

# 2022 Northeast Dairy Market & Policy Situation

June 23, 2022

Christopher A. Wolf, E.V. Baker Professor

**Dyson School of Applied Economics and Management**

**Cornell University**

# At the midpoint of 2022, where are we?

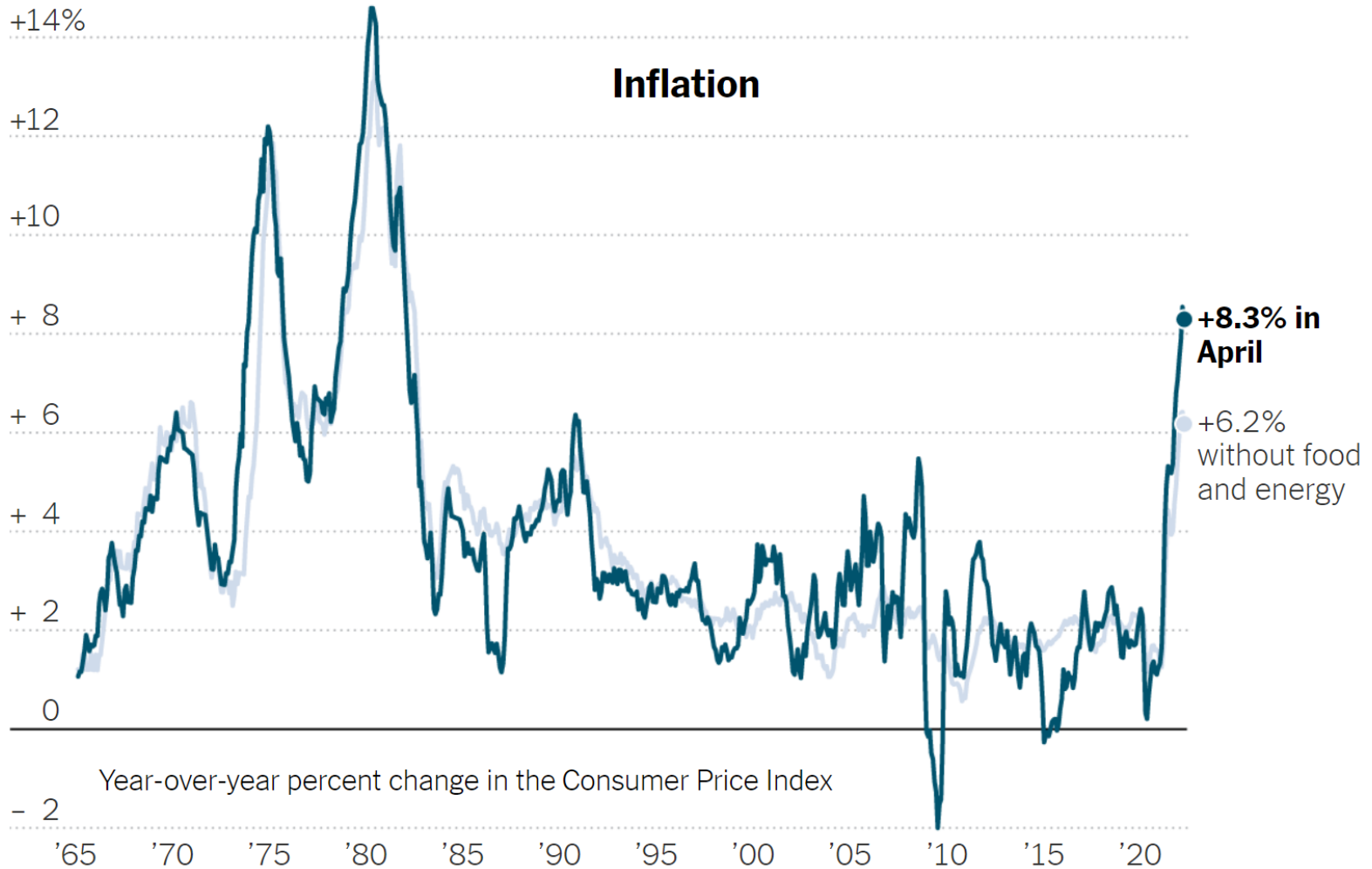
- US Economy
- US Agriculture
- US Dairy Industry
- NE Dairy Industry

# US Federal Reserve

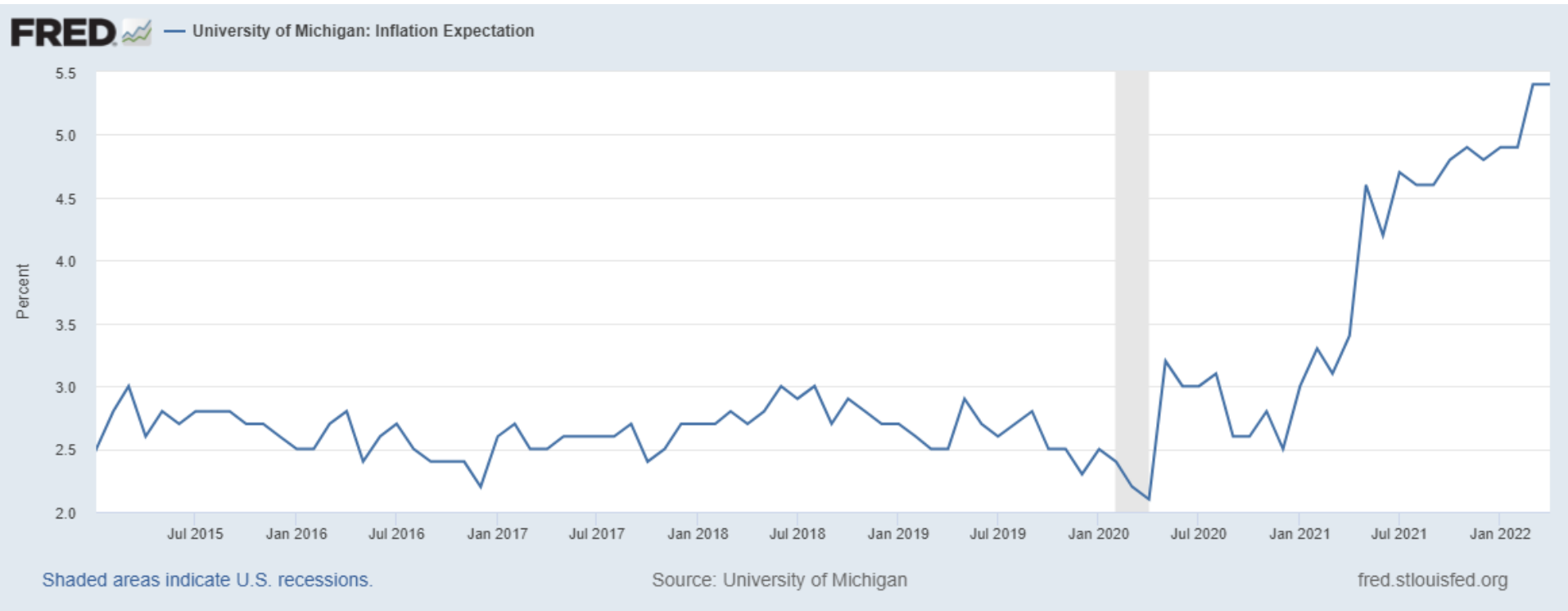
- Targets:
  - Full employment ( <5% unemployment)
  - 2-2.5% inflation
  - GDP growth (was 1.5% in first quarter 2022)
- Tools:
  - Federal funds interest rate
  - Reserve requirements
  - T-Bill and Bond purchases or sales

