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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
June 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
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 23	\$2.77	\$2.80	\$25.66	\$21.61	\$19.43	\$20.01	\$20.71	\$1.28	\$21.31	\$1.88	\$1.84
Feb 23	\$2.71	\$2.36	\$24.03	\$20.83	\$17.78	\$18.86	\$19.60	\$1.82	\$20.20	\$2.42	\$1.74
Mar 23	\$2.73	\$2.41	\$22.24	\$19.52	\$18.10	\$18.38	\$18.78	\$0.68	\$19.38	\$1.28	\$1.67
Apr 23	\$2.70	\$2.56	\$22.10	\$19.20	\$18.52	\$17.95	\$18.62	\$0.10	\$19.22	\$0.70	\$1.66
May 23	\$2.75	\$1.80	\$22.82	\$19.11	\$16.11	\$18.10	\$18.31	\$2.20	\$18.91	\$2.80	\$1.63

May Utilization (Northeast): Class I = 27.6%; Class II = 24.3%; Class III = 28.7%; Class IV = 19.4%.

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 90, Report 25, June 23rd, 2023)

Dry Products: Dry dairy commodities remain, for the most part, under bearish pressure throughout the country. Low/medium heat and high heat nonfat dry milk (NDM) prices were steady to lower in all regions. Availability is more of a concern for processors than buyers, as buyers remain hesitant to take on more volumes outside of near term needs. Lactose prices were steady, as demand remains subdued. The whey protein concentrate 34% price range is unchanged, but some spot sales are moving at lower prices within that range. Dry whole milk and casein prices held steady this week.

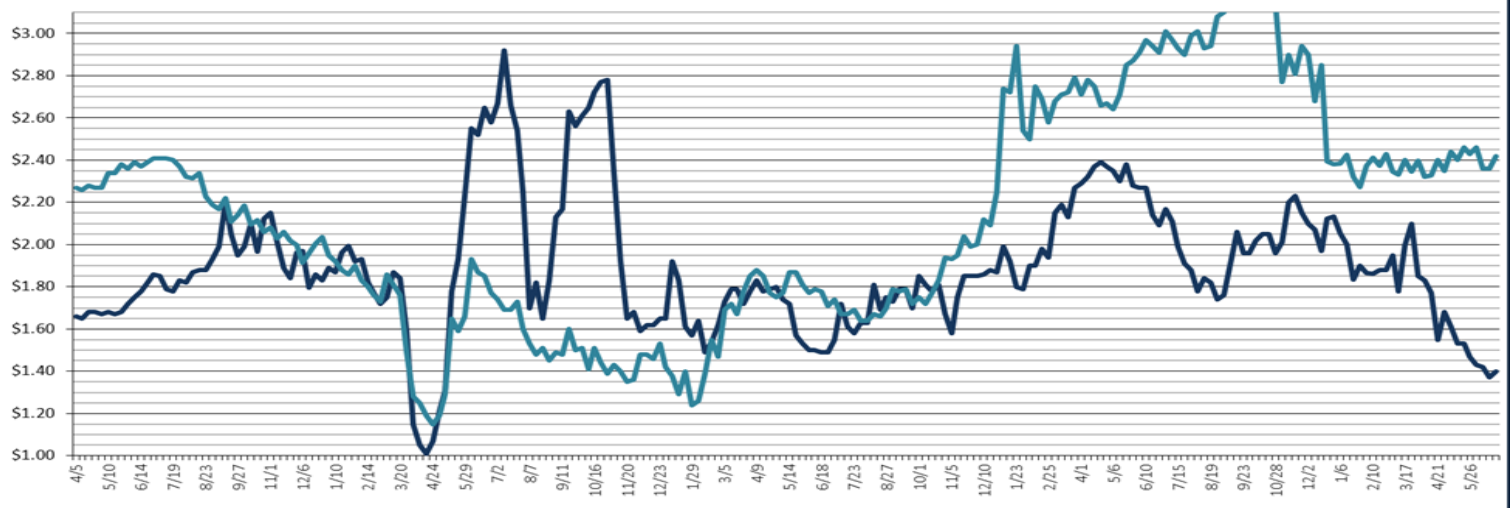
Cheese: Milk volumes are available for Class III production throughout all regions. Cheesemakers in the Northeast say production steady, while contacts in the West say production is strong to steady. Cheese barrel inventories are tighter than blocks in the West, though stakeholders say loads of barrels and blocks are available to meet current demand. In the Northeast, cheese inventories are unchanged.

