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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
September 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
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
July 23	\$2.79	\$1.19	\$20.57	\$19.12	\$13.77	\$18.26	\$17.08	\$3.31	\$17.68	\$3.91	\$1.52
Aug 23	\$3.02	\$2.08	\$19.87	\$19.91	\$17.19	\$18.91	\$18.28	\$1.09	\$18.88	\$1.69	\$1.63

August Utilization (Northeast): Class I = 28.2%; Class II = 28.0%; Class III = 29.7%; Class IV = 14.1%.
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 39, September 29th, 2023)

Dry Products: Low/medium heat nonfat dry milk (NDM) prices are higher across the regions. Buyers from Mexico continue to make purchases. High heat nonfat dry milk prices adjusted higher in the West, while unchanged in the Central and East regions. Dry buttermilk prices are steady throughout the regions, as supplies tighten. Export interest is fair. Acid casein prices are unchanged, but rennet casein prices are lower.

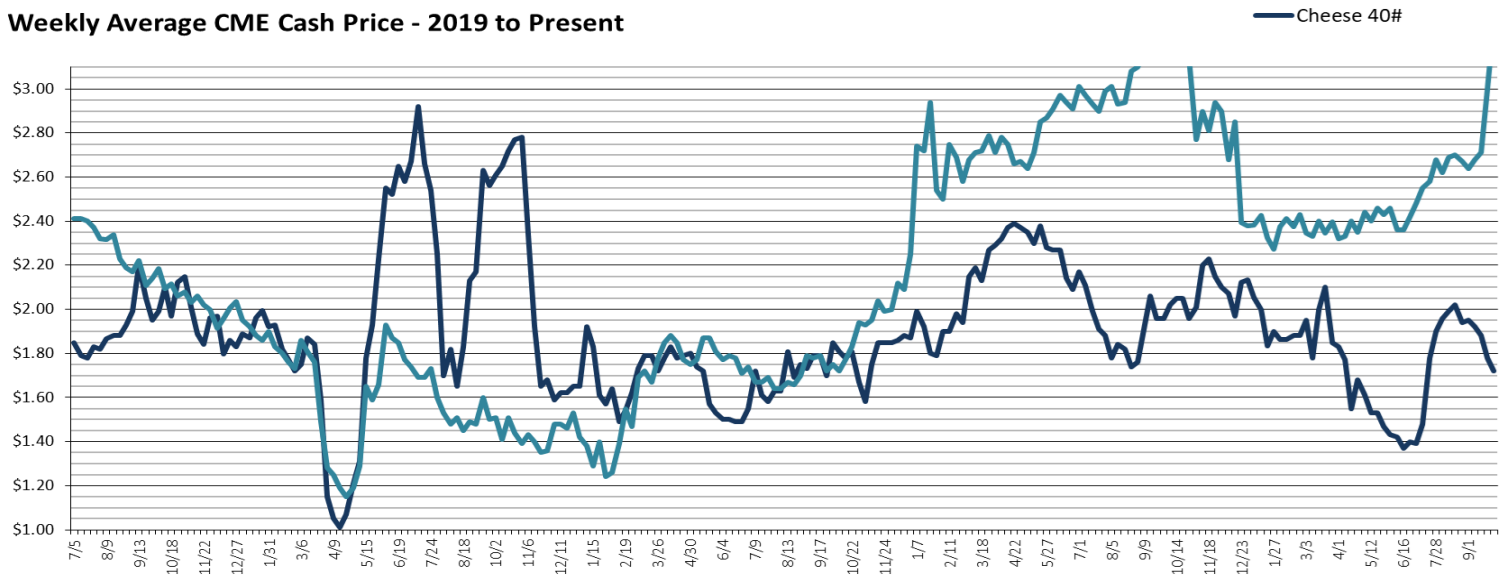
Cheese: Unseasonably warm weather has negatively impacted milk production in some Northeast states, while milk volumes in the region are being drawn upon by school bottling purchasers. Contacts in the Northeast say cheese demand is lighter compared to the summer months. Cheese demand is steady from retail and food service purchasers in the Midwest. Cheese barrel makers say inventories are not currently a concern, despite increased bearishness for cheese barrels compared to blocks.

Butter: Cream volumes are tight throughout all three regions, and contacts in the Central region note that cream is having a significant impact on butter production. Contracted cream volumes are keeping butter churns active in the East. Butter inventories are tight in the East. In the East, food service sales are steady, though retail demand is softening.

