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
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
Nov 21	$2.15	$2.75	$21.23	$18.40	$18.03	$18.79	$18.39	$0.36	$18.99	$0.96	$1.64

November Utilization (Northeast): Class I = 32.7%; Class II = 24.9%; Class III = 27.7%; Class IV = 14.7%.

***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 51, December 24th, 2021)

Dry Products: Low/medium heat nonfat dry milk (NDM) prices are steady to higher in all regions. Demand is active and inventories are a bit tight. Plants in the East and West report delivery constraints arising from staff shortages and transit delays. Dry whole milk production is contract focused. Prices are steady with a quiet market tone. Dry whey prices are steady to higher in all regions. Demand is steady to stronger, with increased production anticipated in the near future. Transit delays and worker shortages are noted. Tight inventories of whey protein concentrate (WPC) 34% have contributed to steady to higher pricing. Some sources believe this product is undervalued.

Cheese: When compared to the year end holidays from 2020, current prices, although discounted, are notably higher: This time last year, prices reached as low as $8.50 under Class. Cheese inventory reports range from accessible to limited, and vary by region and plant to plant. Production is running as expected. Some plant managers plan to run a very active holiday schedule, as they clear markedly more spot milk loads this week due to the discounts, while others say they are taking some holiday downtime. Contacts view the cheese market tone with some trepidation based on the current price gap.

Butter: Despite some tightness early in the week, cream has become more available than in recent weeks. Cream demand varies as butter production is mixed; some plant managers are purchasing extra cream and increasing butter production while others are pausing churns for a holiday break. Domestic food service and retail orders are steady to stronger, and international interests remain robust as well. Healthy butter demand has outpaced production, and spot inventories are said to be tight.

Fluid Milk: Across the United States farm milk production is level to trending higher. Midwest producers are reporting higher butterfat levels, attributed to feed quality. Bottling demand is lower in most areas, reflecting school breaks. Some Pacific Northwest milk is going to Canada to areas affected by recent inclement weather. In the East, cream is more available at lower prices.

Friday CME Cash Prices					
Dates	11/24	12/3	12/10	12/17	12/23
Butter	$1.99	$2.00	$2.12	$2.09	$2.25
Cheese (40# Blocks)	$1.85	$1.85	$1.86	$1.88	$1.87

