

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
August 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
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
Mar 22	\$3.09	\$2.71	\$26.13	\$24.76	\$22.45	\$24.82	\$23.59	\$1.14	\$24.19	\$1.74	\$2.09
Apr 22	\$3.41	\$3.42	\$27.63	\$25.71	\$24.42	\$25.31	\$24.92	\$0.50	\$25.52	\$1.10	\$2.20
May 22	\$3.10	\$3.86	\$28.70	\$25.87	\$25.21	\$24.99	\$25.42	\$0.22	\$26.03	\$0.82	\$2.24
June 22	\$3.33	\$3.41	\$29.12	\$26.65	\$24.33	\$25.83	\$25.83	\$1.50	\$26.43	\$2.10	\$2.28
July 22	\$3.36	\$2.91	\$29.12	\$26.66	\$22.52	\$25.79	\$25.21	\$2.69	\$25.81	\$3.29	\$2.23

July Utilization (Northeast): Class I = 26.9%; Class II = 24.3%; Class III = 30.1%; Class IV = 18.7%.

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 (Excerpt from USDA Dairy Market News – Volume 89, Report 34, August 26th, 2022)

Dry Products: Following a downtrend in pricing for consecutive weeks, nonfat dry milk (NDM) prices shifted higher in every region this week. Inventories remain available, but there have been some increased interests from Mexican importers. Dry buttermilk prices were steady in the Central/East, while Western prices moved lower on the bottom of the range. Demand is quiet, but inventories are sparse, as well, which has created a somewhat quiet market.

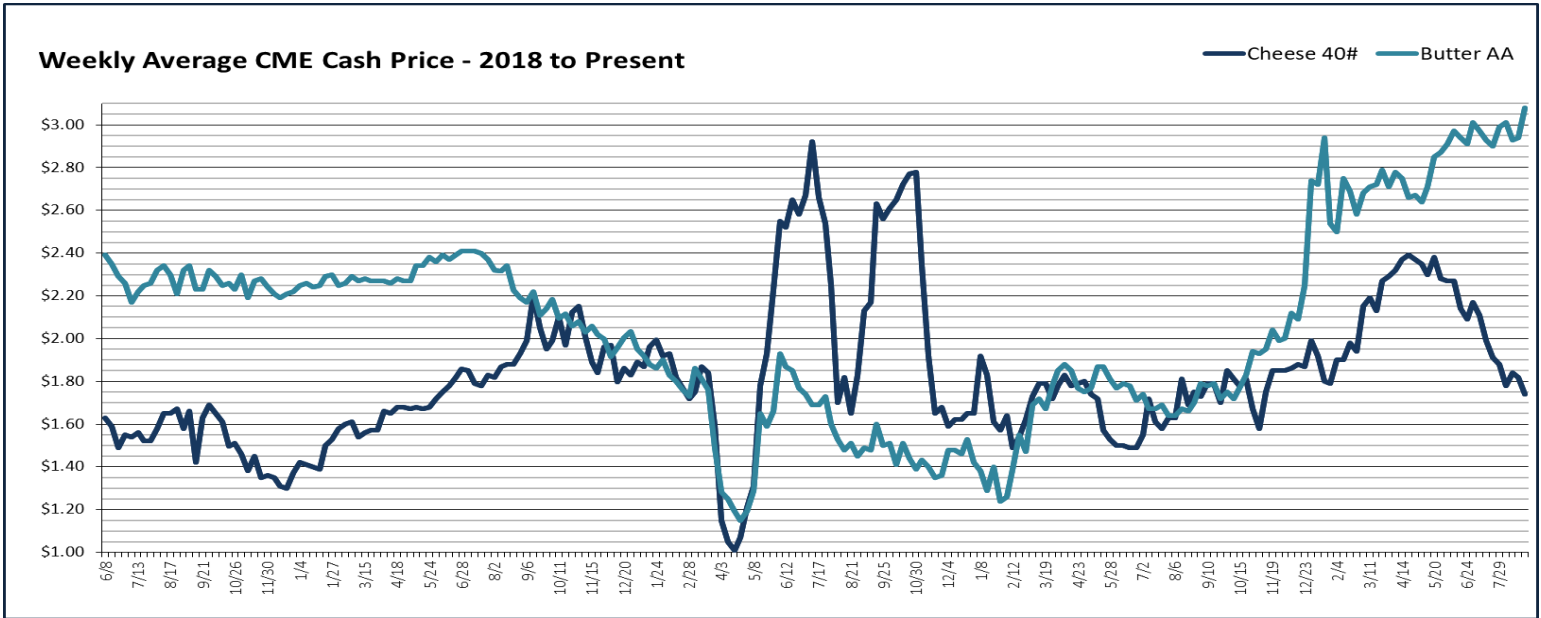
Cheese: Cheesemakers are running busy production schedules in the Northeast and West. Cheese inventories are available for spot purchasing in the Northeast and West, but some producers in the Midwest say orders are starting to outpace availability. In the Northeast, retail demand for cheese is steady to lower and food service purchasing is steady.

