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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
July 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
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
Jun 23	\$2.76	\$1.51	\$21.26	\$18.83	\$14.91	\$18.26	\$17.46	\$2.55	\$18.06	\$3.15	\$1.56
June Utilization (Northeast): Class I = 27.1%; Class II = 25.1%; Class III = 30.5%; Class IV = 17.3%. 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 30, July 28th, 2023)

Dry Products: Low/medium heat nonfat dry milk (NDM) prices moved higher. Export demand is trending upward with increased interest from purchasers in Mexico. High heat NDM prices also moved higher. High heat NDM inventories are tighter as some manufacturers indicate a Q4 start for further high heat NDM drying schedules. Prices for dry buttermilk moved lower in the West, while Central and East dry buttermilk prices held steady. Some off-spec loads are selling into feed channels below the reported prices. Bottom end dry whole milk prices moved lower. Stakeholders relay most dry whole milk production is to meet contractual obligations.

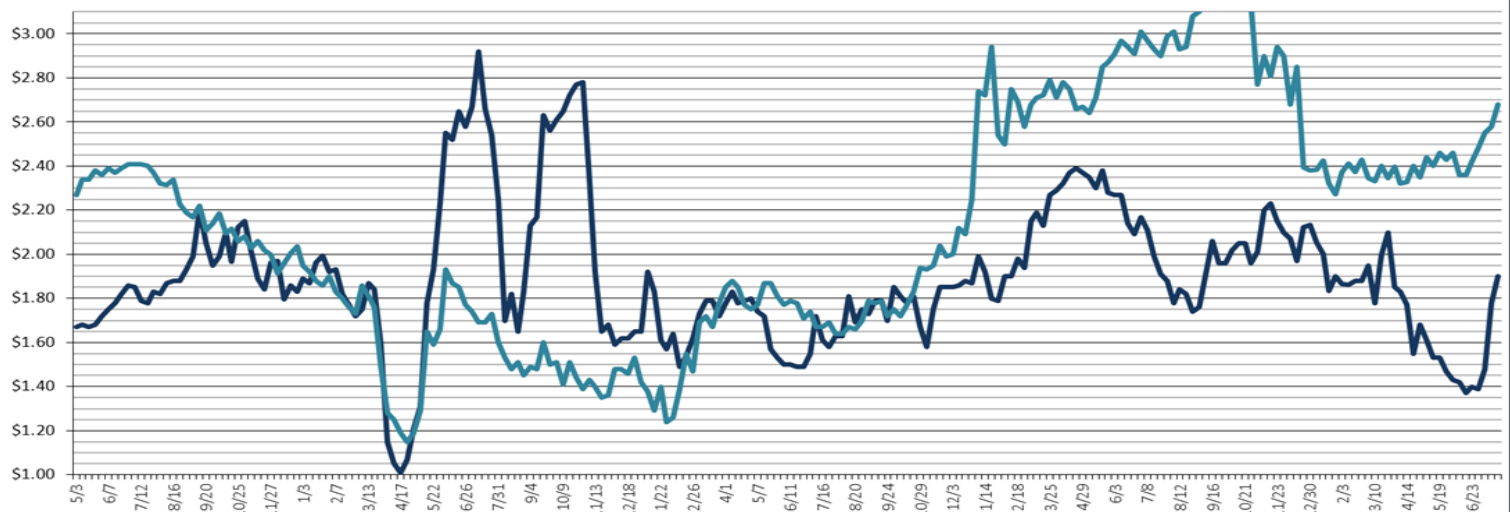
Cheese: Cheesemakers in the Northeast say production has plateaued, as milk output is declining in the region. In the East and Midwest, contacts report strong cheese demand. Export sales of cheese are mixed in the West, as contacts report steady interest from purchasers in Mexico but note some hesitation in Asian markets. Cold storage space has become more available in the Northeast in recent weeks.

