Dairy Commodity Markets (Excerpt from USDA Dairy Market News – Volume 90, Report 52, December 29th, 2023)

**Dry Products:** Low, medium and high heat nonfat dry milk (NDM) prices held steady throughout the regions. Mexican demand has slowed for the holidays, as processors say trading activity was quiet on the whole. Dry buttermilk prices were steady to higher.

**Cheese:** Despite end-of-year holidays, cheese production schedules remained strong in the West and East but were lighter in the Central region. Due to the fact that Class I orders were largely stalled because of school closures, processors in the Northeast reported robust production schedules. Block cheese inventories are growing week over week.

**Butter:** Retail butter demand is strong to steady for the finishing stretch of 2023. Food service demand reportedly remains light in the east region. Stakeholders indicate inventories are more balanced in the west region than the central or eastern regions of the US. Unsalted and salted butter inventories are comfortable to lighter in the east region. Cream supplies are plentiful to ample throughout the country.

**Fluid Milk:** The holiday season has brought ample fluid milk, cream and condensed skim availability throughout the nation. Mild winter weather has continued to keep milk and milk component levels increasing. Bottling orders lightened earlier than contacts had expected this year. Spot milk prices reported by cheesemakers in the Midwest reached a recent low of $8-under Class III as $2-under Class was the top end of the range. Cheesemakers say they are having to turn away offers.

### Friday CME Cash Prices

<table>
<thead>
<tr>
<th>Dates</th>
<th>12/1</th>
<th>12/8</th>
<th>12/15</th>
<th>12/22</th>
<th>12/29</th>
</tr>
</thead>
<tbody>
<tr>
<td>Butter</td>
<td>$2.65</td>
<td>$2.67</td>
<td>$2.49</td>
<td>$2.54</td>
<td>$2.66</td>
</tr>
<tr>
<td>Cheese (40# Blocks)</td>
<td>$1.52</td>
<td>$1.58</td>
<td>$1.52</td>
<td>$1.39</td>
<td>$1.40</td>
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</tbody>
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According to the USDA National Agricultural Statistics Service (NASS) Milk Production report, the milking cow herd was estimated at 9.37 million head in October, down 42,000 from October 2022 and 6,000 head from the previous month. The average milk production per cow was 1,997 pounds, about 1 pound less than October 2022. As a result of both a lower milking herd and yield, milk production totaled 18.710 billion pounds in October, about 0.5 percent lower than last year. Most of the milk production reductions were in the Western States, while milk output in the rest of major production States registered mainly year-over-year yield improvements.

The farm milk margin above feed costs reported by the Dairy Margin Coverage program was $9.44 per cwt, $1.27 lower than last year and 6 cents below the $9.50 threshold that triggers payments for dairy producers who choose the highest levels of coverage.

Notice in the chart below that in the past the U.S. milk cow herd usually responded to changes in prices and feed costs with a lag of several months, with the length of the lag affected by factors other than feed costs, such as the administrative and operational costs incurred at the farm level. For example, the index of prices paid by farmers for commodity and services, interest taxes, and wage rates for October was estimated at 138.8, up 0.2 points from last October (USDA, NASS, Agricultural Prices report).

The 2024 milk cow inventory projection is decreased by 15,000 head to 9.360 million head, while the forecast for milk per cow is adjusted down by 80 pounds to 24,465 pounds. Therefore, the projection for 2024 milk production has been lowered to 229.0 billion pounds, 1.0 billion lower than last month’s forecast.

Domestic use is adjusted down from last month’s projection. On a milk-fat basis, the domestic use forecast for 2024 is decreased by 0.5 billion to 224.6 billion pounds. On a skim-solids basis, the forecast for domestic use is lowered by 0.6 billion to 182.0 billion pounds.

Lower cheese prices are expected to persist into 2024, leading to a downward adjustment in the annual price forecast to $1.725 per pound (-10.0 cents). Meanwhile, the 2024 price for butter is adjusted higher to $2.595 per pound (+0.5 cent). The dry whey price forecast is revised upward to $0.400 per pound (+2.5 cents), while the NDM price is increased to $1.175 per pound (+0.5 cent).

Compared to the previous month’s projection, the Class III milk price forecast for 2024 is adjusted down 85 cents to $16.85 per cwt. The Class IV milk price projection for 2024 is $18.90 per cwt, 5 cents higher. The all-milk price forecast for 2024 is $20.25 per cwt, a decrease of 55 cents from last month’s forecast.