

swnyteam@cornell.edu

Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

swnydlfc.cce.cornell.edu



Prepared by Katelyn Walley-Stoll
Farm Business Management Specialist
716-640-0522 · kaw249@cornell.edu
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Dairy Market Watch
Newsletter
February 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
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
Jan 22	\$2.95	\$2.35	\$22.96	\$22.83	\$20.38	\$23.09	\$21.59	\$1.21	\$22.19	\$1.81	\$1.91

January Utilization (Northeast): Class I = 31.4%; Class II = 22.7%; Class III = 28.1%; Class IV = 17.8%.

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 (Excerpt from USDA Dairy Market News – Volume 89, Report 8, February 25th, 2022)

Dry Products: Prices for low/medium heat nonfat dry milk are slightly higher at the bottom of the ranges, but steady to lower at the top of the price ranges. Dry buttermilk prices pushed higher as spot loads have been hard to come by. Dry whey prices are mixed. Dry whey inventories are a little more available. Animal feed whey trading is slow, as prices are unchanged.

Cheese: Cheese demand has found some more steadiness/strength in recent weeks. Western contacts say export demand, particularly from Asian markets, has improved as buyers there are ordering for summer/fall deliveries. Cheese production is steady, but stilted by laborer and driver shortages, which continue to obstruct cheese plant managers nationwide. Milk is generally available for the cheese vats.

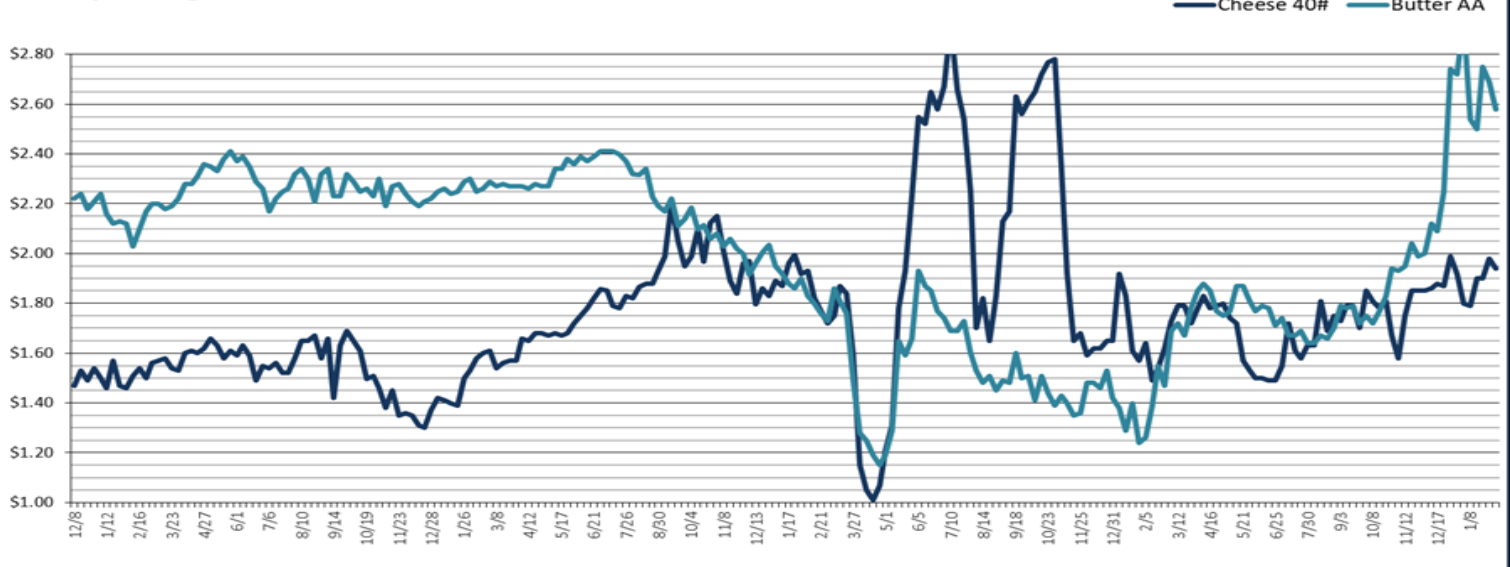
Butter: Cream is available to Eastern and Central butter makers. There are some reports of short cream supplies this week in the West as inclement weather and driver shortages have delayed some deliveries. Butter output varies somewhat from plant to plant, but production is generally active. The January NASS Cold Storage report indicates a 33 percent drop in year to year inventory levels, and some contacts have relayed tightness in regional inventories while others say supplies are adequate for near term needs. Food service demand is increasing while retail sales are softening. Export demand is reportedly strong.

