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Cornell Cooperative Extension

Southwest NY Dairy, Livestock and Field Crops Program

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Funded by PRO-DAIRY.

A partnership between Cornell University
and the CCE Associations in these five counties:
Allegany, Cattaraugus, Chautauqua, Erie, and Steuben.

Dairy Market Watch
Newsletter
February 2021

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
Jan 20	\$2.11	\$2.96	\$22.26	\$17.05	\$17.05	\$16.65	\$17.63	\$0.58	\$18.23	\$1.18	\$1.57
Feb 20	\$1.98	\$3.03	\$20.80	\$16.84	\$17.00	\$16.20	\$16.97	(\$0.03)	\$17.57	\$0.57	\$1.51
Mar 20	\$1.92	\$2.84	\$20.71	\$16.75	\$16.25	\$14.87	\$16.59	\$0.34	\$17.19	\$0.94	\$1.48
Apr 20	\$1.32	\$2.48	\$19.89	\$13.87	\$13.07	\$11.40	\$13.77	\$0.77	\$14.37	\$1.30	\$1.24
May 20	\$1.38	\$2.09	\$16.20	\$12.30	\$12.14	\$10.67	\$12.32	\$0.18	\$12.92	\$0.78	\$1.11
June 20	\$1.86	\$4.53	\$14.67	\$12.99	\$21.04	\$12.90	\$14.51	(\$6.53)	\$15.11	(\$5.93)	\$1.30
July 20	\$1.95	\$5.62	\$19.81	\$13.79	\$24.54	\$13.76	\$17.93	(\$6.61)	\$18.53	(\$6.01)	\$1.60
Aug 20	\$1.63	\$4.44	\$23.03	\$13.27	\$19.77	\$12.53	\$16.87	(\$2.90)	\$17.47	(\$2.30)	\$1.51
Sep 20	\$1.59	\$3.39	\$21.69	\$13.16	\$16.43	\$12.75	\$15.65	(\$0.78)	\$16.25	(\$0.18)	\$1.40
Oct 20	\$1.64	\$5.01	\$18.45	\$13.63	\$21.61	\$13.47	\$15.92	(\$5.69)	\$16.52	(\$5.09)	\$1.41
Nov 20	\$1.56	\$5.62	\$21.29	\$13.86	\$23.34	\$13.30	\$17.12	(\$6.22)	\$17.72	(\$5.62)	\$1.53
Dec 20	\$1.54	\$3.03	\$23.12	\$14.01	\$15.72	\$13.36	\$16.11	\$0.39	\$16.71	\$0.99	\$1.44
Jan 21	\$1.55	\$3.04	\$18.39	\$14.18	\$16.04	\$13.75	\$14.76	(\$1.28)	\$15.36	(\$0.68)	\$1.32

January Utilization (Northeast): Class I = 30.4%; Class II = 24.5%; Class III = 24.8%; Class IV = 20.3%.
 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 (USDA Dairy Market News – Volume 88, Report 7, February 19th, 2021)

Cheese: Milk remains ample for cheese production across all regions. However, this week's low end of the spot milk price range shored up from \$8.50 to \$6.50 under Class, but spot milk trading was quieter in general. Cheese production rates are somewhat busy. Cheese demand notes are somewhat steady. Food service sales are mixed, as they have been. That said, some easing of restrictions in restaurants/bars has curd producers reporting heartier orders in recent weeks. Eastern contacts relayed inventories of fresh supplies are edging higher. Cheese market tones are somewhat vulnerable in recent weeks. As market impacts from COVID-19 near their first anniversary, food service purchasing has not fully recovered. Additionally, questions regarding governmental awards and ample milk availability are weaving a thread of uncertainty throughout the cheese narrative.

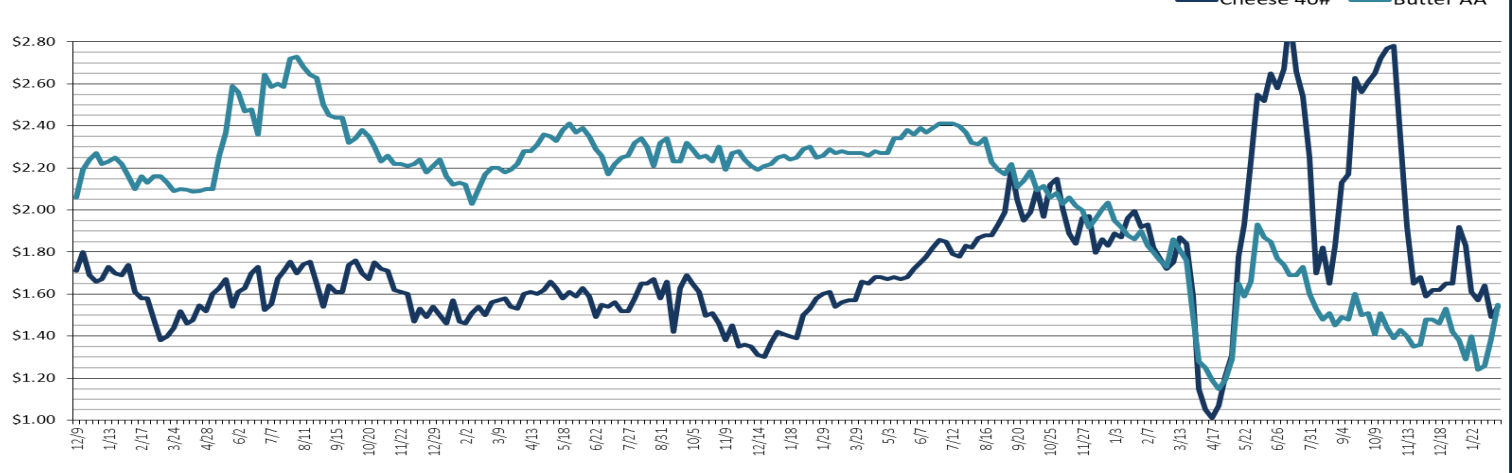
Fluid Milk: Milk production is steady to rising across much of the country. However, major winter storms wreaked havoc across parts of the United States; hardest hit were Texas and the Pacific Northwest. Milk production and manufacturing demand are unbalanced as frigid temperatures, heavy snows, and freezing rains resulted in power outages, staff shortages, and hauling delays.