Fluid Milk: In the West region, farm level milk production varies. California, the Pacific Northwest, and the mountain states of Idaho, Utah, and Colorado report flattened milk output, as hot weather eases. The Central region's milk output is down along seasonal lines, as active Class I demand squeezes processors' milk intakes. East region milk producers are seeing flat to steady milk production. Bottling demand is steady to strong. Meanwhile, regional cream supplies have tightened. Cream cheese production is seeing an uptick in some regions.

Friday CME Cash Prices					
Dates	9/1	9/8	9/15	9/22	9/29
Butter	\$2.64	\$2.68	\$2.71	\$3.00	\$3.30
Cheese (40# Blocks)	\$1.95	\$1.92	\$1.88	\$1.78	\$1.72

Weekly Average CME Cash Price - 2019 to Present



Dairy Situation and Outlook - September 18, 2023 by Bob Cropp, Professor Emeritus, University of Wisconsin-Madison

Originally published here: <https://fyi.extension.wisc.edu/kewauneeag/files/2023/08/Dairy-Situation-and-Outlook-September-2023.pdf>

Milk prices continue to show strength. Class III was \$18.52 in April but then steadily declined reaching a low of \$13.77 in July. But Class III rebounded in August to \$17.19 and will be around \$18.35 in September. Much higher cheese prices pushed Class III prices higher. Forty-pound cheddar blocks averaged \$1.6209 per pound in July but \$1.9752 in August. Blocks have been mostly in the \$1.92 to \$1.96 per pound range in September but has now shown weakness at \$1.88. Cheddar barrels averaged \$1.5404 per pound in July but \$1.8190 in August. In September barrels were mostly in the \$1.8275 to \$1.87 per pound range but have also now shown some weakness at 1.77.

Domestic demand has been positive for higher cheese prices pushing the Class III price higher. While fluid (beverage) milk sales continue below a year ago the sales of both butter and cheese have been higher. However, dairy exports, which set a record last year, have been below a year ago since last March. U.S. has faced weaker demand in Asia and increased competition for markets from both Europe and New Zealand. On a milk solids equivalent basis, the export volume for July was 12% lower than a year ago. Compared to July a year ago cheese exports were down 1% with year-to-date down 6%. Butterfat exports were down 61% with year-to-date down 45%. Dry whey product exports were down 43% with year-to-date down 17%. Nonfat dry milk/skim milk powder exports were up 3% with year-to-date down just 1%. Heavier exports to Mexico push July exports higher.

The main driver of higher cheese prices and milk prices has been lower milk production. Milk production fell below year ago levels by 0.7% in July and 0.2% in August. January through August milk production was just 0.4% higher than a year ago. August cow numbers were unchanged from July but were 16,000 head fewer than a year ago, a 0.2% decline. Cow numbers have declined by 54,000 since March. Low milk prices and favorable cull cow prices have encouraged higher culling

and slaughter of cows from the herd. Hot temperatures impacted milk per cow with no increase from a year ago.

Compared to a year ago August milk production for the five leading dairy states was: California down 3.7%. Wisconsin up 1.2%, Idaho up 1.0%, New York up 3.8% and Texas down 3.2%. California had 9,000 fewer cows with milk per cow 3.2% lower. Wisconsin had 3,000 fewer cows with milk per cow 1.4% higher. New York had 6,000 more cows with milk per cow 2.8% higher. Texas had 20,000 fewer cows with milk per cow 0.2% lower. Other states with relatively strong increases in milk production were Iowa up 3.2%, Indiana up 3.0%, Georgia up 3.1%, Michigan up 3.7% and South Dakota up 6.0%. All of these states had more cows except Georgia. States with relatively high decreases in milk production were Colorado down 3.5%, Kansas down 4.3%, Minnesota down 0.7%, New Mexico down 8.0%, and Oregon down 3.2%.

Lower milk production has lowered cheese production. In July cheddar cheese production was 2.6% lower than a year ago with total cheese production down 0.7%. Cheese stocks have also tightened. Compared to a year ago, July 31st stocks of American cheese was 3% lower and total cheese stocks 2% lower.

The Class III price should stay at or near \$18 for the remainder of the year. Milk production is not likely to show increases over a year ago. Drought in the Midwest has reduced hay production. With expected feed prices and milk prices returns over feed cost will remain at unfavorable levels. Cow numbers will likely continue to decline. Reports are that both butter and cheese sales remain higher than a year ago. Dairy exports are expected to remain below year ago levels. Current Class III futures average just above \$18 for October though December. USDA's latest price forecast has Class III averaging \$18.05 October through December. ■