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Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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Allegany, Cattaraugus, Chautauqua, Erie, and Steuben.

Dairy Market Watch
Newsletter
September 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
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
Aug 22	\$3.40	\$2.14	\$28.38	\$26.91	\$20.10	\$24.81	\$24.27	\$4.17	\$24.87	\$4.77	\$2.14

August Utilization (Northeast): Class I = 28.7%; Class II = 25.5%; Class III = 30.1%; Class IV = 15.7%.

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 38, September 23rd, 2022)

Dry Products: Throughout all regions prices for low/medium heat nonfat dry milk (NDM) moved higher in most or all facets. Contacts in the West report increased international demand as exports to Mexico are trending higher. High heat NDM prices moved higher in the Central and East, amid limited trading. In the Northeast, demand for dry whey is steady and drying operations are running steady production schedules.

Cheese: Milk availability is tightening across all regions, though cheese makers in the Northeast and West say volumes are sufficient for steady production. In the Northeast and West, strong demand for cheese is present from export purchasers. Domestic sales are declining in the Northeast. In the Northeast, spot purchasers say cheese is available.

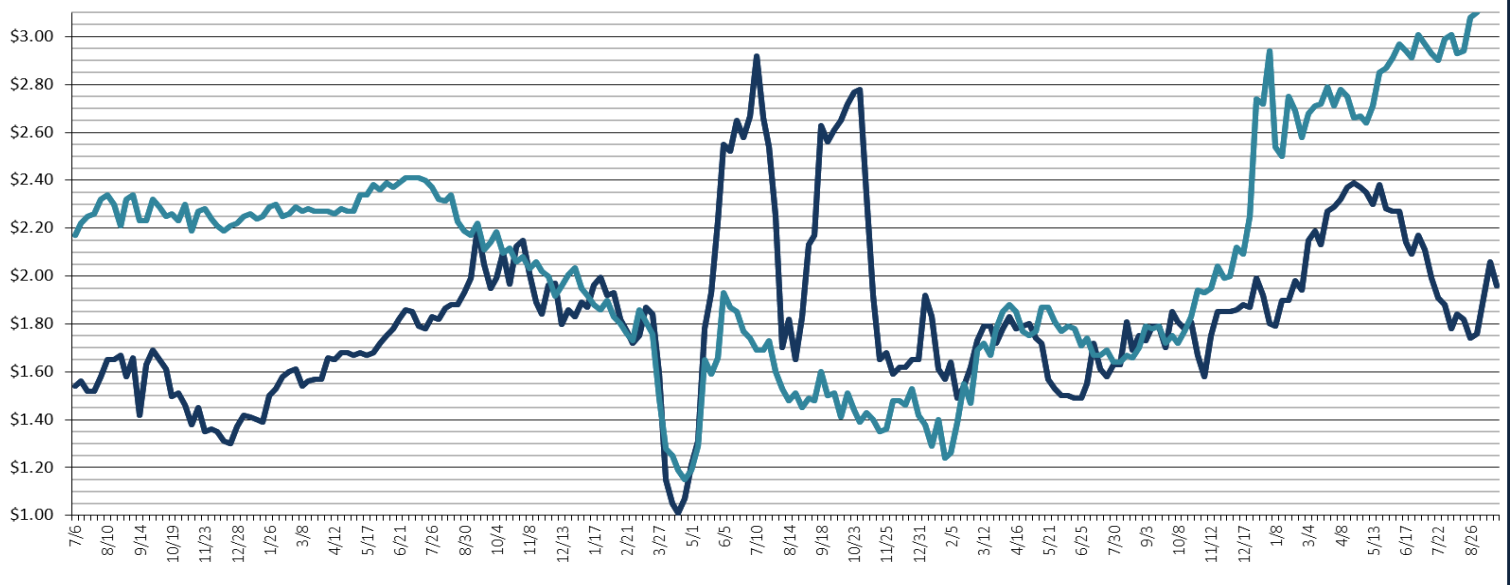
Butter: In the West, cream volumes are tight though sales are mixed. Regional ice cream makers are reducing their purchasing, but demand for cream is strong from butter makers. High cream multiples in the Northeast are causing some butter makers to steer cream away from churns, reducing butter production. In the Northeast, retail butter demand is picking up, but tight inventories are causing some producers to regulate supplies across existing orders.