# Inflation

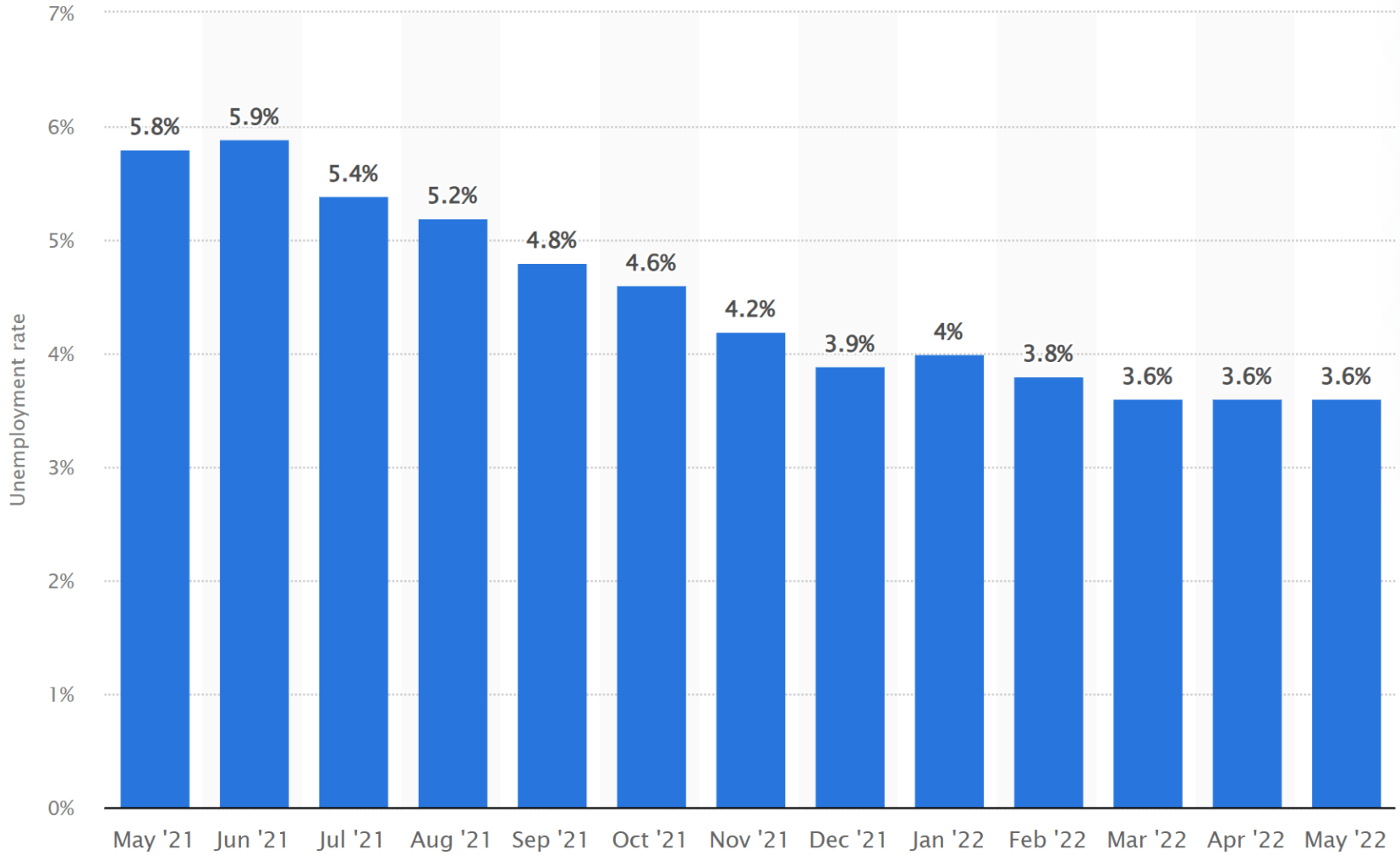
May 11, 2022



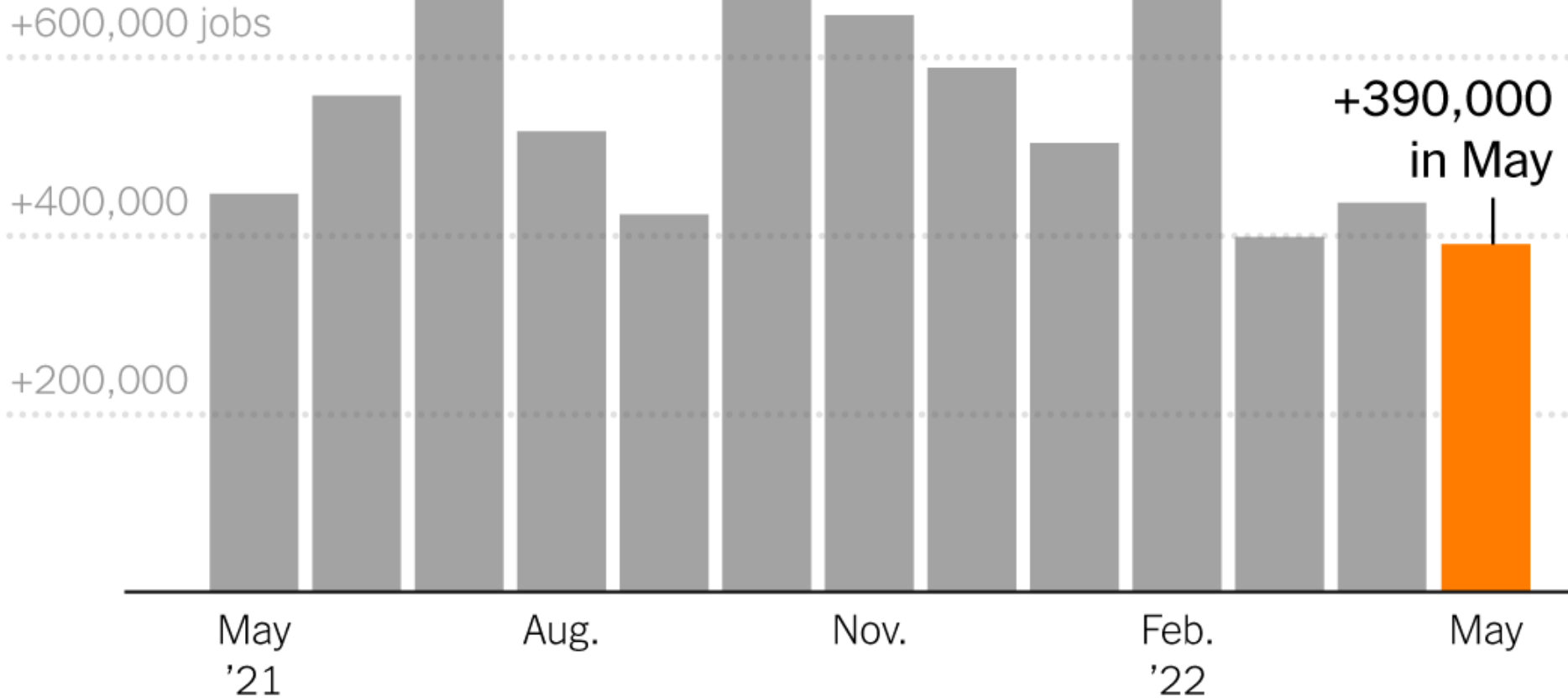
# Inflation Expectations



# Unemployment Rate



# Monthly change in jobs



