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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
March 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
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
Feb 22	\$2.71	\$2.36	\$24.03	\$20.83	\$17.78	\$18.86	\$19.60	\$1.82	\$20.20	\$2.42	\$1.74

February Utilization (Northeast): Class I = 29.2%; Class II = 24.8%; Class III = 28.1%; Class IV = 17.9%.
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 13, March 31st, 2023)

Dry Products: Prices for low/medium heat nonfat dry milk (NDM) moved lower across all facets in the Central and East regions. The price range and mostly price series saw similar downward movement in the West, but the bottom of the price range shifted upward. Demand for low/medium heat NDM is light in the West and market activity is somewhat slow in the Central region. Prices for both acid and rennet casein have moved in a bearish direction, though contacts expect prices to hold somewhere near current levels going forward.

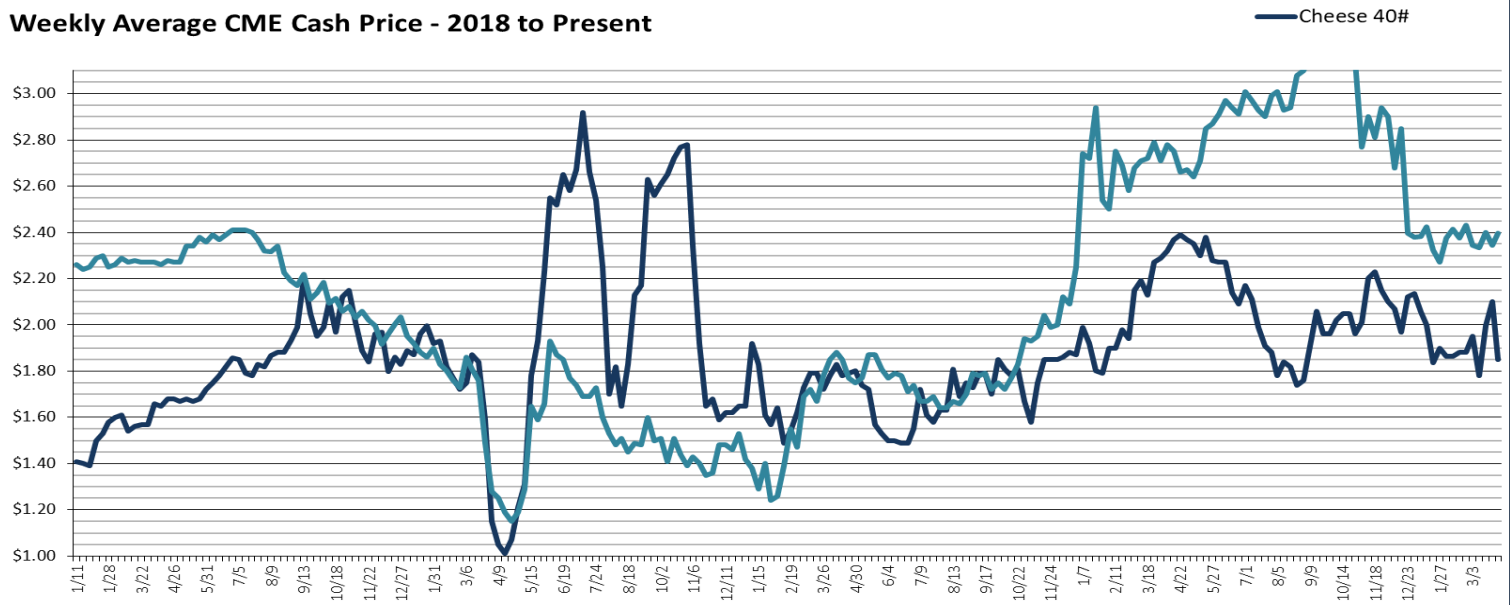
Cheese: Milk is available for strong cheese production in the Northeast and West. In the Midwest, milk remains accessible, though availability varies in different locations. Cheesemakers in the region are running active production schedules, and some say they are operating six to seven days a week. In the Northeast, demand for cheese is steady to strong from both retail and food service customers. Cheese inventories are steady in the Northeast and available to meet current spot purchasing demands in the West.

