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Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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Allegany, Cattaraugus, Chautauqua, Erie, and Steuben.

Dairy Market Watch
Newsletter
August 2021

An educational newsletter to keep producers informed of changing market factors affecting the dairy industry.

Milk Component Prices			Milk Class Prices				Statistical Uniform Price & PPD				
Month	Butterfat	Protein	I (Boston)	II	III	IV	Jamestown, NY		Albany, NY		Albany \$/gal. to farmer
July 20	\$1.95	\$5.62	\$19.81	\$13.79	\$24.54	\$13.76	\$17.93	(\$6.61)	\$18.53	(\$6.01)	\$1.60
Aug 20	\$1.63	\$4.44	\$23.03	\$13.27	\$19.77	\$12.53	\$16.87	(\$2.90)	\$17.47	(\$2.30)	\$1.51
Sep 20	\$1.59	\$3.39	\$21.69	\$13.16	\$16.43	\$12.75	\$15.65	(\$0.78)	\$16.25	(\$0.18)	\$1.40
Oct 20	\$1.64	\$5.01	\$18.45	\$13.63	\$21.61	\$13.47	\$15.92	(\$5.69)	\$16.52	(\$5.09)	\$1.41
Nov 20	\$1.56	\$5.62	\$21.29	\$13.86	\$23.34	\$13.30	\$17.12	(\$6.22)	\$17.72	(\$5.62)	\$1.53
Dec 20	\$1.54	\$3.03	\$23.12	\$14.01	\$15.72	\$13.36	\$16.11	\$0.39	\$16.71	\$0.99	\$1.44
Jan 21	\$1.55	\$3.04	\$18.39	\$14.18	\$16.04	\$13.75	\$14.76	(\$1.28)	\$15.36	(\$0.68)	\$1.32
Feb 21	\$1.44	\$2.98	\$18.79	\$14.00	\$15.75	\$13.19	\$14.65	(\$1.10)	\$15.25	(\$0.50)	\$1.31
Mar 21	\$1.72	\$2.70	\$18.45	\$15.07	\$16.15	\$14.18	\$15.35	(\$0.80)	\$15.95	(\$0.20)	\$1.38
Apr 21	\$1.94	\$2.81	\$18.76	\$15.56	\$17.67	\$15.42	\$16.21	(\$1.46)	\$16.81	(\$0.86)	\$1.45
May 21	\$1.98	\$3.13	\$20.35	\$16.22	\$18.96	\$16.16	\$17.19	(\$1.77)	\$17.79	(\$1.17)	\$1.53
June 21	\$1.96	\$2.53	\$21.54	\$16.66	\$17.21	\$16.35	\$17.35	\$0.14	\$17.95	\$0.74	\$1.55
July 21	\$1.89	\$2.49	\$20.67	\$16.83	\$16.49	\$16.00	\$16.91	\$0.42	\$17.51	\$1.02	\$1.51

July Utilization (Northeast): Class I = 27.7%; Class II = 25.2%; Class III = 27.5%; Class IV = 19.6%.

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.

Dairy Commodity Markets (Excerpts from USDA Dairy Market News – Volume 88, Report 34, August 27th, 2021)

Dry Products: Low/medium heat nonfat dry milk prices are mixed with the price range expanding in Central/East and West regions. Nonfat dry milk supplies are available. Dry buttermilk prices and dry whole milk prices are steady to slightly higher on quiet trading. Dry whey prices are lower in the Central and West regions and steady to lower in the East. Demand is steady in domestic and international markets, but buyers and sellers are trying to find acceptable price points. Animal feed whey prices slipped on the bottom of the range on limited trading. The lactose price range is unchanged, but spot market prices are slipping. Domestic interest for acid and rennet casein remains stable, as do prices.

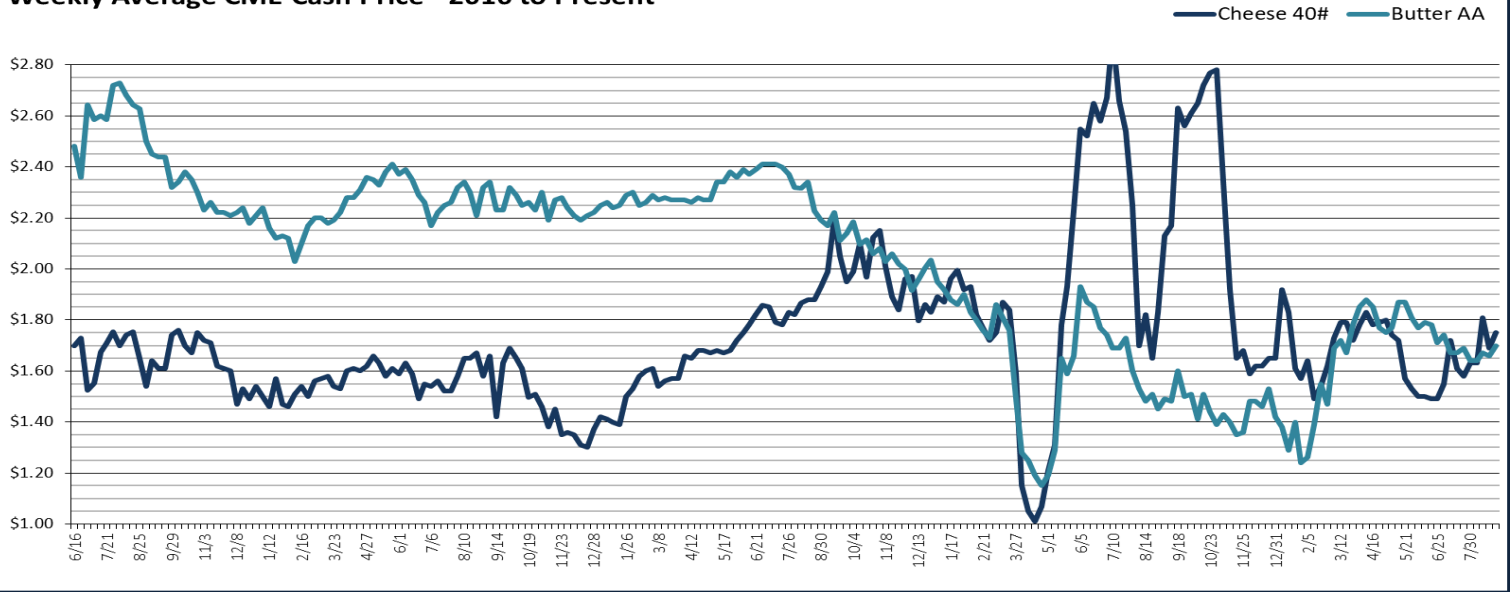
Butter: Cream is tightening. Some Central butter plant managers relay a little more Western cream availability this week, but other contacts say truck shortages are hampering the movement of cream supplies and delaying deliveries. Butter production is mixed, with some declines in manufacturing rates reported in the East. Some butter makers are offsetting decreased butter production with an increase in micro-fixing efforts. Inventories are healthy. Retail demand is level to growing. Food service orders are steady to stronger. Despite COVID-related concerns, restaurant business remains busy.