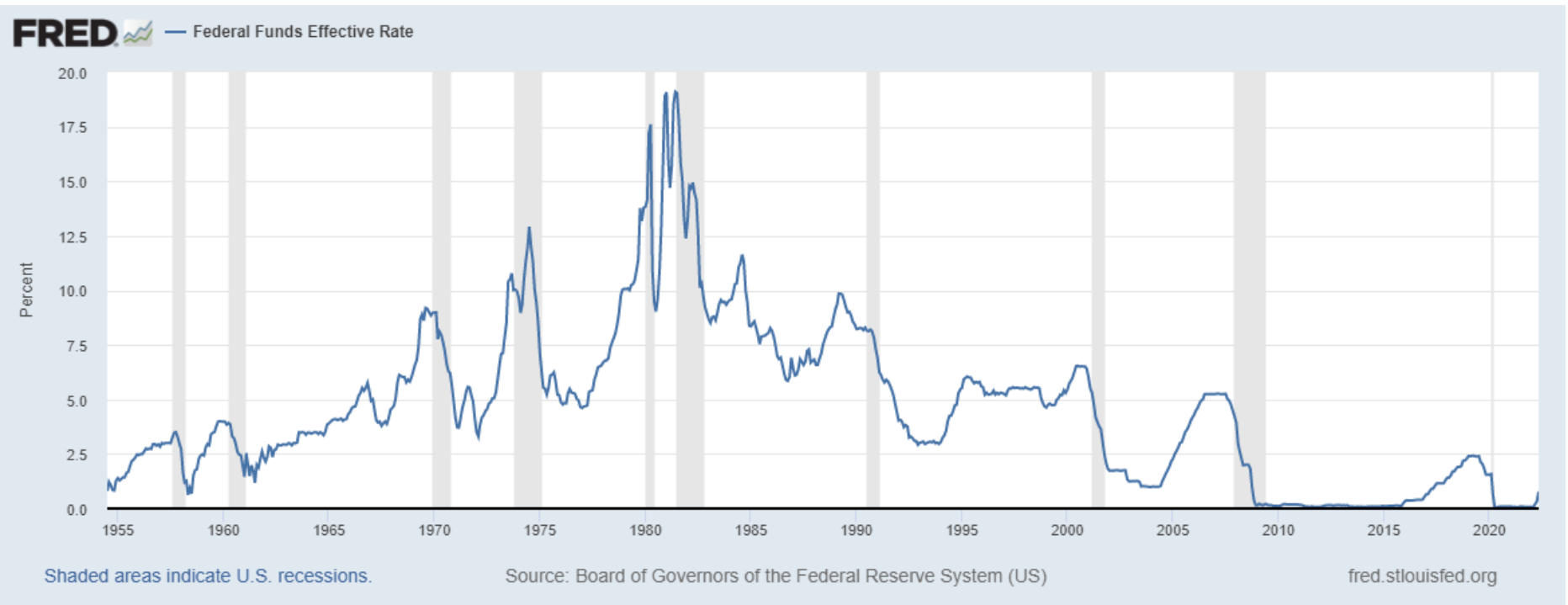
Source: NY Times

# Interest Rates





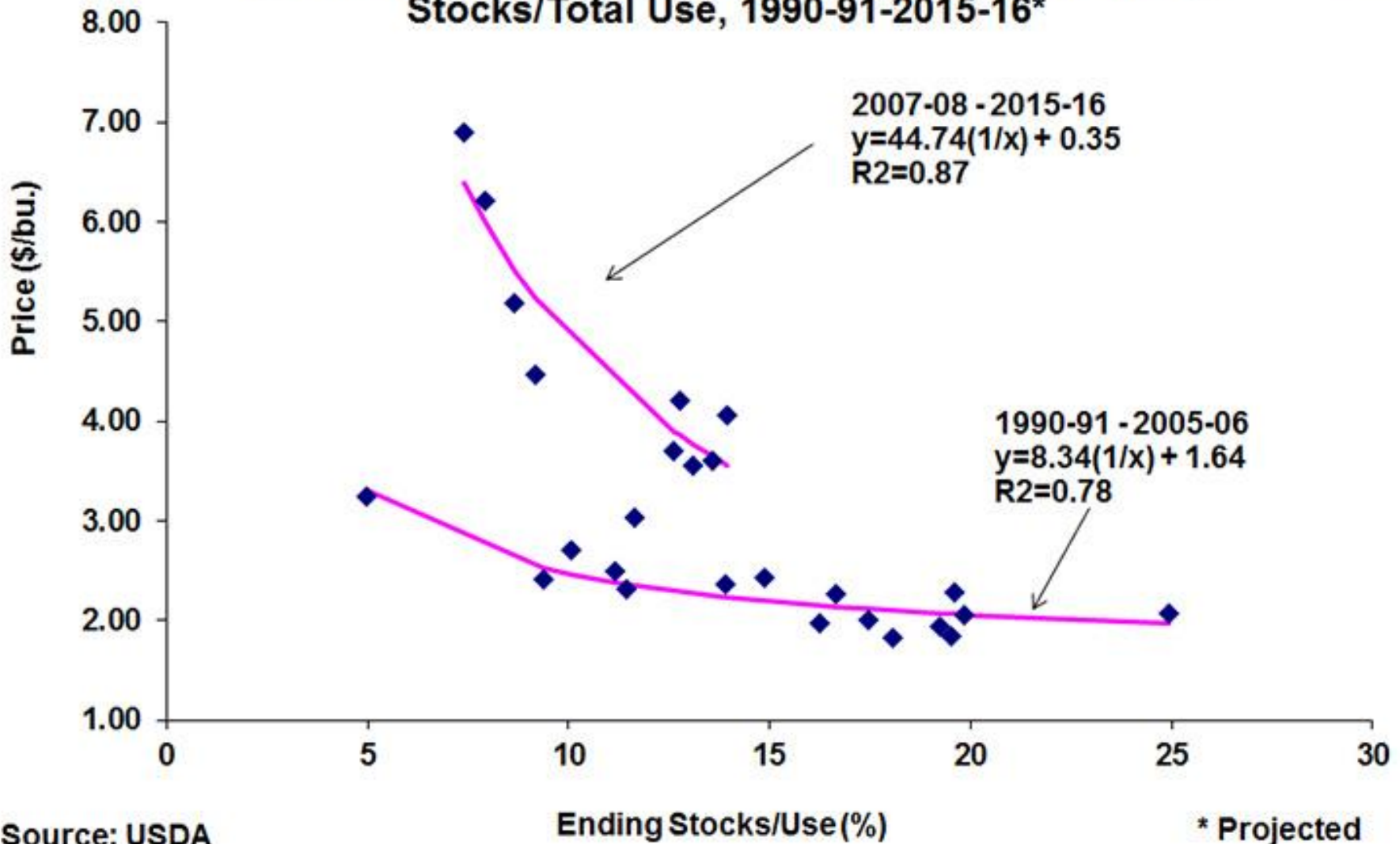
# Interest Rates



# US Agriculture

- Crop prices primarily depend on 2 factors:
  - Weather
  - Ukraine/Russia

**Figure 1. Previous Reciprocal Regression Model Specifications of Farm Price of U.S. Corn and Ending Stocks/Total Use, 1990-91-2015-16\***