Butter: In the East and Central regions cream availability is tightening. East region butter makers are running active production schedules, while some butter makers in the Central region report scheduled down time at plants this week. In the East, increased market activity is starting to chip away at butter stocks, but contacts note inventories remain ample. Demand for butter is steady from retail and food service customers in the East. Export demand for butter is light in the West, while retail sales are steady, and food service demand is strong.

Fluid Milk: Milk production is seasonally declining week to week. Some areas of the East and Midwest are experiencing abnormally dry conditions. Drought monitors indicate pockets of moderate to severe drought. Heavy rainfall and flooding have caused crop damage concerns in portions of the East.

Friday CME Cash Prices					
Dates	6/30	7/7	7/14	7/21	7/28
Butter	\$2.44	\$2.48	\$2.55	\$2.58	\$2.68
Cheese (40# Blocks)	\$1.33	\$1.39	\$1.48	\$1.78	\$1.90

Weekly Average CME Cash Price - 2019 to Present



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

Originally published here: <https://fyi.extension.wisc.edu/kewauneeag/files/2023/07-Dairy-Situation-and-Outlook-July-2023.pdf>

After record high milk prices in 2022 milk prices continue to fall reaching prices not seen since 2020 and 2021. Class III was in the \$13's from October of 2020 to February of 2021. The January Class III price was \$19.53. The July Class III could be as low as \$13.80, \$5.63 below January and \$11.99 below \$25.79 a year ago. Milk prices are now well below profitable levels for dairy producers.

These milk prices show that milk prices are subject to rather small changes in milk supply, milk demand or a combination of changes in supply and demand. Last year milk production was just 0.1% higher than the year before. This year milk production from January to June has been 0.7% higher than a year ago but the increase is slowing. June milk production was unchanged from a year earlier. But increased domestic demand and/or dairy exports are required to take up this increased production to prevent falling milk prices. Record high milk prices last year resulted in higher retail prices of dairy products which may have dampened domestic demand some. With lower milk prices retail dairy product prices are starting to decline some but not nearly to the extent of lower milk prices.

Dairy exports were a record last year with record cheese exports. But on a volume milk solids equivalent basis May exports were 13% lower than a year ago with cheese exports 18% lower and dry whey product exports down 29%. May was the third consecutive month dairy exports were lower than the previous year. Weaker demand from key export markets such as China and increased competition from New Zealand have dampened exports. Lower dairy exports mean more milk is needed to clear the domestic market without lowering milk prices.

The July Class III price should be the bottom for the year with the price trending upward for the remainder of the year. Milk cow numbers fell by 16,000 from May to June. June cow

numbers were finally below a year ago, down 5,000. There was no increase in milk per cow. As a result, June milk production was unchanged from a year ago.

Milk production is likely to run below a year ago for the remainder of the year. With the existing widespread drought this year's final crop production is uncertain. The drought has already reduced alfalfa hay production. Feed prices will remain at relatively levels. Higher feed prices and lower milk prices will make margins tight for dairy producers. Dairy producers are likely to reduce cow numbers in response.

Domestic demand may improve as retail prices soften some. Dairy exports could improve some by the third quarter of the year. Except for butter the price of cheese, dry whey and nonfat dry milk/skim milk powder are very competitive on the world market. Some export markets may take advantage of these lower prices and start to increase purchases.

Milk prices will trend higher for the remainder of the year. Milk production will be in its seasonal low August through September. Schools will begin to open at the end of August and early September which will help beverage milk sales. By October butter and cheese stocks will start to build to meet the higher season sales of cheese and butter Thanksgiving through Christmas. Class III futures show a continued improvement in the Class III price with it in the \$15's by August, the \$16's by September and the \$17's for the remainder of the year. But the latest USDA forecast is not as optimistic. USDA has Class III averaging just \$14.30 for the third quarter and \$15.05 for the fourth quarter with the average for the year \$16.05 compared to \$21.96 last year. With the sensitivity to small changes in milk supply and/or demand I think the probability is high for third quarter and fourth quarter prices to be higher than USDA's forecast. But time will tell. ■