Dry Products: Nonfat dry milk prices are steady to lower across the country. Production is strong as processors are running heavy amounts of condensed skim through the dryers. Prices for dry buttermilk are mixed in the Central and East, but steady in the West. Buttermilk powder production is sporadic, with nonfat dry milk taking most of the dryer time. Dry whole milk production is focused on contractual needs, and prices are steady to higher.

Butter: Coming up on the last week of "old crop" butter trading on the CME, market tones rallied last week and early this week. Market prices saw a bullish push of over a quarter from the first day of the month to Thursday. Butter production, nationwide, is very busy. There is a lot of cream moving throughout the U.S. and more cream has been dispersed from the southern portion of the country, where contacts say weather has wreaked widespread havoc throughout the dairy system: from farms to hauling to plants.

Friday CME Cash Prices					
Dates	1/22	1/29	2/5	2/12	2/19
Butter	\$1.40	\$1.24	\$1.26	\$1.39	\$1.55
Cheese (40# Blocks)	\$1.61	\$1.57	\$1.64	\$1.49	\$1.54

Weekly Average CME Cash Price - 2016 to Present



February 2021 Dairy Situation and Outlook, February 23, 2021

Bob Cropp, Professor Emeritus, University of Wisconsin Madison, Division of Extension

Originally published online at <https://fyi.extension.wisc.edu/dairy/february-2021-dairy-situation-outlook/>

February milk prices will end a little weaker than January. Class III will drop below \$16 to around \$15.60 compared to \$16.04 in January. Class IV will be around \$13.30 compared to \$13.75 in January. Cheese prices have been moving up and down all month and will average lower for the month than the January average of \$1.5141 per pound for cheddar barrels and \$1,7470 for 40-pound cheddar blocks. Currently barrels are \$1.3825 per pound and blocks \$1.57.

Where milk prices head for the remainder of the year remain uncertain and cannot be forecasted with a high degree of probability because milk prices can change a lot and quickly with any change in supply or demand. Crucial will be the level of milk production, and how soon the COVID-19 virus comes under control and things start to return more to normal. The level of dairy exports will also be important.

Milk production was running 3% higher than a year ago in November and December. Milk production slowed to just a 1.6% increase in January. Milk cow numbers started to increase month to month back in July and increased another 8,000 December to January. January milk cows were 0.9% higher than a year ago. But the slow down in milk production was due to just a 0.6% increase in milk per cow which in recent months was running 2%. While milk production has slowed it is still at a level to put downward pressure on milk prices.

Milk production is likely to slow as we move through the year. Lower milk prices and higher feed costs will tighten margins over feed cost which could slow the increase in milk per cow. The January cattle inventory showed dairy replacements expected calve within the next 12 months 2% lower than a year before. So, cow numbers may stop increasing by second half of the year. USDA is forecasting cow numbers to average for the year 0.6% higher than 2020 with milk per cow up 1.4% resulting in 2021 milk production up 1.9% from 2020. That is a lot of milk and will keep pressure on milk prices.

It looks some what encouraging that new cases of the COVID-19 virus are slowing and more will be vaccinated by summer. If so, restaurants should become more fully open, and with the possibility of in person learning in schools and sports returning coming this fall

food service will strengthen improving butter and cheese sales. But the return to normal maybe slow as consumers are reluctant to return fully to pre-virus consumption patterns. The level of government purchase of dairy products is not likely to be at the level of last year. The Farms to Families Food Box Program runs through April. It is uncertain if the program will be extended. There remain other government programs where dairy products will be purchased for school lunch and food banks. Anyway, the sale of milk and dairy products should strengthen as we move through the year.

Dairy exports were very positive for milk prices in 2020. Dairy exports on a milk solids equivalent volume basis were up 12.9% and set a record high. Exports were 16.0% of U.S. milk production compared to the previous record of 15.5% set back in 2013.

Dairy exports in 2021 could continue to be a favorable factor for milk prices. The price of nonfat dry milk/skim milk powder, cheese and butter are currently very price competitive on export markets. The dollar also remains weak to other currencies. Milk production in other major exporters is increasing but over all appears to be less than one percent. So, there will be some additional product available to compete with the U.S. And COVID-19 has slowed economies of most countries. But USDA is forecasting for 2021 increased butter and whey product exports with continued strong exports of nonfat dry milk/skim milk powder.

Stock levels remain at a relatively high level and need to be drawn down for stronger milk prices. Compared to a year ago, January 31st stocks of butter were 33% higher, American cheese 3% higher and total cheese 3% higher. Butter stocks had increased 20% from December but cheese stocks were about at the same level as December.

Currently Class III futures are below \$16 for February and March, returning to the low \$16's by April and in the low to mid \$17's May through December. Class IV dairy futures reach \$14 by March, \$15 by June and the low \$16's October through December as butter prices are expected to increase. Such a price pattern for now seems reasonable with improved milk prices the second half of the year as milk production slows, milk and dairy product sales improve, and dairy exports are positive. But the possibility that milk prices could end up higher or lower than this remains.