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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
February 2023

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
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
Dec 22	\$3.15	\$2.65	\$25.83	\$23.11	\$20.50	\$22.12	\$21.91	\$1.41	\$22.51	\$2.01	\$1.94
Jan 22	\$2.77	\$2.80	\$25.66	\$21.61	\$19.43	\$20.01	\$20.71	\$1.28	\$21.31	\$1.88	\$1.84

January Utilization (Northeast): Class I = 29.9%; Class II = 24.8%; Class III = 28.4%; Class IV = 16.9%.
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 90, Report 8, February 24th, 2023)

Dry Products: Dry buttermilk prices shifted lower in all regions. Demand is light, and inventories are reportedly widely available, particularly in the Western states. Low/medium heat nonfat dry milk (NDM) prices slid lower in the West, while moving steady to higher in the Central/Eastern regions. Condensed skim availability is anything but variant, as contacts say it is widely available for drying. Dry whole milk prices increased, on spring demand upticks. Dry whey prices were mixed throughout the regions.

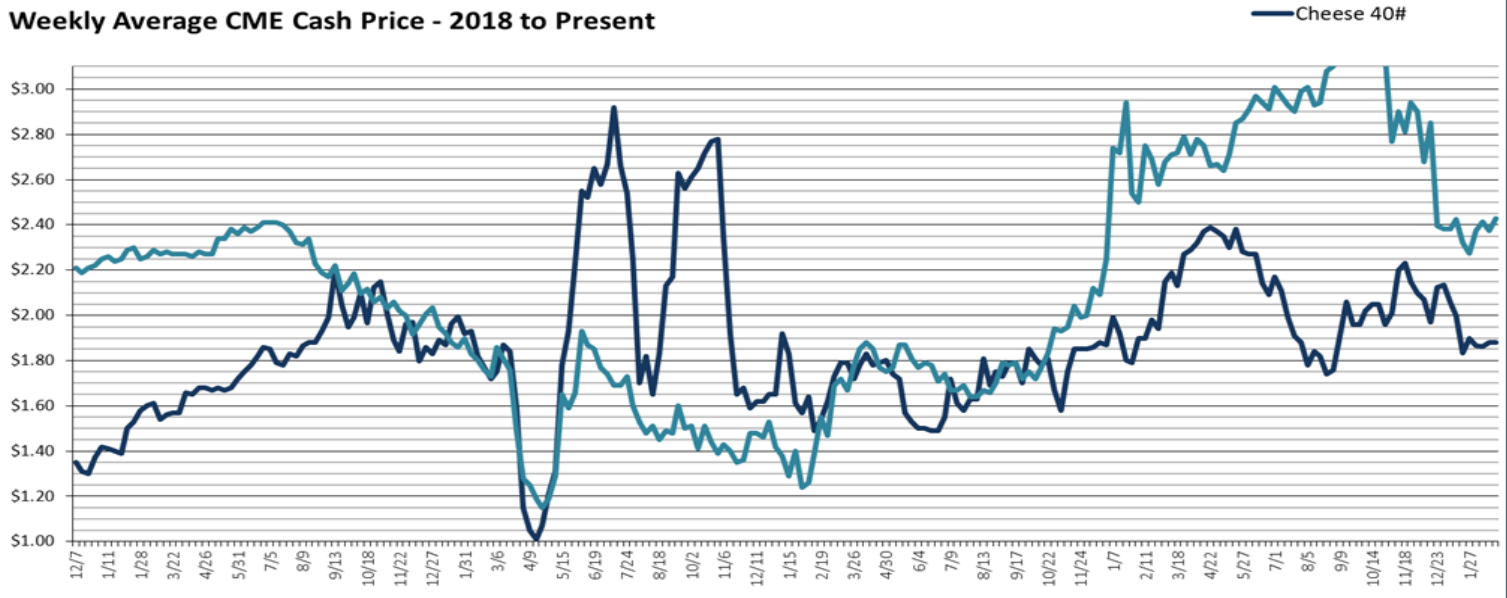
Cheese: In the Northeast and West, milk is available for cheesemakers to operate steady production schedules. Contacts in the Midwest say they are running busy schedules, but some in the upper parts of the region anticipate down time this week due to winter storms. Milk is being sold in the region for as much as \$10 under Class III as volumes remain ample. In the Northeast, demand for Italian-type cheeses is strong, while retail and food service demands are steady. Cheese block inventories are available, though lighter than previous weeks, in the Northeast. On the CME, the gap between blocks and barrels looms, but contacts in the Midwest view current price points as healthy.

