

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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Allegany, Cattaraugus, Chautauqua, Erie, and Steuben.

Dairy Market Watch
Newsletter
March 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
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
Feb 22	\$3.02	\$2.31	\$24.89	\$23.79	\$20.91	\$24.00	\$22.52	\$1.61	\$23.12	\$2.21	\$1.99

February Utilization (Northeast): Class I = 31.0%; Class II = 23.6%; Class III = 28.3%; Class IV = 17.1%.

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 12, March 25th, 2022)

Dry Products: The low/medium heat nonfat dry milk price ranges in the West and Central/East both contracted this week. Industry contacts say trading was limited, due to scarcity of supplies and quiet demand. West. Nationwide dry buttermilk prices shifted higher this week. Demand is picking up ahead of spring baking, but inventories are tight. The national dry whole milk price range is steady on light trading activity.

Cheese: Cheese demand is noted as hearty in all regions. Until recent weeks, hesitant customers were awaiting potential downward pressure on prices. Now, they are actively seeking out cheese to refill pipelines, and get ahead of bullish price movements. Western suppliers are busily filling orders for Asian buyers, as domestic cheese prices remain a bargain to global values. Labor and hauling remain problematic, although cheesemakers who can run full (or near-full) schedules are busy.

Butter: Butter makers say cream supplies are accessible, but availability is tightening. Cream demand is strong as output ramps up for ice cream and other cream-based seasonal products. Multiples are pushing upward, and some Eastern butter producers are opting to pause churns this week to sell cream. Some plant managers are working to grow butter inventories while others feel current supplies are satisfactory. Food service sales are steady to stronger.

Fluid Milk: Across much of the United States, milk production is increasing seasonally. However, when compared to last year, current milk production is not measuring up in many regions. Industry contacts suggest that steady volumes are clearing into Class III and IV. Bottling demand is steady to lower as numerous educational institutions are on their spring breaks. Retail orders are trending up, although some Central market participants relay lighter than anticipated demand at this point in the season.

February 2022 Retail Prices (FMMO): U.S. simple average prices are: \$4.02 per gallon for conventional whole milk, \$3.97 per gallon for conventional reduced fat 2% milk, \$4.39 per half gallon organic whole milk, and \$4.39 per half gallon organic reduced fat 2% milk.

Friday CME Cash Prices					
Dates	2/25	3/4	3/11	3/18	3/25
Butter	\$2.58	\$2.68	\$2.71	\$2.72	\$2.79
Cheese (40# Blocks)	\$1.94	\$2.15	\$2.19	\$2.13	\$2.27

Weekly Average CME Cash Price - 2017 to Present



Some More of the Same - Lower Milk Production, Higher Milk Prices, Tightening Milk Margins

A milk market commentary by Katelyn Walley-Stoll, March 30th, 2022

In the past month, we've continued to see (and expect) strong prices across all classes. In January 2022, the actual all-milk price was \$24.20, the sixth highest monthly all-milk price in history. We've continued to see lower than projected total milk production, and slightly increasing global and domestic product demand, which will continue to shape 2022 as an excellent milk price year. USDA's all milk price forecast has jumped \$1.50 higher than last month's, up to \$25.05/cwt.

USDA is projecting the first year-over-year decrease in milk production since 2009 as we continue on our downward production trend. In February, milk production decreased .7% from a year ago. USDA has lowered last month's export projections on milk-fat and skim-solid bases. January saw low levels of exports and 2022 dairy exports on a milk-fat basis have been lowered by 0.1 billion pounds lower to 10.9 billion pounds. Russia's continued invasion of Ukraine, and the lasting effects, have made most market outlooks uncertain and volatile, for which dairy is no exception. While neither Russia nor Ukraine are large dairy exporters, Russia does import large amounts of dairy products from nearby countries. This disrupts the entire global market and will decrease our overall export opportunities.

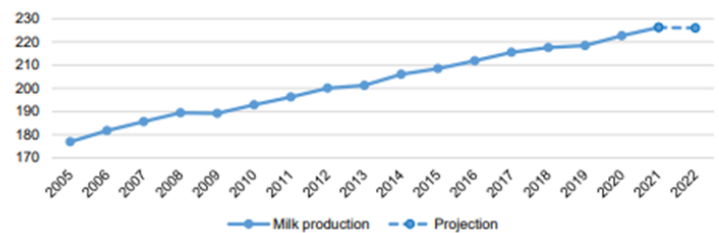
On the feed side of things, Ukraine is a major exporter of corn and wheat which will continue to raise those commodity prices globally. Another aspect that is already hitting hard is higher input costs for things like oil, gas, and fertilizer. Russia is a major exporter of these products and it will have several implications for US dairy producers. Domestically, this will affect the profitability potential for dairy farms in spite of the anticipated high milk prices. Continuing to manage cost of

production, input efficiency, and interest rates will be extremely important themes for 2022.

Another aspect of rising costs and inflation is that of domestic dairy purchases. Historically, as costs rise and consumer pockets lighten, dairy purchases decrease. Consumers at the dairy case may choose limited products and eating out will absolutely be limited, slowing the recent wholesale/food service demand we've seen as things open up, schools run at full capacity, and large conferences and events return. Over the past 12 months, the Consumer Price Index has increased by almost 8%, with a steady upward trend ahead.

So, in similar sentiment from last month's Dairy Market Watch, continued trends of lower than average increases in milk production will continue to drive milk prices positively. However, the margin will continue to tighten as input costs skyrocket.

U.S. milk production (with leap-year adjustments*)



* Leap-year quantities have been adjusted by multiplying by 365/366.
Source: USDA, National Agricultural Statistics Service.

Resources/More Information:

- Livestock, Dairy, and Poultry Outlook 2022: <https://www.ers.usda.gov/webdocs/outlooks/103524/ldp-m-333.pdf?v=4736.5>
- Dairy Market Report from NMPF: <https://www.nmpf.org/dairy-market-report-march-2022/>