

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
November 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
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
Sep 22	\$3.56	\$1.88	\$26.87	\$26.51	\$19.82	\$24.63	\$23.67	\$3.85	\$24.27	\$4.45	\$2.09
Oct 22	\$3.65	\$2.45	\$25.96	\$25.73	\$21.81	\$24.96	\$23.62	\$1.81	\$24.22	\$2.41	\$2.09

October Utilization (Northeast): Class I = 30.2%; Class II = 25.1%; Class III = 29.6%; Class IV = 15.1%.

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 46, November 18th, 2022)

Dry Products: Low/medium heat nonfat dry milk (NDM) spot prices in the East and Central regions are steady to weaker in the range pricing series. This week, dry buttermilk prices adjusted lower throughout all regions. Spot loads of dry buttermilk are available as production outpaces demand. Dry whey production is steady on active cheese making. Dry whole milk prices are mixed, with expectations of increased spot market availability near year's end. Prices for whey protein concentrate 34% moved lower this week.

Cheese: In the Northeast and West, increasing milk production is enabling cheesemakers to run busy production schedules, though some cite labor shortages and supply chain delays as limiting their ability to operate full production schedules. Food service demand is strengthening in the Northeast, though this is contrasted by softening retail demand in these regions. In the Northeast and West, export sales of cheese are strong.

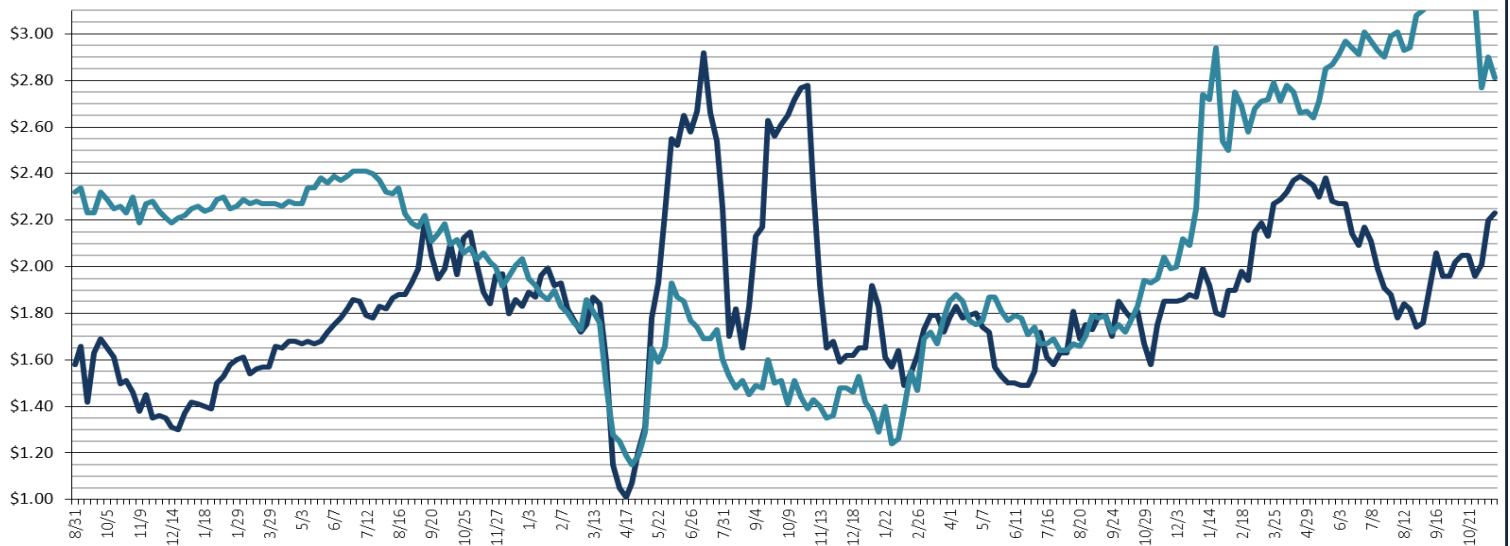
Friday CME Cash Prices					
Dates	10/21	10/28	11/4	11/11	11/18
Butter	\$3.20	\$3.14	\$2.77	\$2.90	\$2.81
Cheese (40# Blocks)	\$2.05	\$1.96	\$2.01	\$2.20	\$2.23

