ 19.93	\$ 19.98	\$ 20.36	\$ 20.62	\$ 21.05	\$ 20.62	
PMI - Average SCC	336,000	311,000	316,000	314,000	255,000	327,000	370,000	404,000	
PMI - Average SPC	9,872	10,125	12,541	13,521	12,682	10,051	20,965	13,200	
PMI - Average PIC	36,320	31,514	33,215	32,637	29,203	22,893	25,224	20,030	
Premiums Paid - PMI	\$ 0.20	\$ 0.26	\$ 0.24	\$ 0.22	\$ 0.32	\$ 0.29	\$ 0.21	\$ 0.14	

Class III Milk Futures	May	June	July	August	Current
Sep-15	\$ 17.56	\$ 16.61	\$ 16.56	\$ 16.21	\$ 15.84
Oct-15	\$ 17.56	\$ 16.70	\$ 16.36	\$ 16.50	\$ 15.55
Nov-15	\$ 17.51	\$ 16.81	\$ 16.07	\$ 16.27	\$ 15.50
Dec-15	\$ 17.31	\$ 16.81	\$ 15.90	\$ 16.04	\$ 15.50
Jan-16	\$ 16.84	\$ 16.50	\$ 15.58	\$ 15.63	\$ 15.50
Feb-16	\$ 16.86	\$ 16.43	\$ 15.46	\$ 15.46	\$ 15.54
Mar-16	\$ 16.89	\$ 16.48	\$ 15.39	\$ 15.50	\$ 15.67
Apr-16	\$ 16.86	\$ 16.46	\$ 15.50	\$ 15.57	\$ 15.71
May-16		\$ 16.53	\$ 15.80	\$ 15.94	\$ 15.87
Jun-16			\$ 16.12	\$ 16.27	\$ 16.16
Jul-16			\$ 16.48	\$ 16.25	\$ 16.36
Aug-16				\$ 16.41	\$ 16.40

Note: Class III milk futures prices are quoted at the close on the last day of the month.

Mailbox Price Comparison		
FL	USDA	PMI
Aug-15		\$ 19.03
Jul-15		\$ 19.26
Jun-15		\$ 17.47
May-15	\$ 17.77	\$ 17.95
Apr-15	\$ 17.77	\$ 17.55
Mar-15	\$ 17.98	\$ 17.42
Feb-15	\$ 19.55	\$ 17.95
Jan-15	\$ 21.33	\$ 21.11
Dec-14	\$ 25.98	\$ 27.24
Nov-14	\$ 26.43	\$ 27.44
Oct-14	\$ 28.10	\$ 28.59
Sep-14	\$ 29.25	\$ 29.38