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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
September 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
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
Aug 21	\$1.85	\$2.45	\$20.15	\$16.51	\$15.95	\$15.92	\$16.54	\$0.59	\$17.14	\$1.19	\$1.48

August Utilization (Northeast): Class I = 28.4%; Class II = 27.4%; Class III = 27.8%; Class IV = 16.4%.

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 38, September 24th, 2021)

Dry Products: Low/medium heat nonfat dry milk (NDM) price and mostly ranges are mixed. For all regions, the top of the high heat NDM price range held steady, however, the bottom of the range increased in the Central and East but decreased in the West. High heat availability is limited, and NDM trading activity is quiet. Buttermilk production is limited as plant managers prioritize the production of other powders, and most condensed buttermilk is still moving into ice cream churns. The dry whole milk price range expanded at the top. Demand is strengthening as the baking season begins, and some contacts anticipate that demand may outpace supply for the near term.

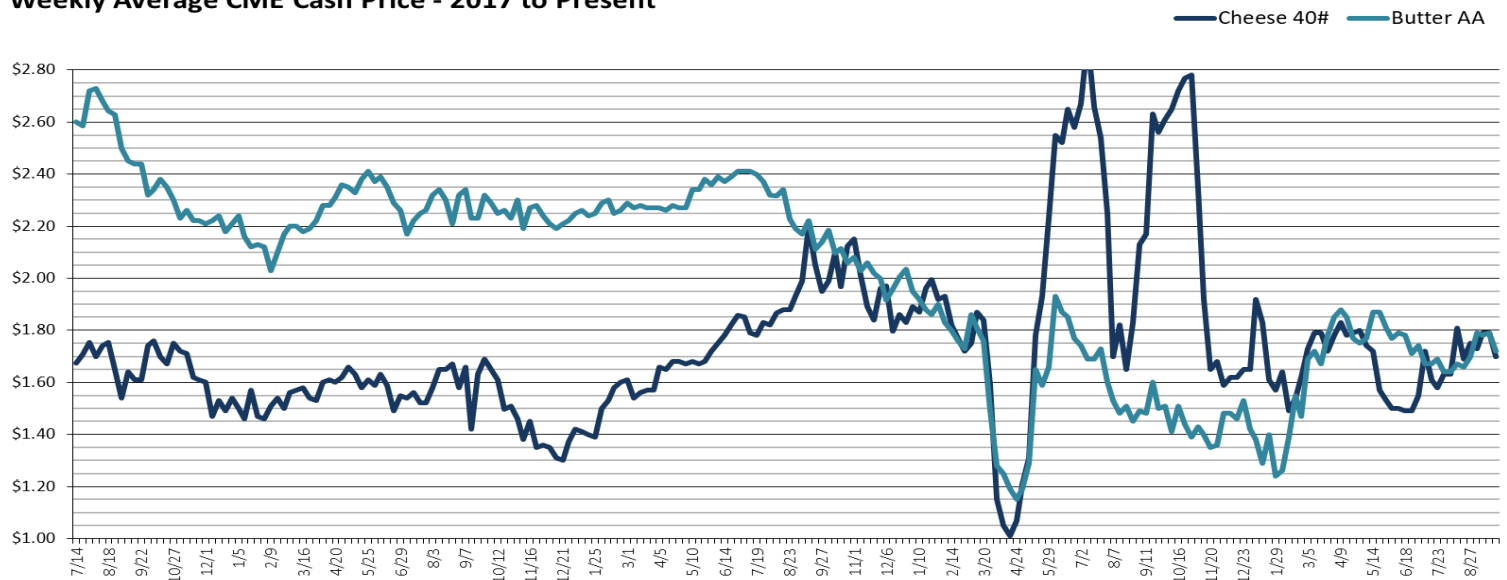
Butter: Butter production varies, and operating capacities continue to be impacted by trucking issues tying up cream and plant staffing shortages. Salted butter inventories are sturdy and stocks are available for near term needs. Some stakeholders relay tighter unsalted butter availability, however, as its production is more limited but demand is strong in domestic and export markets. Food service orders are fairly steady overall, although demand is reportedly strengthening in some locales while faltering in others. Retail sales are picking up steam ahead of fall baking and the holiday season.