Butter: In the Northeast and Central regions, cream volumes are tight. High cream multiples have enticed some butter makers in the Northeast into selling into Class II markets, reducing availability for butter makers. In the Northeast, tight butter inventories have caused some purchasers to look to the West for loads.

Fluid Milk: Hot and humid weather has pushed Eastern milk output lower for the most part, while cooler late summer temperatures have given Midwestern farmers more level milk output. Class I milk sales are strong, seasonally. In fact, they are likely near their peak as schools have begun or are prepping to begin within the next few weeks. Other processing needs are generally being met, but a number of contacts say processors are not at capacity. Cheesemakers are clearing spot milk loads at discounts of up to \$3 under Class, but there were some premiums of \$1 reported, also. Condensed skim remains at premiums, according to contacts, but it is still accessible. Cream is tighter in recent weeks.

Friday CME Cash Prices					
Dates	7/29	8/5	8/12	8/19	8/26
Butter	\$2.99	\$3.01	\$2.93	\$2.94	\$3.08
Cheese (40# Blocks)	\$1.88	\$1.78	\$1.84	\$1.82	\$1.74

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Record High Butter Prices, Hopes for Pizza Sales, and the Start of the Slow(?) Decline

By Katelyn Walley-Stoll, Farm Business Management Specialist with Cornell University Cooperative Extension

See the beautifully intricate graph at the top of this page? This is a time honored tradition that has been assembled for Dairy Market Watch since before my time, which began 8 years ago. I've got data all the way back to 2003 on *weekly* commodity market prices for cheese barrels, blocks, and butter.

I've only ever had to change my vertical axis range (price in \$ on the left) twice - once in April of 2020 at the beginning of the pandemic when prices tanked to unprecedented levels - and today as butter spot trades exceeded my \$3.00 range.

Butter closed on Friday, August 26th at \$3.08/lb! "Why?", you say? Glad you asked. We're seeing tight cream markets and cream that's being diverted to other products. We're also seeing very low butter inventory in cold storage, per the latest Cold Storage report. Butter in storage decreased by 5% from June to July this year, and a whopping 21% from July of 2021 to July of 2022.

Want some more scary news to share with Granny ahead of the Holiday Cookie season? Butter prices might go even higher. In the Fall, prices typically creep upward as folks place and produce for holiday orders. When inventory and supplies tighten, butter makers are forced to pay premiums for cream.

Alas, this report can't be all good news for milk producers. It's more than likely that your latest milk checks have shown some slight decreases in milk prices. Part of that is caused by declining cheese prices. Contrary to butter, cheese is seeing record *high* storage, setting new records for natural cheese inventory with 1.5 billion pounds in storage as of July 2022.

We're also seeing a decrease in consumer purchases of cheese products, which trends with increasing rates of inflation and grocery store costs. Retail price index for all dairy products was 15% higher than a year ago. There also seems to be some slowing "eating out" spending as we all budget our purchases.

However, football season is almost here, and the pizza rush could be just enough to start pulling cheese out of storage and helping slow the decline of cheese prices. Go Bills!

Milk production is growing, barely, with 0.2% increase from June of 2021 to June 2022. However, it looks like the rate of increase might be hiking a bit higher, which will continue to slow milk prices. Another thing keeping prices afloat are some incredible export volumes and prices. 19.6% of June's US milk solids were exported, setting another new record. Dairy export forecasts show upward growth that will continue through the end of the year with our competitive prices.

While 2022's milk price outlook has declined slightly, it's still too soon to say what will happen as we round out the year and look ahead to 2023. And you can bet I'll still be saying that come December 15th. USDA softened it's forecasts as seen below.

From USDA	2022	2023
All-Milk Forecast	\$25.20	\$22.50
Class III Forecast	\$21.60	\$19.70
Class IV Forecast	\$23.95	\$20.35

While we might have the "record setting" milk prices of May and June in our rearview mirrors, the year will still end on a good note with, hopefully, enough factors propelling us towards another good year in 2023. At this point, things I'll be keeping an eye on include: inflation's effect on consumer purchases, maintaining international export price competitiveness, domestic production of milk and heifer replacements, and Josh Allen's throwing arm.

More Information:

- [USDA AMS Dairy Market News, August 26th.](#)
- [USDA Cold Storage Report, August 22nd.](#)
- [National Milk Producers Federation Dairy Market Report.](#)