Fluid Milk: Farm milk production is generally steady to higher across much of the country. Demand for milk supplies into Class I is steady to lower. Contacts say that while retail bottling sales are healthy, some K-12 education institutions are on mid-term breaks. Milk is available for Class II and III processing. Milk is available for Class II and III processing. Logistical hurdles and staffing shortages are prompting some plant managers to schedule cleaning, repairs, and maintenance. Interest in condensed skim loads is a bit subdued this week.

February 2022 Retail Prices (FMMO): U.S. simple average prices are: \$3.88 per gallon for conventional whole milk, \$3.84 per gallon for conventional reduced fat 2% milk, \$4.28 per half gallon organic whole milk, and \$4.28 per half gallon organic reduced fat 2% milk.

Friday CME Cash Prices					
Dates	1/28	2/4	2/11	2/18	2/25
Butter	\$2.54	\$2.50	\$2.75	\$2.69	\$2.58
Cheese (40# Blocks)	\$1.79	\$1.90	\$1.90	\$1.98	\$1.94

Weekly Average CME Cash Price - 2017 to Present



Brighter Days...and Bigger Checks...Ahead?

A milk market commentary by Katelyn Walley-Stoll, February 28th, 2022

With 20 days until spring, mask mandates being lifted all across the country, and a brighter milk price outlook – things seem to be (finally) headed in the right direction. In the 4th quarter of 2021, we saw milk prices increase. That trend has continued into 2022 with plans to peak later this year. Class III milk should be around \$20.85 in February, up 17% from October's \$17.83. For Class IV milk, October's \$17.40 has increased a whopping 37% to an estimated \$23.90 in February. 2022 could bring the highest milk prices we've seen since 2014, which brought an all-milk price average of \$23.98.

However, there are also some dark clouds on the horizon – rising costs of production, inflation and increasing interest rates, unavailability of labor, and global unrest stemming from Russia's invasion of Ukraine – which will all put a damper on our optimistic outlook that comes with every spring season. We're looking at oil prices around \$100 a barrel, and even higher grain and feed costs (Russia and Ukraine are large exporters of cereal grains). So, while the milk check may be at 2014 prices, it won't go as far as it once did in terms of farm profitability.

Onto some better news – we're not increasing milk production as fast as we normally do. This makes the milk market tighten, and coupled with marginally higher domestic product sales, creates a more favorable situation. February 23rd's Milk Production Report showed a 1.4% decrease from January in total production with a 2,053 pounds of production per cow (down 14 pounds from January 2021). There were also 63,000 less milk cows from one year ago, and 5,000 less than one month ago, most likely due to rising feed costs and regionally troublesome forage production. Another consequence of these issues are fewer replacement heifers being raised and expected to calve in the next 12 months. So, potentially, this trend will continue through 2022.

One factor to watch in 2022 will be our dairy product exports, which are expected to see some continued growth. Worldwide, major exporters are facing similar weather related challenges and rising production costs. As COVID-19 restrictions lift, however, we do expect to see a rising worldwide demand for dairy products. As we saw with 2021's whey and milk powder exports to Mexico, China, and Southeast Asia, the US is poised to respond to global demands – pending continued shipping and transportation issues. In December, dairy exports on a milk-fat basis totaled 865 million pounds, an increase of 101 million pounds from December of 2020. US is forecasted to export 11 billion pounds of product in 2022 (milk fat basis).

It's important to look ahead to 2022 and take our very optimistic milk forecasts with a grain of salt (or maybe even a very large dash of salt). There are a lot of things that could "go wrong", and I think that looking ahead with a slightly skeptical view might not be a bad thing. It's challenging to guess where this year will take us, especially with rapidly rising input costs, unpredictable weather, and global unrest. Using risk management tools (including Dairy Margin Coverage, Dairy Revenue Production, Livestock Gross Margin for Dairy, Milk Price Contracting, Hedging, Lean operating concepts, and more) will help mitigate the effects of a volatile milk prices. USDA is forecasting an average of \$19.65 Class III price, \$20.90 Class IV price, and an all-milk price of \$23.55.

Resources/More Information:

- [Dairy Situation and Outlook by Bob Cropp from University of Wisconsin-Madison](#)
- [Livestock, Dairy, and Poultry Outlook: February 2022 from United States Department of Agriculture Economic Research Service](#)
- [Milk Production Report from USDA National Agricultural Statistics Service](#)
- [Risk Management Resources from Center for Dairy Excellence](#)