Fluid Milk: Milk production is flat in much of the country, though in some parts of the West output is declining. Furthermore, cooler weather in the Midwest and California is contributing to increased cow comfort and milk output. Demand for fluid is mostly flat in the East, as milk going into educational pipelines has leveled out. Condensed skim volumes are tight in the Northeast and West, and contacts in the West report strong spot demand. Cream availability is limited in all regions. In the East and West, contacts say increased volumes of cream are being utilized by cream cheese processors.

Friday CME Cash Prices					
Dates	8/26	9/2	9/9	9/16	9/23
Butter	\$3.08	\$3.10	\$3.17	\$3.13	\$3.13
Cheese (40# Blocks)	\$1.74	\$1.76	\$1.91	\$2.06	\$1.96

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Weekly Average CME Cash Price - 2018 to Present



Comparing PPDs - The Market Administrator's Bulletin, Federal Order No. 1, August 2022

By Shawn Boockoff, Market Administrator, Originally published here: https://www.fmmone.com/MA_Bulletin/Monthly/bull202208.pdf

The Producer Price Differential (PPD) for August 2022 for the Northeast Order set a record high at \$5.32 per hundredweight (cwt) at the base location of Boston, MA. The PPD is one portion of the total revenue paid to dairy farmers marketing milk in a federal order that pay producers based on milk components. It represents the difference between the market-wide pool revenue, or the pool classified value, and the amount paid out to producers for their milk's component value (butterfat, protein, and other solids) at the standardized level.

The pool classified value is determined by the amount of milk utilized in each class, along with the price level for each class. Producers are paid for their components from this pool classified value. Components are paid at the Class III level for butterfat, protein, and other solids. Any value that still exists in the total pool classified value is then paid out to producers based on their volume shipped to regulated handlers. This extra value, if there is any, is shown as the PPD. It can have extremely varied levels of contribution to the overall SUP. Added value occurs when producer milk is used in classes other than Class III that have prices above the Class III price.

For the month of August 2022, the difference between the classes other than Class III ranged from \$4.71 to \$8.28 per cwt. With nearly 70 percent of the total pool volume priced at the higher valued classes and those classes having significantly higher prices than Class III in August, a larger than usual amount of money was generated that

was then distributed to producers resulting in the \$5.32 PPD. Each producer would receive this PPD adjusted to the location of the plant where their milk was delivered. A high, or large PPD is not necessarily an indicator of better prices. The second highest ever PPD since the Northeast Order's inception occurred in November 2000 at \$4.79 per cwt. For that same month, the SUP was only \$13.36 at Boston; Class I was \$15.07; Class II \$13.68; Class III \$8.57; and Class IV \$13.00 per cwt. During November 2000, Class III usage was 28.4 percent (compared to 30.1 in August 2022), while the other three classes combined for 71.6 percent of the total pool (compared to 69.9 in August 2022).

Another point worth making is that a high SUP may occur in times of low or negative PPD's. For example, April 2014 reported a SUP of \$25.46, slightly higher than the most recent SUP, but the PPD for that month was only \$1.15 per cwt. July 2020 reported the lowest PPD, a negative \$5.46, but a SUP of \$19.08, lower than current prices, but well above the November 2000 price when the PPD was \$4.79 per cwt. This shows that a negative PPD does not necessarily result in diminished producer revenue. The negative PPD results when the total value of producer components exceeds the pool's classified value – when the Class III price is the highest of the class prices. The calculation of the PPD can be thought of as an accounting method to “balance the books” of the monthly federal order pool.