Butter: Cream is plentiful in all regions, though contacts in the Central and West regions report steady to lighter demand this week. Butter makers in parts of the upper Midwest report winter storms this week may have an impact on production and require some cream handlers to look for different destinations for loads. In the Northeast, butter makers are running active schedules, and some manufacturers are churning butter on a seven-day schedule. Butter makers are producing strong amounts of butter, despite persistent regional labor shortages.

Fluid Milk: Milk output is mixed from region to region and from state to state. There is plenty of milk available for processing across the Classes. Bottlers are taking on steady to lighter milk loads, as schools are breaking or prepping for spring vacations. Cream is readily available in all regions.

Friday CME Cash Prices					
Dates	1/27	2/3	2/10	2/17	2/24
Butter	\$2.27	\$2.38	\$2.41	\$2.38	\$2.43
Cheese (40# Blocks)	\$1.90	\$1.87	\$1.86	\$1.88	\$1.88

Weekly Average CME Cash Price - 2018 to Present



Dairy Situation and Outlook - February 22, 2023 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-February-2023.pdf>

Cheese prices have moved up and down during January and February but the trend is downward. Barrel cheddar cheese averaged \$1,6803 per pound in January and is now \$1.60. Forty-pound cheddar blocks averaged \$2.0024 per pound in January and are now \$1.96. Dry whey which was \$0.30's per pound in January have been \$0.415 to \$0.46 per pound in February. As a result Class III which was \$20.50 in December fell to \$19.43 in January. The February Class III will be even lower around \$17.90. The Class III price has fallen a long way from the record \$25.21 last May. The price of butter weakened some in January with some recovery in February. Butter averaged \$2.3553 per pound in January and is now \$2.38. Nonfat dry milk averaged \$1.2279 per pound in January and is now \$1.215. The December Class IV was \$22.12 but weaker December and January butter and nonfat dry milk prices pushed the January Class IV to \$20.01. The February Class IV may move even lower to around \$18.90.

The level of milk production, domestic sales and dairy exports will determine milk prices for the months ahead. As of now these factors indicate much lower milk prices than 2022. Milk production is expected to increase but by less than 1% in 2023. USDA is forecasting an increase of 0.8% marking two consecutive years of less than a 1% increase. Milk production was just 0.1% higher in 2022. Fewer dairy replacements, expected higher culling of cows from the herd, relatively high feed prices and lower milk prices could reduce the average number of cows in 2023. USDA forecasts the average number of cows for the year to be down 24,000 from 2022, a 0.3% decline.

Dairy exports were a major factor for stronger milk prices in 2022. Exports for all of 2022 were a record. Compared to 2021 exports were higher by 5% on a total volume basis, 9% for whey products, 12.5% for cheese which was a record, and 41.5% for butterfat but 5.5% lower for nonfat dry milk/skim milk powder.

USDA is forecasting 2023 exports to be lower than 2022. U.S. will face more competition for exports as Europe's milk production increases. New Zealand could experience increased milk production depending upon weather conditions. Also, there is softness in international demand that could limit exports. A lot depends upon China. Exports to China were lower in 2022.

The production of dairy products has been above year ago levels. Compared to December a year ago butter production was 3.9% higher and total cheese production 2.2% higher. Butter and cheese stocks increased from November 30th to December 31st. Compared to a year ago December 31st stocks of butter were 9% higher and total cheese stocks at the same level. Stocks are more than ample to meet current use.

Opinions as to the level of 2023 milk prices vary considerably but all forecast much lower milk prices than 2022. USDA has lowered their price forecast. Class III averaged \$21.94 for 2022, \$4.86 higher than 2021. The forecast for 2023 is \$17.90, \$4.04 lower than 2022. Class IV averaged \$24.47 for 2022, \$8.38 higher than 2021. The forecast for 2023 is \$18.25, \$6.22 lower than 2022. As we move through the year and monthly increases in milk production slow as expected, milk production hits its normal low this summer, demand strengthens as schools open late summer and butter and cheese sales have their normal seasonal strength during the holidays milk prices are likely to improve the second half of the year over the first. Current futures reflects this with Class III in the \$17's and \$18's first half of the year and the \$19's and \$20's the second half of the year. Futures are more optimistic than USDA's forecast. Some forecasters see the possibility of the Class III getting as low as the \$16's during the first half of the year. So much uncertainty exists as to the level of milk prices in 2023. ■