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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
December 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
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
Nov 22	\$3.37	\$2.53	\$27.34	\$24.67	\$21.01	\$23.30	\$23.12	\$2.11	\$23.72	\$2.71	\$2.04

November Utilization (Northeast): Class I = 31.1%; Class II = 22.8%; Class III = 28.7%; Class IV = 17.4%.

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 50, December 16th, 2022)

Dry Products: Dairy powders, for the most part, are under some bearish pressure. Low/medium heat nonfat dry milk (NDM) prices are lower across the regions. NDM demand remains sluggish. Buttermilk powder prices slipped nationwide. Some contacts suggest lower prices could spur buying interest, but likely not until the next quarter. Dry whey prices were mixed in both the Northeast and West.

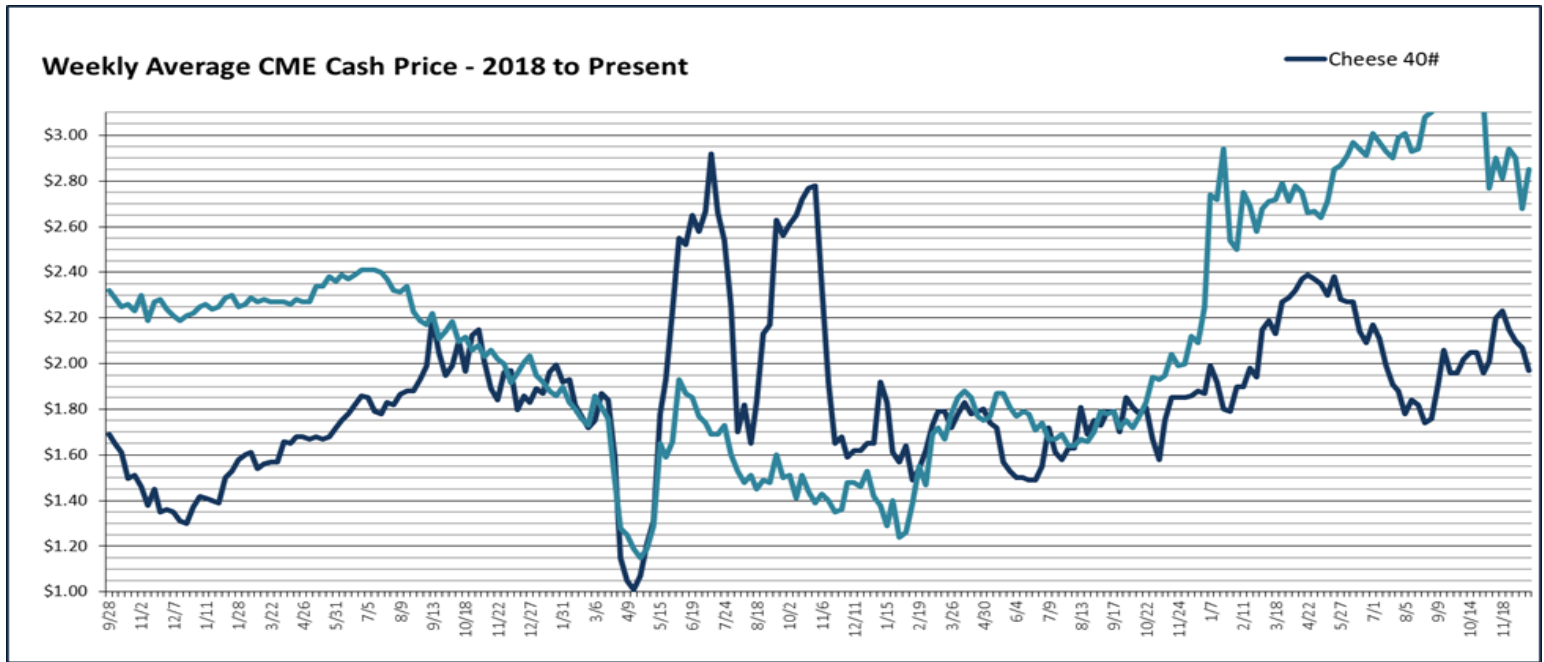
Cheese: Milk is available in all regions, and cheesemakers in the Northeast say this is enabling them to run busy production schedules. Contacts say retail demand is softening, while food service sales are steady. Export demand is mixed in the West, as some stakeholders say purchasers in Asian markets are steadily ordering loads. Spot loads of cheese are available to purchase in the Northeast and Midwest.