Butter: In the East, butter makers are utilizing volumes of cream to make more butter than they have in previous years. Demand for retail butter is strong in the Northeast, while food service demand is unchanged. Butter inventories are down compared to previous years and some Northeast stakeholders report they are purchasing loads from other regions to meet current market needs.

Fluid Milk: With a few exceptions, milk production is steady to higher across the country. In the East, last week's tropical storm did not hit land as strongly as anticipated, and dairy processing was not interrupted. Class I demand from retailers is strong ahead of Thanksgiving, with eggnog and flavored milk bolstering demand. However, school milk bottling orders have declined in anticipation of school holidays. Some cheesemaking contacts noted a 7-day work schedule due to slight discounts reported for spot milk loads.

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Weekly Average CME Cash Price - 2018 to Present



Dairy Situation and Outlook - November 21, 2022 by Bob Cropp, Professor Emeritus, University of Wisconsin-Madison
Originally published here: <https://fyi.extension.wisc.edu/kewauneeag/files/2022/11/Dairy-Situation-and-Outlook-November-2022.pdf>

Milk production continues to run above year ago levels. October production was 1.2% above a year ago, the result of 31,000 more cows, an increase of 0.3% and 0.9% more milk per cow. This was the third straight month of more than a 1% increase.

The price of barrel and 40-pound block cheddar cheese was above \$2 per pound from midSeptember to early October. By the end of October barrels fell to a low of \$1.925 and 40-pound blocks to \$1.96. But increased buying by grocery stores, building inventory for the holidays, and continued strong exports surprisingly rallied the cheese market.

There is a lot of uncertainty as to where milk prices will end up in 2023. As of now it looks like milk prices will average lower than 2022 but remain as the second highest average milk price over the past two years. Much higher feed prices, labor issues, high construction costs and milk base plans still implemented by some dairy cooperatives will restrict increases in milk production.

USDA is forecasting just an increase of 10,000 cows in the average herd size for the year and an increase of 0.9% in milk per cow resulting in an increase of 1.0% in total milk production. Milk production could easily increase by more than this but should be at a level for favorable milk prices.

Fluid (beverage) milk sales will likely continue the downward trend in 2023. Fluid milk sales through September of this year were down 2.2% from a year ago.

But butter and cheese sales in 2023 are forecasted to more than offset declining fluid sales resulting in an increase in total milk sales.

Dairy exports set a record in 2021 and are on path to set a new record in 2022. Through September the volume of nonfat dry milk/skim milk powder was down 9% from a year earlier but up 13% for cheese, 6% for whey products, 18% for lactose and 39% for butterfat resulting in an increase of 4% in the volume on a total milk solids equivalent basis. It may be hard to set another record in 2023 but there is a possibility of increased exports.

Milk production in the two leading dairy exporters, New Zealand and the EU has been below a year ago. Some recovery in milk production may occur in 2023 but high feed costs and environmental regulations will dampen any increase. Other than butter U.S. prices have been competitive on the world market. While still competitive world dairy product prices have weakened making U.S. products less competitive.

USDA is forecasting Class III to average about \$2.25 lower in 2023 than 2022. Class III will average about \$21.90 for 2022 and USDA's 2023 average is \$19.65. USDA is forecasting Class IV to average about \$4 lower in 2023 than 2022. Class IV will average about \$24.30 for 2022 and USDA's 2023 average is \$20.35. But final 2023 prices could very well end up higher or lower than USDA's forecast. ■

Reminder - Dairy Margin Coverage Enrollment Deadline is December 9th!