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Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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Dairy Market Watch
Newsletter
November 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
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
Sep 21	\$1.93	\$2.60	\$19.84	\$16.89	\$16.53	\$16.36	\$16.81	\$0.28	\$17.41	\$0.88	\$1.50
Oct 21	\$1.94	\$3.01	\$20.33	\$17.08	\$17.83	\$17.04	\$17.29	(\$0.54)	\$17.89	\$0.06	\$1.54

October Utilization (Northeast): Class I = 30.8%; Class II = 26.5%; Class III = 27.3%; Class IV = 15.4%.

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 47, November 26th, 2021)

Dry Products: Low/medium and high heat nonfat dry milk (NDM) prices were steady in the East/Central regions, while the Western mostly series remained stable, but the price range widened by \$0.02. Plant managers are focusing their time on condensed skim drying, but there are a number of issues with production/hauling that are holding up smooth processing. Dry whole milk prices are unchanged on quiet trading activity. East and West dry whey prices moved higher on the range. Whey protein concentrate 34% prices also increased, as spot market activity has been more active in recent weeks. Lactose prices moved lower on the top of the price range. Casein trading was slow, but prices were unchanged and remain high from the viewpoint of customers.

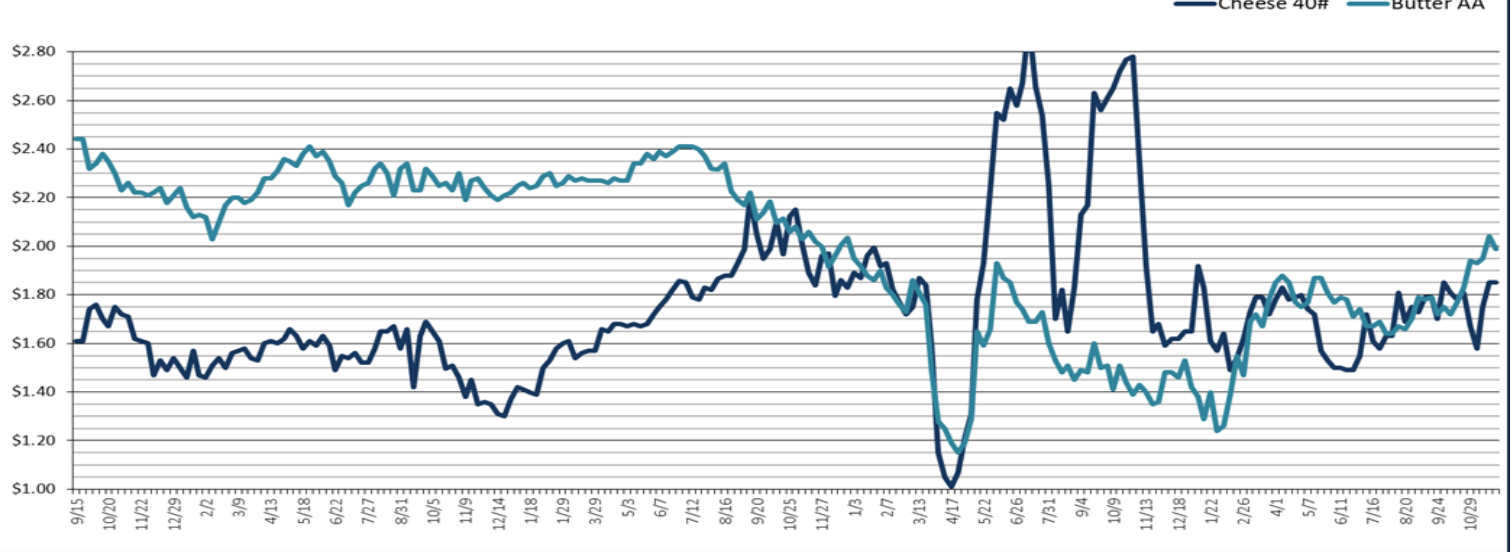
Cheese: Cheesemakers are receiving more milk as other fluid milk intake plants add day(s) off for the holiday. Spot milk prices ranged from Class III to \$2 under Class in the Midwest. Cheese demand is mixed, particularly on the food service side. Hauling and shipping delays continue to hinder cheese sales, both domestic and international. Cheese is generally available for spot purchases. Market tones are akimbo, as there is a relatively large price gap as block prices overshadow barrel prices.