Cheese: Last year, in the height of pandemic uncertainties, spot milk reached \$5 under Class III during week 34, but current prices are more comparable to 2019, when prices ranged from Class to \$1.50 over Class. Trucker shortages continue to hector cheesemakers, and their milk suppliers, nationwide. Cheese inventories in the other regions are mostly steady week over week. Demand notes are mostly steady, as well. Market tones remain in question, as the block-over-barrel price gap on the CME remains a bearish roadblock.

Fluid Milk: Across much of the United States, heat and humidity are chipping away at farm milk production in the midst of the dog days of summer. While milk production is seasonally declining, Class I sales have increased as schools begin to reopen and the pipeline for school milk bottling refills.

Friday CME Cash Prices					
Dates	7/30	8/6	8/13	8/20	8/27
Butter	\$1.64	\$1.64	\$1.67	\$1.66	\$1.70
Cheese (40# Blocks)	\$1.63	\$1.63	\$1.81	\$1.69	\$1.75

Weekly Average CME Cash Price - 2016 to Present



Dairy Situation and Outlook - August 19th, 2021

Bob Cropp, Professor Emeritus, University of Wisconsin - Madison, Division of Extension Agriculture

Milk prices will trend lower in August. The August Class III price may end up near \$16.00. The Class III price has been declining since May when it was \$18.96. Lower cheese and dry whey prices brought the Class III price down. Cheddar barrels and 40-pound block cheese were on the decline since mid-July.

As things returned to more normal with people eating out, fans returning to stands of sporting events, conferences and other public events being in person the sale of butter and cheese improved. Compared to a year ago second quarter American cheese sales were 10.8% higher and other cheese was 5.4% higher. But fluid (beverage) milk is running below a year ago as people eat out more rather than at home meals. In June fluid milk sales were 6.7% below a year ago. There is a concern that with increase cases of the Delta virus reinstating the wearing of masks again that consumers may back off some on eating out and attending public events. That could hurt butter and cheese sales. But schools are scheduled for in person learning this fall which will be positive for fluid milk and dairy product sales.

Dairy exports continue to support milk prices. Exports for June compared to a year ago were 7% higher for nonfat dry milk/skim milk powder, 16% for whey products, 67% for butter, but cheese exports were 13% lower. Cheese exports through June were still 2% higher. The volume of exports through June were 13% higher and exports could end the year at a record high. U.S. butter, cheese and nonfat dry milk/skim milk powder prices remain substantially lower than foreign export prices. Also, milk production in Europe and New Zealand, two major exporters maybe no more than 1% higher than a year ago. Port congestion has and may continue to limit some exports.

Milk prices will get some support from government purchases. USDA has announced the purchase of cheese and fluid milk products for delivery the last three months of this year. This will be in addition to USDA's normal purchases of dairy products for school lunches and other food programs. Also, it has been announced that

the SNAP program will be increased by 25% which could increase fluid milk and cheese sales.

How milk prices finish out the year and going into next year will depend upon the sale of dairy products, level of exports and the level of milk production. The growth in milk production needs to slow to support higher milk prices. USDA estimates July milk production to be 2.0 higher than a year ago. This is a lot of milk considering August milk production a year ago was up 1.9%. After increasing each month since July of 2020 cow numbers have declined two consecutive months with June down 6,000 and July 3,000. Adverse weather has slowed milk per cow. Compared to July a year ago milk per cow was up just 0.7%. Weather impacted milk per cow in California, Idaho and New Mexico where each state experienced 0.7% less milk per cow. California had the same number of cows resulting in 0.7% less milk, Idaho had 9,000 more cows resulting in just 0.8% more milk and New Mexico had 5,000 fewer cows resulting in 2.3% less milk.

With lower milk prices and higher feed costs milk production is likely to slow for the remainder of the year and going into next year. On August 3rd USDA Drought Monitor had drought affecting 47% of the cow inventory. Drought was affecting 64% of the alfalfa hay acreage and 37% of the corn production. With feed supplies tighter feed prices are going to be higher this fall and winter which will likely impact milk per cow and cow numbers as more lower producing cows are culled from the herd.

As of now it seems reasonable that Class III could be in the \$17's by September and for the rest of the year with low \$18's not ruled out for November and December. Class III futures currently only reach a high of \$17.50 in November. USDA lowered its price forecast from last month and has Class III averaging just \$16.55 for the year compared to \$18.16 last year.