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Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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Dairy Market Watch
Newsletter
January 2022

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
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
Dec 21	\$2.29	\$2.59	\$22.42	\$19.84	\$18.36	\$19.88	\$19.34	\$0.98	\$19.94	\$1.58	\$1.74

December Utilization (Northeast): Class I = 31.8%; Class II = 22.6%; Class III = 27.7%; Class IV = 17.9%.

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 89, Report 3, January 21st, 2022)

Dry Products: Most dairy powder markets remain in a bullish status this week, as tight supplies and steady to strong demand are reported. Low/medium heat nonfat dry milk (NDM) prices increased at every price point, while high heat NDM top-end prices breached the \$2 mark in all regions. Dry whole milk prices moved higher again, after last week's large price hikes. Bakers are reportedly gearing up demand ahead of the spring holidays. Dry whey prices moved higher again, as some

Cheese: Milk availability continues to vary for cheese producers from region to region and plant to plant, but current reports do not show a tight milk market, at least right now. Spot milk prices ranged from \$1 to \$.50 under Class, while last year's range during this week was \$8.50 to \$4 under Class. Retail cheese demand has quieted in the Western region, while international demand remains strong. Eastern contacts say retail demand is steady/strong during football's playoff season. Staffing shortages continue to plague plant managers, with plant workers, but also with drivers and office employees. Cheese market tones are wavering. Last week's barrel price bullishness met and lost to bears this week.

Butter: Cream supplies are available to butter makers. However, high freight costs, driver shortages, and inclement weather are reportedly posing some challenges to moving cream. Cream demand is firm, and butter production is active. Some Eastern manufacturers are increasing production and churning seven days a week to bulk up shrinking inventories. Microfixing is active to satisfy good retail print butter demand. Butter inventories are tight, and spot purchasers report salted is still easier to source than unsalted.

Fluid Milk: While milk production varies due to inclement weather in the Midwest to Eastern regions, Class I demand continued to show promise in most areas this week. Western region milk levels are generally steady to higher. In some cases, retail bottling demand was up due to shoppers stocking up ahead of Winter Storm Izzy last weekend and current frigid temperatures covering swaths of the nation. COVID related employee shortages continue to inhibit processing/bottling plants, so in certain cases milk handlers have to find alternate homes for their milk/cream.

Friday CME Cash Prices					
Dates	12/23	12/31	1/7	1/14	1/21
Butter	\$2.25	\$2.45	\$2.74	\$2.72	\$2.94
Cheese (40# Blocks)	\$1.87	\$1.98	\$1.99	\$1.92	\$1.80

Weekly Average CME Cash Price - 2017 to Present



Dairy Situation and Outlook - January 24th, 2022

By Bob Cropp, Professor Emeritus, University of Wisconsin-Madison

The year 2021 ended with increasing cheese, dry whey, butter, and nonfat dry milk prices pushing up milk prices. Class III was \$17.83 in October, \$18.03 in November and \$18.36 in December averaging \$17.08 for the year compared to \$18.25 in 2020. Class IV was \$17.04 in October, \$18.79 in November and \$19.88 in December averaging \$16.08 for the year compared to \$13.49 in 2020. Relatively strong butter and cheese sales last quarter, lower milk production and strong exports pushed dairy product prices and milk prices higher. Milk cow numbers have been declining since May. By December milk cows had declined by 132,000 and were 0.7% lower than a year ago. Milk per cow also has been below trend. December milk per cow was just 0.6% higher than a year ago. Last quarter milk production was 0.1% below a year ago.

Dairy exports continued on a strong path in November. On a milk solids equivalent basis, the November export volume was 19% higher than a year ago. Through the first eleven months of 2021, U.S. dairy export volume was up 12% and on the path of setting a new yearly record. Relatively good world demand for dairy products, milk production in Western Europe and New Zealand, two leading exporters has been below a year ago limiting their ability to increase exports, and U.S. dairy product prices being competitive on the world market all contributed to increased exports.

There is optimism for higher milk prices in 2022. While milk prices will be higher much higher feed costs and the cost of labor and other inputs will cut into margins. Milk cow numbers are likely to continue to decline at least for the first half of the year resulting in smaller number of milk cows for the year. Higher feed costs may also lower the increase in milk per cow. Milk production is forecasted to increase by less than one percent. USDA is forecasting and increase of just 0.7%. Normally domestic milk and dairy product sales can support favorable milk prices with an increase in milk production of no more than one percent. Production higher than this needs to be exported to support good milk prices. The increase in milk production less than one percent and expected increased dairy exports will tighten the milk supply increasing milk prices. Inflation and coronavirus could dampen domestic sales. Higher

prices of food, gasoline, the cost to heat the home and most all other consumer goods will reduce consumer spending power. The extent coronavirus impacts consumers going to restaurants, in-person classroom teaching, sports and public events is unknown.

USDA is forecasting continued growth in dairy exports in 2022. Milk production from the five major dairy exporters is expected to increase by just 0.7%. World demand is expected to continue to grow. As a result, world dairy product prices are expected to increase keeping U.S. dairy product prices competitive. However, the year is starting off with much higher U.S. dairy product prices. Currently, only the price of cheese is lower than world prices with the price of butter, nonfat dry milk, and dry whey higher.

Less than a one percent increase in milk production, increase in domestic dairy product sales and higher dairy exports will support much higher milk prices for 2022. Current dairy product prices support much higher milk prices for the start of the year. The question is will dairy product prices hold at these relatively high levels. The 40-pound cheddar block price was as high as \$2.0525 per pound in January but has fallen to \$1.795. The cheddar barrel price was as high as \$1.8725 per pound and has fallen to \$1.775. Dry whey prices at \$0.80 per pound, a record high adds support to the Class III price. With these prices the January Class III price will be in the low \$20's. Butter has increased from \$2.49 per pound the beginning of January to a high of \$2.9350 but has fallen to \$2.8475. Nonfat dry milk increased from \$1.645 per pound early January to now \$1.8125. The January Class IV price will be near \$22.80. What is the actual level of milk production, domestic sales and dairy exports will determine milk prices for the year. Recent history clearly shows milk prices can change quickly with relatively small changes in milk production, domestic sales, or dairy exports. Current Class III futures reach \$21 in the first quarter and then in the \$20's. Class IV futures are as high as \$24 in February, slowly declining and ending the year at \$20.35. USDA's latest forecast has Class III averaging \$19.65 for the year compared to \$17.08 in 2021 and Class IV averaging \$20.90 compared to \$16.08 in 2021. Unless the unexpected occurs milk prices should turn out to be this high or even higher.