Butter: Cream availability is meeting the mixed needs of butter producers. Some Central butter plants are operating near capacity, but some managers in the East are selling cream for now, while multiples are higher, instead of increasing butter output. Spot butter stocks are reportedly snug. Bulk unsalted butter, in particular, is notably tight. Food service orders are steady. Retail sales are active on solid seasonal demand. Reports from Western stakeholders indicate strong purchasing for butter for export to international markets. Some contacts believe these steadily hearty demand tones across sectors will continue into mid-December, if not longer.

Fluid Milk: Class I orders were slower, expectedly, during the holiday week during school break. Retail fluid milk orders are expected to be strong into December. Cream is more available during the holiday, but generally cream has tightened up throughout November.

Friday CME Cash Prices					
Dates	10/29	11/5	11/12	11/19	11/24
Butter	\$1.94	\$1.93	\$1.95	\$2.04	\$1.99
Cheese (40# Blocks)	\$1.67	\$1.58	\$1.75	\$1.85	\$1.85

Weekly Average CME Cash Price - 2017 to Present



Dairy Situation and Outlook - November 18th, 2021

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

What was earlier predicted for Class III milk prices in the high \$18's for both November and December will not materialize. Milk cow numbers were on a decline since May and total milk production was up just 0.6% for August and 0.2% for September. As a result, cheese prices had shown real strength during October. From the beginning to the end of October 40-pound cheddar cheese blocks increased 27 cents per pound and cheddar barrels 24 cents. But cheese prices have weakened since then. Part of the weakness in cheese prices was due to the September stock report which showed cheese stocks increasing rather than normally decreasing August to September with September stocks 7.7% higher than a year ago. We can now expect the November Class III price to be about \$17.95, and if cheese prices do not rebound some December about \$17.30. Unlike the Class III price the Class IV price has strengthened due higher butter and nonfat dry milk prices. For October, the Class IV price was \$17.04 but should be about \$18.65 for November and possibly reaching \$19 by December.

Forecasting milk prices far into next year with a high level of certainty is difficult. Milk prices are very sensitive to small or anticipated changes in milk production, domestic sales, or dairy exports. Milk production looks to be bullish for milk prices. October milk production fell 0.5% below a year ago. Milk cow numbers fell 14,000 head below a year ago.

Domestic sales of cheese and butter have been positive for milk prices. But high inflation driving up the price of most everything including food, the price of gas and the cost to heat homes this winter is reducing consumer spending power. Consumers may cut back on eating in restaurants and buying cheese in stores. This could dampen dairy sales particularly cheese sales.

Dairy exports have been a bright spot for milk prices. September saw the eight straight month of growth in dairy exports. September export volume was 14% higher than a year ago. Dairy exports are forecasted to increase next year. World dairy product prices have been increasing. U.S. prices of nonfat dry milk/skim milk powder, cheese and butter remain competitive on the world market. Milk

production in major exporters is not increasing to produce more dairy products for export. Western Europe dairy producers face higher feed costs and milk production has been up just slightly from a year ago. Milk production in New Zealand has been below year go levels. Exports to Mexico are running well above a year ago. Exports to China have also been higher. Exports of whey products to China, the largest U.S. export market for whey have added strength to the Class III price. A year ago, dry whey was in the \$0.40's per pound. Now dry whey has been in the high \$0.60's. This has added about \$1.50 to the Class III price. Whey exports to China may slow some next year as China hog producers are experiencing lower prices. Since over half of dry whey is exported dry whey prices are very sensitive to export volume. For example, if dry whey prices were to drop back to \$0.50 per pound the Class III price would be lower by about \$0.90.

With much higher feed cost, labor cost and the cost of must all other inputs milk production next year may increase by no more than 1%. Milk cow numbers are likely to continue to decline at least for the first half of the year. USDA has forecasted milk cow numbers to average 60,000 head fewer next year, a decline of 0.6%. USDA also forecasts milk per cow to increase by 1.4% resulting in total milk production up just 0.8% from this year. That level of milk production would support favorable milk prices next year. It would take lower than expected domestic milk sales, lower than expected dairy exports or a combination of the two to result in relatively unfavorable milk prices. USDA forecasts Class III to average \$17.75 next year compared to \$16.95 this year. Due to stronger butter and nonfat dry milk prices USDA forecasts Class IV to average higher than Class III with an average of \$18.70 next year compared to \$16.00 this year. Current Class III futures are more optimistic being in the \$18's February through December. Class IV futures are in the high \$18's and reaching the \$19's for some months of next year. If milk production does turn out as low as what is being forecasted, there is a strong probability that Class III could average better than what USDA is forecasting.