Cheese: Cheese markets have traced a path of unavoidable inevitability since July, according to market participants. That inevitability, movement toward the convergence of block and barrel prices, is closer to being realized this week, as block prices tumble while barrel prices are mostly steady. Undoubtedly, truck driver and plant employee shortages are hindering smooth transportation/processing.

Fluid Milk: Farm level milk production is mixed. Cooler fall temps have helped increase output in some areas. Class I sales vary throughout the country. Bottling demand remains high in some areas, while, in others, school pipelines have refilled and demand is leveling off. Some balancing plants are working through lighter milk volumes. Widespread hauling challenges persist and have led to delivery inconsistencies, including canceled and late cream loads.

Friday CME Cash Prices					
Dates	8/27	9/3	9/10	9/17	9/24
Butter	\$1.70	\$1.79	\$1.78	\$1.79	\$1.72
Cheese (40# Blocks)	\$1.75	\$1.73	\$1.79	\$1.79	\$1.70

Weekly Average CME Cash Price - 2017 to Present



Dairy Situation and Outlook - September 24th, 2021

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

USDA's milk production report estimated August milk production to be 1.1 percent higher than a year ago. This is the first time the growth in milk production has been below 2 percent since March. The monthly increase in milk production from the prior year is likely to continue to decline for the remainder of the year and going into next year. Dairy producers are experiencing tight margins with higher feed costs. Severe drought particularly in the West has reduced forage supplies and driven prices higher. Corn and soybean meal prices are much higher than a year ago. With higher feed costs driving tighter margins dairy producers are likely further reduce cow numbers and milk per cow may be dampened some.

What can we expect for milk prices for the remainder of the year? Butter and cheese prices normally increase as do milk prices September through November. Milk production is seasonally lower late summer, schools open increasing beverage milk sales and dairy product buyers increase purchases of butter and cheese to build stock levels for the strong seasonal demand Thanksgiving through Christmas.

We can expect price increases this year, but the increase may be dampened by increased cheese production, relatively high stock levels and possibly some setback in food service if the surge in cases of the Delta virus and mask mandates make consumers more reluctant to eating out and attending events.

The latest dairy product report showed July production of American cheese up 2.3 percent from a year ago and total cheese production up 3.5 percent. July 31st stock levels show American cheese stocks up 4.2 percent from a year ago and total cheese stocks up 4.1 percent.

Despite some possible impact of Delta virus cheese sales

should remain strong and higher than a year ago. With more eating out rather than home prepared meals beverage milk sales have been running below a year ago. Beverage milk sales for July were 6.3 percent lower than a year ago with year-to-date sales 5.3 percent lower. Butter sales may also not be as high as butter sales were strong a year ago with more home prepared meals.

Dairy exports have been a positive factor for milk prices and are expected to continue for the remainder of the year. US dairy product prices remain price competitive to other major exporters. Milk production amongst other major exporters is expected to be no more than 1 percent higher than a year ago.

July US export volume on a milk solids equivalent basis was 7 percent higher than a year ago, the sixth straight monthly increase. Increased exports to China and Mexico lead the way. Nonfat dry milk/skim milk powder exports were 3.1 percent lower due to reduced sales to Southeast Asia which may be partially explained by continued congestion at California ports. But whey product exports were up 17.8 percent, cheese exports up 26.8 percent, and butterfat exports up 86.1 percent.

As of now it seems reasonable that Class III could be something like \$16.60 for September, \$17.25 for October and peaking around \$17.60 for November and falling back to \$17.40 for December. Current Class III futures are not this high being in the low \$17's October through December. Class IV could be in the high \$16's to low \$17's September through December.

If milk production slows down more than expected and domestic sales are higher along with strong exports prices could end up higher.