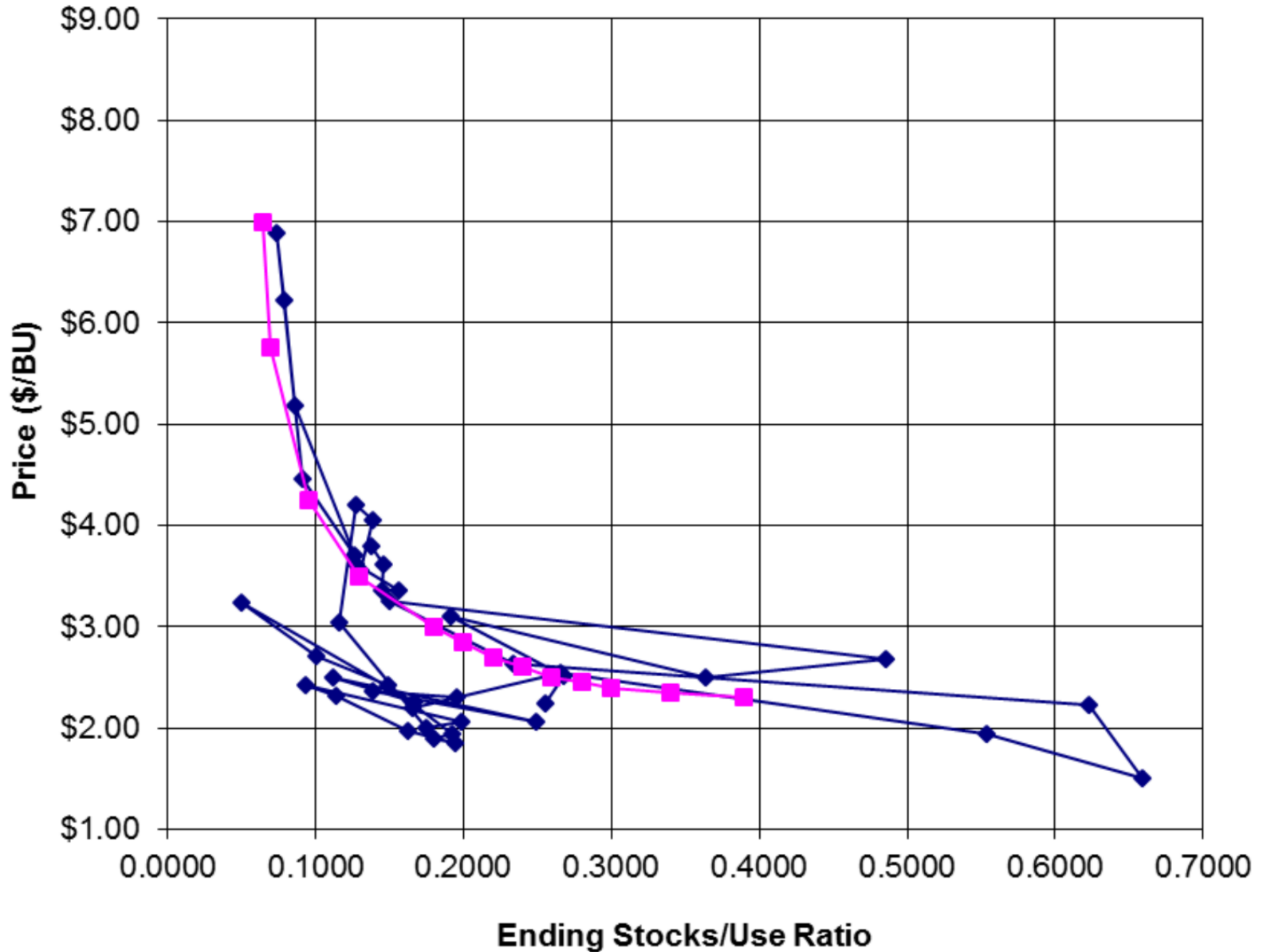
Source: USDA

Ending Stocks/Use (%)