Butter: Cream volumes are steady in the East and West. Eastern butter makers report strong demand for cream from ice cream makers but say that demand is lighter compared to previous years. Butter makers in the East and West are operating strong schedules. Some manufacturers in the East are operating seven days a week. Inventories in the region are ample, and some regional butter makers are freezing butter.

Fluid Milk: Temperatures nearing or over 100 degrees in parts of the South and West are depressing milk output. Eastern contacts say milk availability ranges from steady to slowly declining, where temperatures are more mild at the onset of summer. Class I demand, however, is aligned throughout most of the country with lighter bottling pulls from school districts nationwide.

Friday CME Cash Prices					
Dates	5/26	6/2	6/9	6/16	6/23
Butter	\$2.43	\$2.46	\$2.36	\$2.36	\$2.42
Cheese (40# Blocks)	\$1.47	\$1.43	\$1.42	\$1.37	\$1.40

Weekly Average CME Cash Price - 2019 to Present



Dairy Situation and Outlook - June 21, 2023 by Bob Cropp, Professor Emeritus, University of Wisconsin-Madison

Originally published here: <https://fyi.extension.wisc.edu/kewauneeag/files/2023/05-Dairy-Situation-and-Outlook-June-2023.pdf>

Milk prices continue to fall and to levels not anticipated earlier in the year. Class III was \$18.52 in April, fell to \$16.11 in May and could be below \$16.00 in June. June a year ago it was \$24.33. The last time we saw Class III this low was in 2018 and 2020. In 2018 Class III was in the \$13's for two months and the \$14's for six months. In 2020 Class III was \$13.07 for one month and \$12.14 for one month. Declining cheese and dry whey prices have driven Class III down.

These lower prices are driven by both the level of milk production and demand. There is plenty of milk. May milk production for the U.S. is estimated to be 0.8% higher than a year ago. Milk cow numbers were unchanged from April but were still 20,000 higher than a year ago or 0.3% higher. Milk per cow continues to be suppressed being just 0.5% higher. This level of milk production has stretched milk plant capacity in the Midwest as some plants lack employees to operate at full capacity. Some producers in Minnesota and Wisconsin as a result have been asked to dump milk.

Fluid (beverage) milk continues to run below year ago levels and will drop lower during the summer when schools are out. Butter and cheese sales have been somewhat higher than a year ago, but cheese sales are not at a level to hold up prices. Dairy exports set a record in 2023 with strong cheese exports. But according to the US Dairy Export Council global dairy demand has weakened at the same time competition has increased from Europe and New Zealand. Inflation and the economic slowdown have dampened consumer demand. The volume of dairy exports on a milk solids equivalent basis in April was 13% below a year ago resulting in year-to-date exports down 0.3% from a year ago. Compared to April year ago nonfat dry milk/skim milk powder exports were down 9%, dry whey products exports down 13%, cheese exports down 12% and butterfat exports down 65%.

Milk prices will recover but how much is uncertain. Milk production will be held in check with low milk prices and still rather high feed prices resulting in unfavorable operating margins. Dairy producers who are enrolled in the Margin Protection Program, the Revenue Protection Program or had earlier protected Class III prices with Class III futures will get some relief from low milk prices.

Slaughter cow prices are favorable so culling of dairy cows is likely to increase. Year-to-date dairy cow slaughter was 4.9% higher than a year ago. Drought is a concern in a large part of the country which could affect the supply of forages, grain and soybeans which would keep feed prices relatively high this fall and winter.

Lower milk prices should give some relief to retail dairy product prices but probably not to the extent of low milk prices. Schools will start to open late summer increasing fluid milk sales. Sales of butter and cheese may show modest growth. Milk production will decline seasonally from June through September. Later this fall buyers of butter and cheese will start to build inventories for the strong sales period of thanksgiving through Christmas. All of this will push milk prices higher.

Dairy exports will end the year lower than a year ago. US dairy prices of cheese, nonfat dry milk and dry whey are competitive on the world market, which are positive for exports and could improve exports later this year.

Current dairy futures show a slow recovery in Class III prices with August reaching \$16, \$17 for September, and October \$18 to December. USDA forecast is less optimistic with Class III averaging just \$15.50 July to September, \$16.30 October to December and averaging \$16.70 for the year compared to 21.96 in 2022. Based on the level of expected milk production, dairy product sales and dairy exports USDA's forecast could well be on the low side. ■