Butter: In the Northeast and West, cream is available to meet year-end production needs. Butter makers are running active schedules in all regions. In the Northeast, retail demand remains strong, though some contacts suggest new orders are starting to slow. Bulk butter purchasers in the Northeast and West are limiting their orders as they are trying to avoid purchasing at higher price levels. Butter inventories are relatively tight in the Northeast but are growing.

Fluid Milk: Eastern and Midwestern Class I orders have reportedly heightened in the weeks prior to the yearend holidays. Regardless, milk production continues to move higher in most areas of the country, as processors are reporting milk offers are coming in regularly. Condensed skim supplies are reportedly growing, seasonally. Some butter makers say they are full on cream and are not able to add extra spots to their already busy churning schedules.

Friday CME Cash Prices					
Dates	11/18	11/23	12/2	12/9	12/16
Butter	\$2.81	\$2.94	\$2.90	\$2.68	\$2.85
Cheese (40# Blocks)	\$2.23	\$2.15	\$2.10	\$2.07	\$1.97

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Dairy Situation and Outlook - December 19, 2022 by Bob Cropp, Professor Emeritus, University of Wisconsin-Madison

Originally published here: <https://fyi.extension.wisc.edu/kewauneeag/files/2022/12/Dairy-Situation-and-Outlook-December-2022.pdf>

November milk production was 1.3% higher than a year ago, the fourth straight month of production more than 1% higher than a year ago. Milk cow numbers increased from January to May by 52,000, then declined from June to August by 6,000 only to increase again by 7,000 September to November. November cows were 38,000 above a year ago, an increase of 0.4%. Milk per cow in November was 0.9% higher than a year ago. Milk production for the year will be about 0.3% higher than 2021 due to the average number of cows down 0.4% and milk per cow 0.7% higher.

Milk production is likely to be higher in 2023. Normally dairy producers respond to higher milk prices by expanding the herd and feeding for more milk per cow. But feed prices will remain high and lower milk prices in 2023 with tighten margins. USDA is forecasting a very modest increase in the average number of milk cows, just 10,000 more, an increase of 0.1%. Milk per cow is forecasted to increase by 1.0% resulting in an increase in total milk production of 1.1%. But cow numbers could very well increase by more than this milk per cow could be higher.

It has been a good year for milk prices. Class III will average near \$21.95 compared to \$17.08 for 2021, an increase of \$4.87. Class IV will average near \$24.50 compared to \$16.09 for 2021, an increase of \$8.41. The forecast for 2023 is still for lower milk prices. USDA has forecasted the Class III price to average \$19.80, \$2.15 lower than 2022 and Class IV to average \$20.10, \$4.40 lower than 2021. We could easily see Class III dropping to the \$18's first half of the year and getting back to the \$19's for the second half. But so much can change as we move through the year.

Stronger milk production has put some downward pressure on

milk prices. December Class III will be near \$20.50 compared to \$21.01 for November. December Class IV will be near \$20.20 compared to \$23.30 for November. Dairy product prices have weakened. Cheddar barrels averaged \$1.9454 per pound for November but have weakened in December to now \$1.735. Forty-pound cheddar blocks averaged \$2.1186 per pound for November, have ranged in from \$2.06 to \$2.1125 but are now \$2.00. Dry whey has been mostly \$0.44 to \$0.45 per pound but is now \$0.41. Butter averaged \$2.8634 per pound for November, was \$2.90 early December and is now \$2.700. Nonfat dry milk averaged \$1.4056 per pound for November and is now \$1.36.

Dairy exports have been a positive factor for milk prices in 2022. The latest export data showed October exports on a milk solids equivalent basis was 9% higher than a year ago. This marked the seventh consecutive month of growth. Exports of nonfat dry milk/skim milk powder were up 10%, dry whey up 17%, butterfat up 43% and cheese up 4%. Cheese exports have now increased above year ago levels for sixteen straight months. Except for butter U.S. dairy product prices have been competitive on the world market. In addition, milk production in Oceania and Western Europe has been lower. World prices have weakened but so have U.S. prices keeping U.S. prices competitive. But milk production in Western Europe and New Zealand is starting to increase.

USDA is still forecasting some increase in dairy exports for 2023. With still the possibility of a recession in 2023 there remains uncertainty as to the growth in domestic milk and dairy product sales. So, it will be interesting see how milk prices turn out in 2023. As of now it looks like a good year for dairy producers but not as good as 2022. ■

Reminder - Dairy Margin Coverage Enrollment Deadline is January 31st!