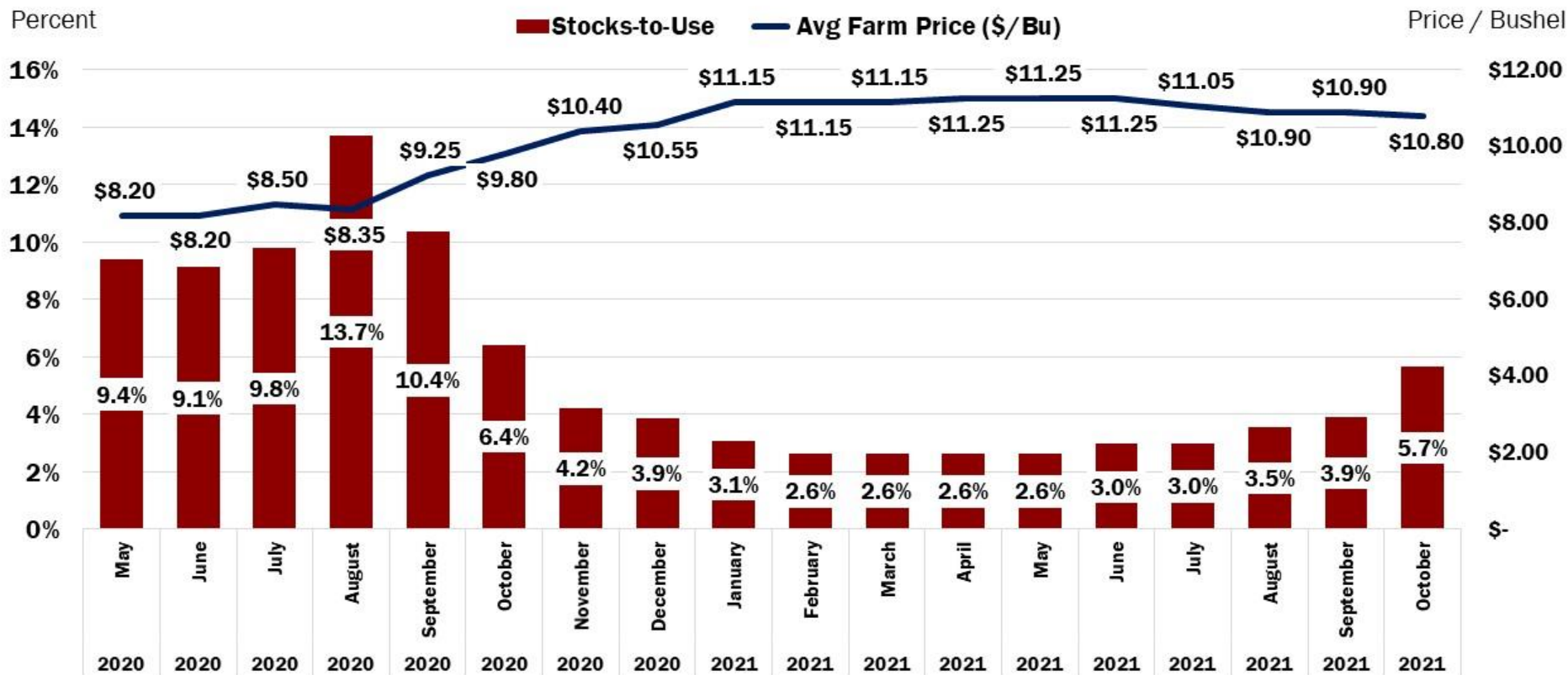
\* Projected

# U.S. Corn Price vs Ending Stocks/Use Ratio 1978 - 2019

Source: Hilker MSU



# 2020/21 WASDE U.S. Soybean Stocks-to-Use & Avg Price



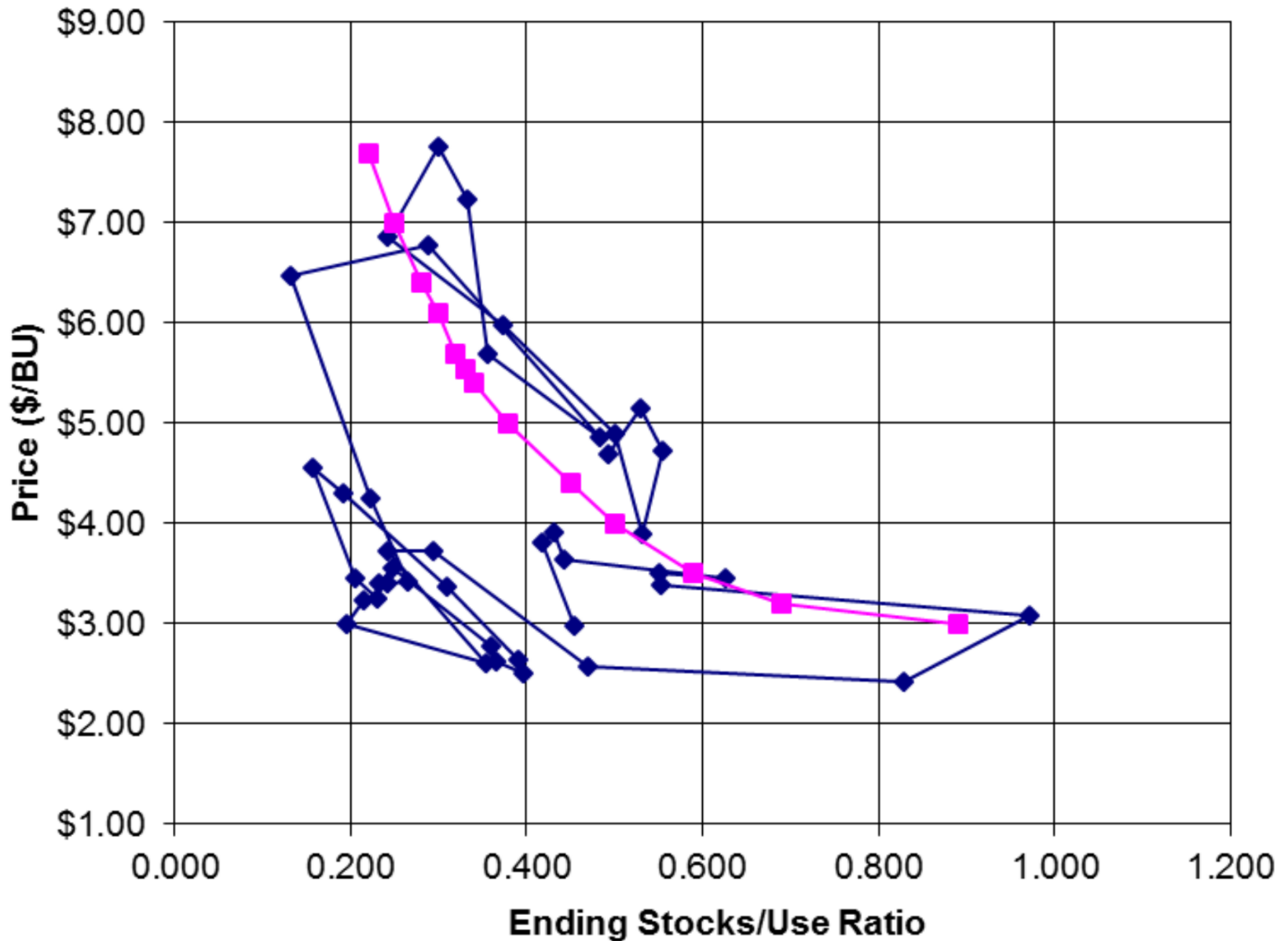
AMERICAN FARM BUREAU FEDERATION®

[www.fb.org](http://www.fb.org)