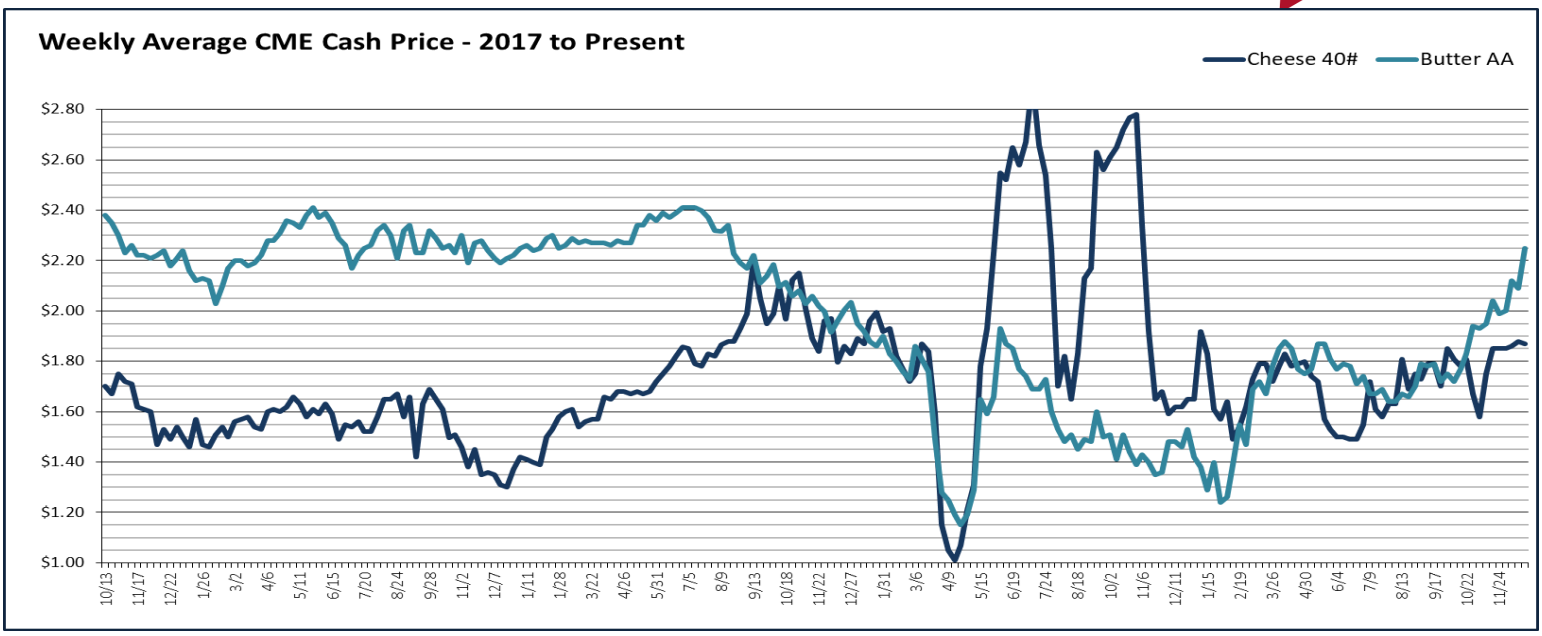
Dairy Market Watch

December 2021

Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

PRO DAIRY Education & Applied Research



Excerpt from Dairy Situation and Outlook - December 20th, 2021

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

Milk prices will end the year a little higher than what was forecasted back in November. For the year Class III will average about $17.10 compared to $18.25 for 2020. Fluid (beverage) milk sales have been below a year ago. January through October sales were 5.2% lower. This decline is attributable to the fact that in 2020 there were more at home meals. But higher milk prices are in response to good butter and cheese sales, strong exports of butter, cheese, whey products and nonfat dry milk/ skim milk powder. Dairy export volume January through October on a milk solids equivalent basis was 11% higher than a year ago.

The slowdown in milk production is due to declining milk cow numbers and below average increase in milk per cow. Since peaking in May milk cow numbers had fallen 122,000 by November. November cow numbers were 47,000 below a year ago, down 0.4%. Milk per cow was just 0.2% higher in November than a year ago. Declining cow numbers and little increase in milk per cow are attributed to tighter forage supplies in many states and much higher feed costs encouraging producers to increase culling of milk cows.

As of now 2022 is shaping up for much higher milk prices. Milk production is forecasted to increase by less than one percent. Milk cow numbers are expected continue to decline at least through the first half of the year as dairy producers reduce cow numbers in response to tighter margins from higher feed costs, higher cost other inputs and labor shortages. Higher feed cost may also reduce an increase in milk per cow. An increase in milk production at this rather low level will support much higher milk prices.

The economy is expected to continue growth next year but at a slower pace. While fluid milk sales will likely continue a downward trend butter and cheese sales are expected to show continued growth. But there is uncertainty in sales due to inflation that has increased the cost of food, gasoline, the cost to heat the home and most everything else. That will reduce consumer spending power which could reduce going to restaurants and in store purchases of dairy products. And hopefully COVID and the new variant Omicron does result in more restrictions on restaurants, closing of schools and public events.

The world economy is showing continued recovery. World milk production is showing modest growth of less than one percent. Milk production in leading exporters like the EU-27, the UK and New Zealand has been running below a year ago or up just slightly. This will leave opportunities for U.S. dairy exports. World dairy product prices have increased leaving U.S. dairy products price competitive on the word market. There is some uncertainty as to whether COVID will cause a shut down in restaurants and tourism in some of U.S. export markets reducing their imports of dairy products. Port congestions and related issue also continue to challenge dairy exports.

With modest increase in milk production, continued growth in domestic dairy product sales, and continued growth in dairy exports forecasts are for much higher milk prices in 2022. Currently, dairy futures are overly optimistic with Class III in the $19's all of 2020 and Class IV in the $20's. The latest USDA's price forecast was not as optimistic with Class III averaging $18.15 for the year and Class IV averaging $19.00. Class III and IV at least in the $18's seems reasonable. It will take time for dairy producers to increase milk cow numbers, but with much higher milk prices producers may reduce culling of milk cows and feed more protein and concentrate for higher milk per cow. So, milk production could show some strength by the second half of the year lowering milk prices some. It seems like every year there are surprises that result in milk prices ending up different than forecasted. These higher milk prices are not guaranteed. So dairy producers may wish to use dairy futures and options, the Revenue Protection Program, LGM-Dairy or contracting with their milk buyer to protect their future milk prices. And signing up for the Dairy Margin Protection program at the $9.50 protected margin levels is strongly encouraged.