Butter: Cream is available for butter production in the Central and West regions, while availability varies in the East. Contacts in the East say spring flush will relieve the current tightness of cream for butter makers present in some parts of the region. Butter production is mixed in the East as some manufacturers say they are steadily churning, and others say labor shortages are causing them to operate reduced production schedules.

Fluid Milk: Milk output is steady or trending higher throughout much of the country. Bottling demand has also softened in the Northeast and Pacific Northwest as purchasers in those areas prepare for upcoming spring breaks. Downtime at drying operations in the East and Midwest is contributing to increased condensed skim availability.

Friday CME Cash Prices					
Dates	3/3	3/10	3/17	3/24	3/31
Butter	\$2.35	\$2.33	\$2.40	\$2.35	\$2.39
Cheese (40# Blocks)	\$1.95	\$1.78	\$2.00	\$2.10	\$1.85

Weekly Average CME Cash Price - 2018 to Present



Dairy Situation and Outlook - March 20, 2023 by Bob Cropp, Professor Emeritus, University of Wisconsin-Madison

Originally published here: <https://fyi.extension.wisc.edu/kewauneeag/files/2023/03/Dairy-Situation-and-Outlook-March-2023.pdf>

Some strengthening of cheese prices in March will result in a higher Class III price. The February Class III was \$17.78. March Class III could be near \$18.00. Barrel cheddar cheese prices have increased steadily since early March going from \$1.55 per pound to now \$1.9525. Forty-pound cheddar blocks moved up and down in March declining to \$1.78 per pound early March to now \$1.99. Where milk prices are headed for the remainder of the year is a big question. The answer seems to change weekly as dairy product prices change as do forecasts of milk production, domestic sales, and dairy exports.

Milk production increased just 0.1% in 2022. USDA is forecasting milk production to increase 0.9% in 2023. This higher increase will put some downward pressure on milk prices. It is not likely milk production will increase more than this. With continued high feed costs and higher cost of other inputs along with lower milk prices dairy producers will face tighter margins in 2023 than 2022. Also higher slaughter cow prices will likely increase the culling of cows from the herd and this along with fewer dairy replacements could actually reduce the average number of cows in 2023. USDA forecasts the average number of cows in 2023 will decline by 10,000 from 2022. High feed prices are likely to dampen the increase in milk per cow.

Domestic sales for 2022 fell slightly below 2021. USDA is forecasting domestic sales for 2023 to increase and being higher than 2021. Operators of restaurants are optimistic for sales in 2023. If this materializes it would strengthen cheese sales. Retail prices of milk and dairy products should also decline some which would help sales.

Dairy exports reached a new record in 2022. USDA is forecasting a decline in exports for 2023. This is based on the fact that U.S. will face more competition for markets as milk production is improving in Western Europe and possibly New Zealand, the two leading dairy exporters, and slower growth in global demand. However, dairy exports in January on a milk-solids equivalent basis was 16% higher than last year.

Dairy futures are not the best price forecaster. In early March Class III futures were in the \$17's and low \$18's first half of the year. While Class III was \$17.78 in February Class III futures through June have increased to the high \$18's. Class III futures were in the \$18's to low \$19's for the second half of the year and have increased to the high \$19's. These current futures are much more optimistic than USDA's latest forecast. USDA Class III forecast is \$18.20 first quarter, \$17.25 second quarter, \$17.35 third quarter, \$17.45 for fourth quarter and averaging \$17.55 for the year compared to \$21.94 for 2022.

While neither dairy futures or USDA forecast may end up near what Class III prices will be both are possible. Higher Class III prices the second half of the year versus the first half seems likely as milk production is seasonally lower in the summer and early fall while building of butter and cheese inventories begin in preparation for seasonally high butter and cheese sales Thanksgiving through Christmas. Based on projected less than a one percent increase in milk production, a modest increase in domestic sales and dairy exports down slightly USDA's price forecast seems too low. Dairy futures may also be too high unless milk production ends up lower than projected and domestic sales and or dairy exports end up higher than projected. ■