Source: USDA OCE, October 12 WASDE, Farm Bureau Calculations

# U.S. Wheat Price vs Ending Stocks/Use Ratio 1978 - 2019

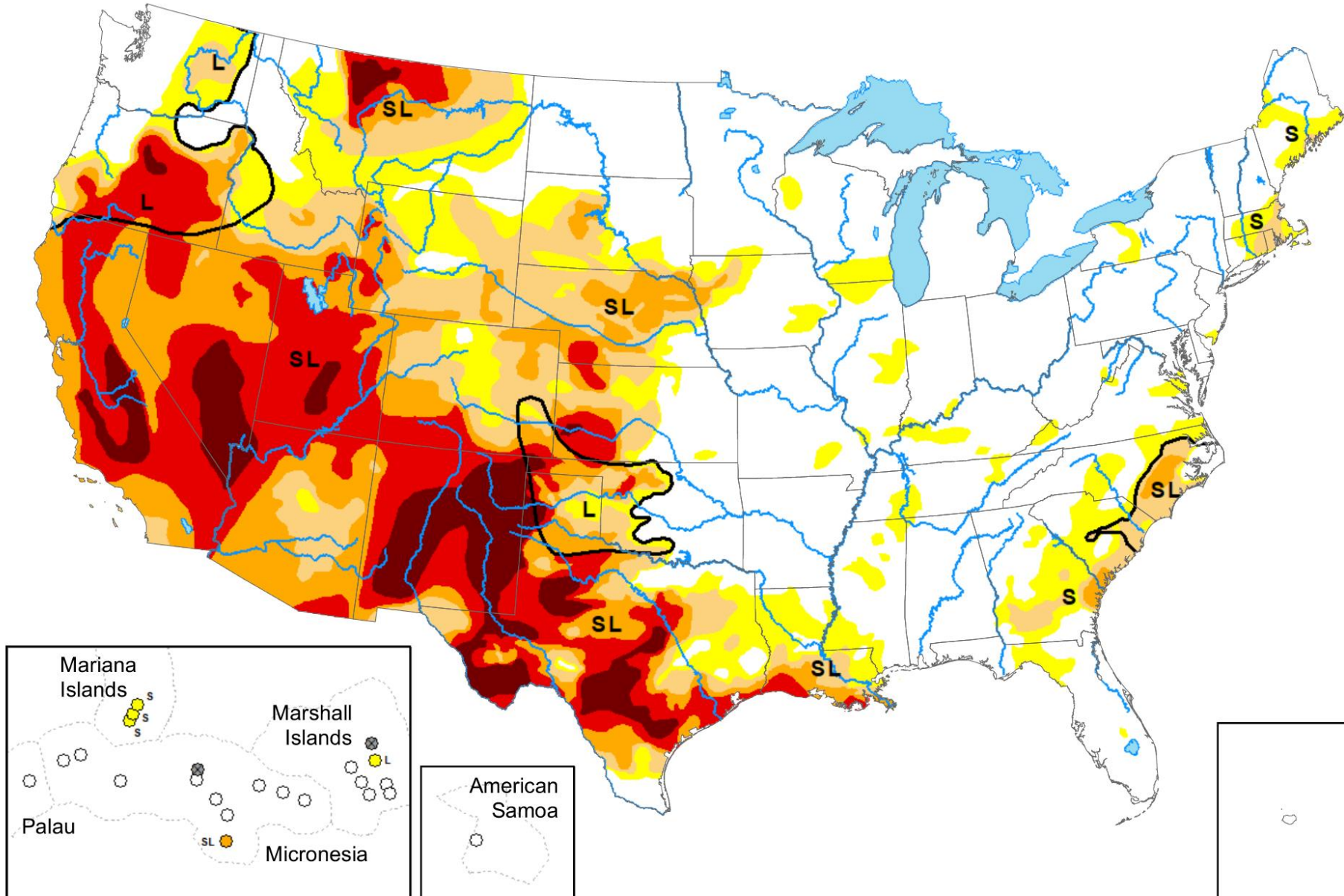
Source: Hilker, MSU



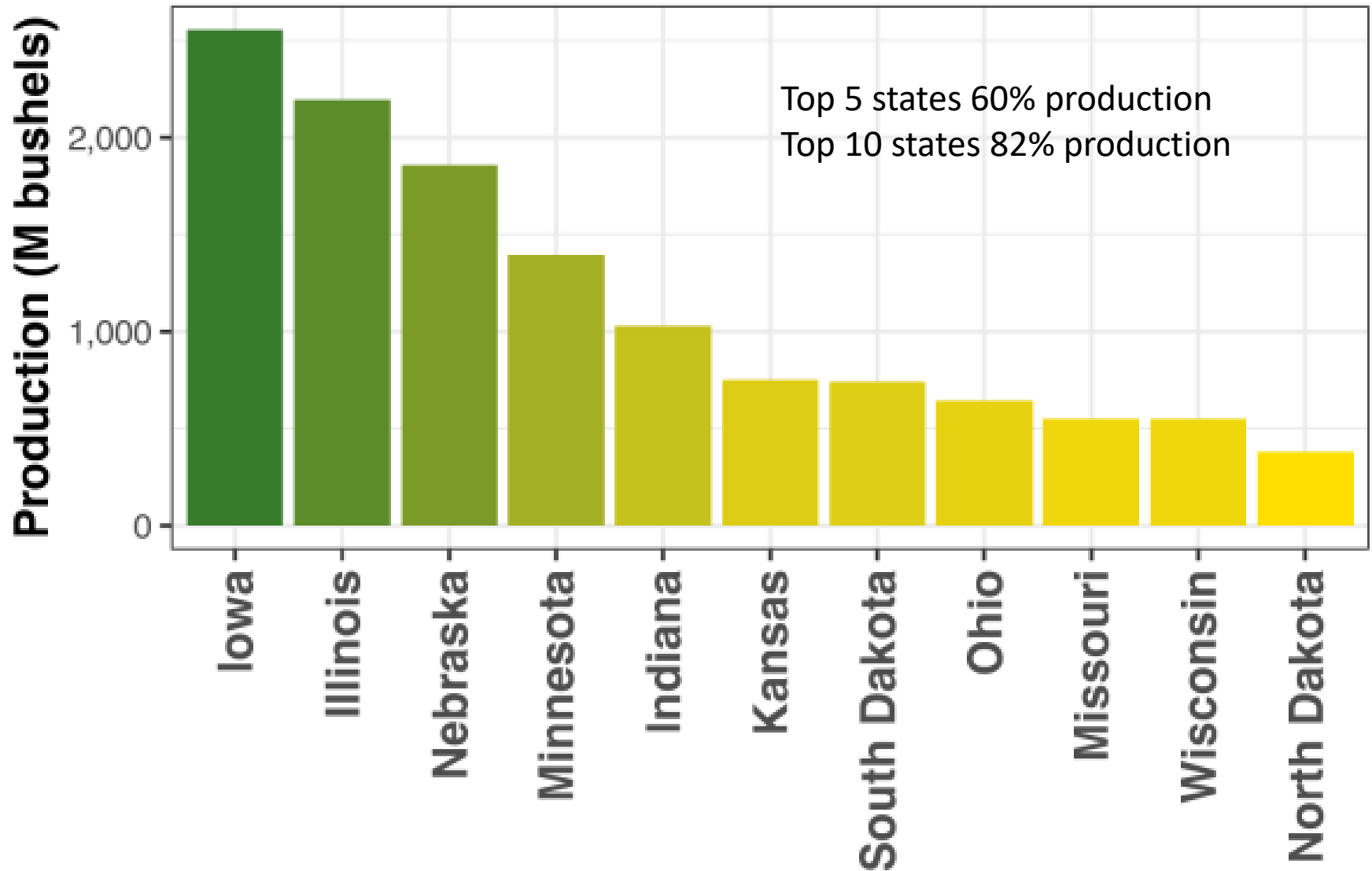
# Map released: June 16, 2022

Data valid: June 14, 2022

Every 4 days of extreme heat stress lowers corn yield by 1-3% (Irwin, UIUC)

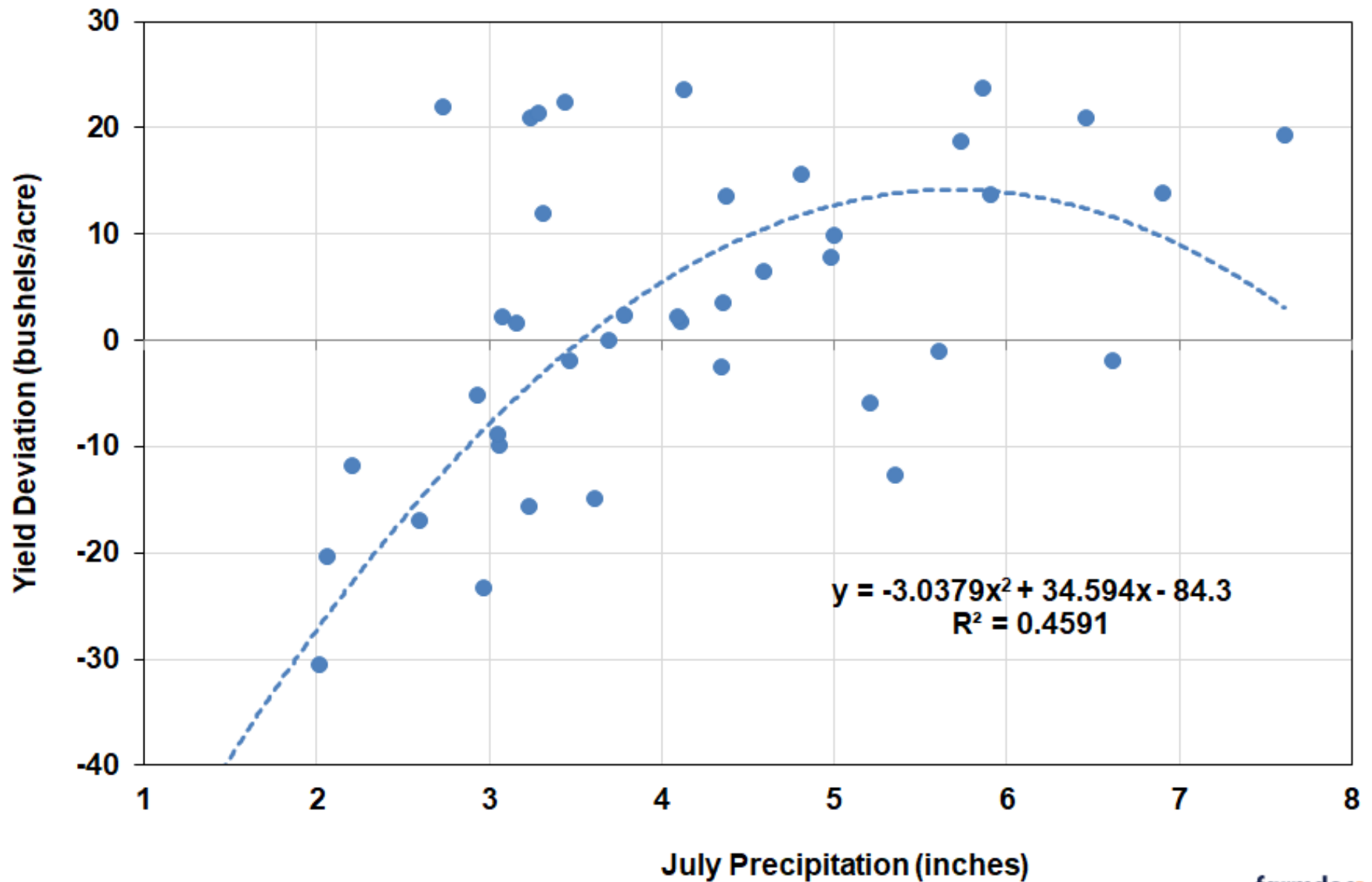


# State Corn Production Ranking - 2021





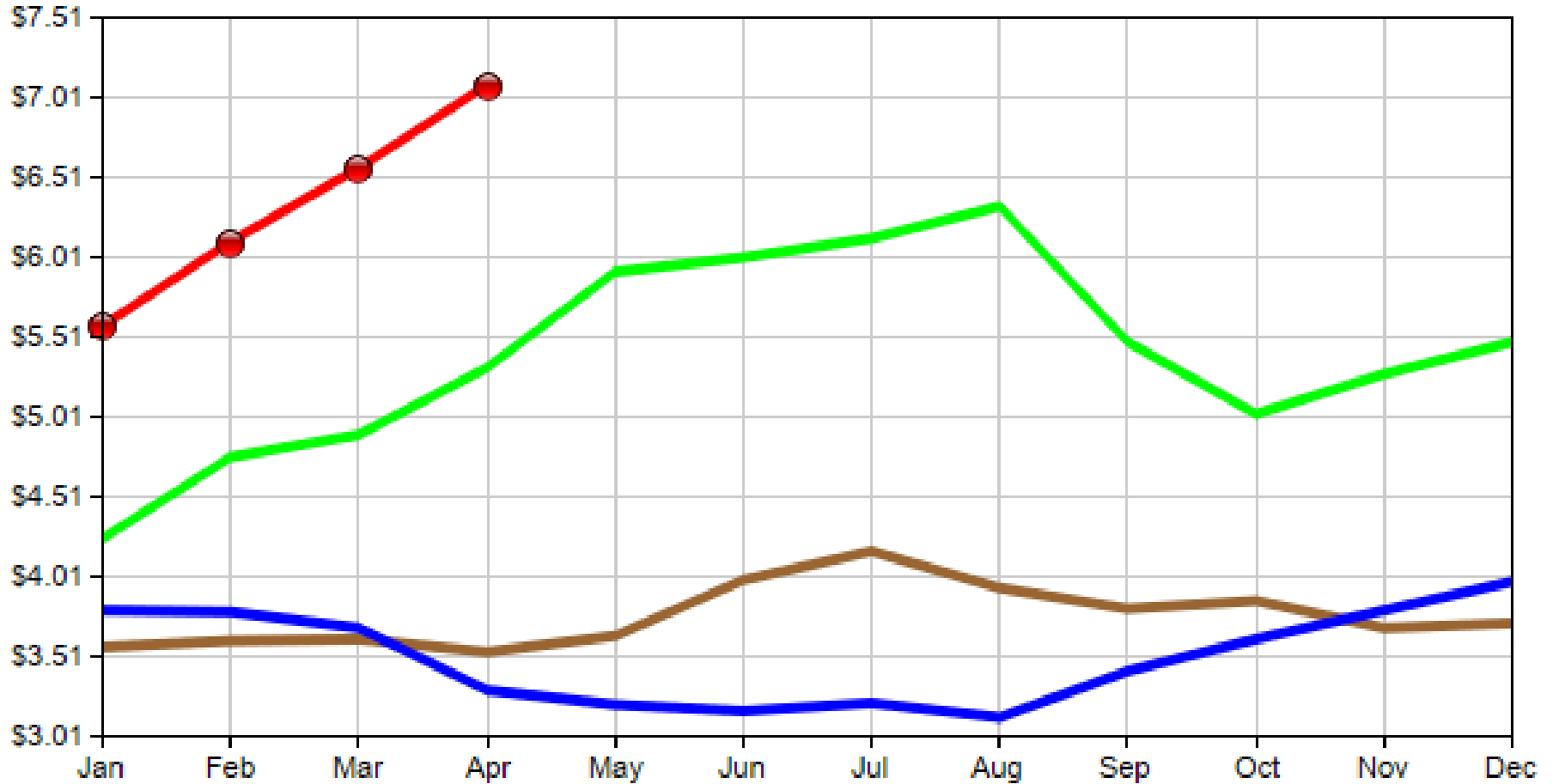
**Figure 4. Trend Deviation for State Average Corn Yield versus July Precipitation in Illinois, 1980-2021**



# June WASDE

- Wheat: Season average farm price \$10.75/bu
- Corn: Season average farm price \$6.75/bu
- Soybeans: Average farm price \$14.70/bu

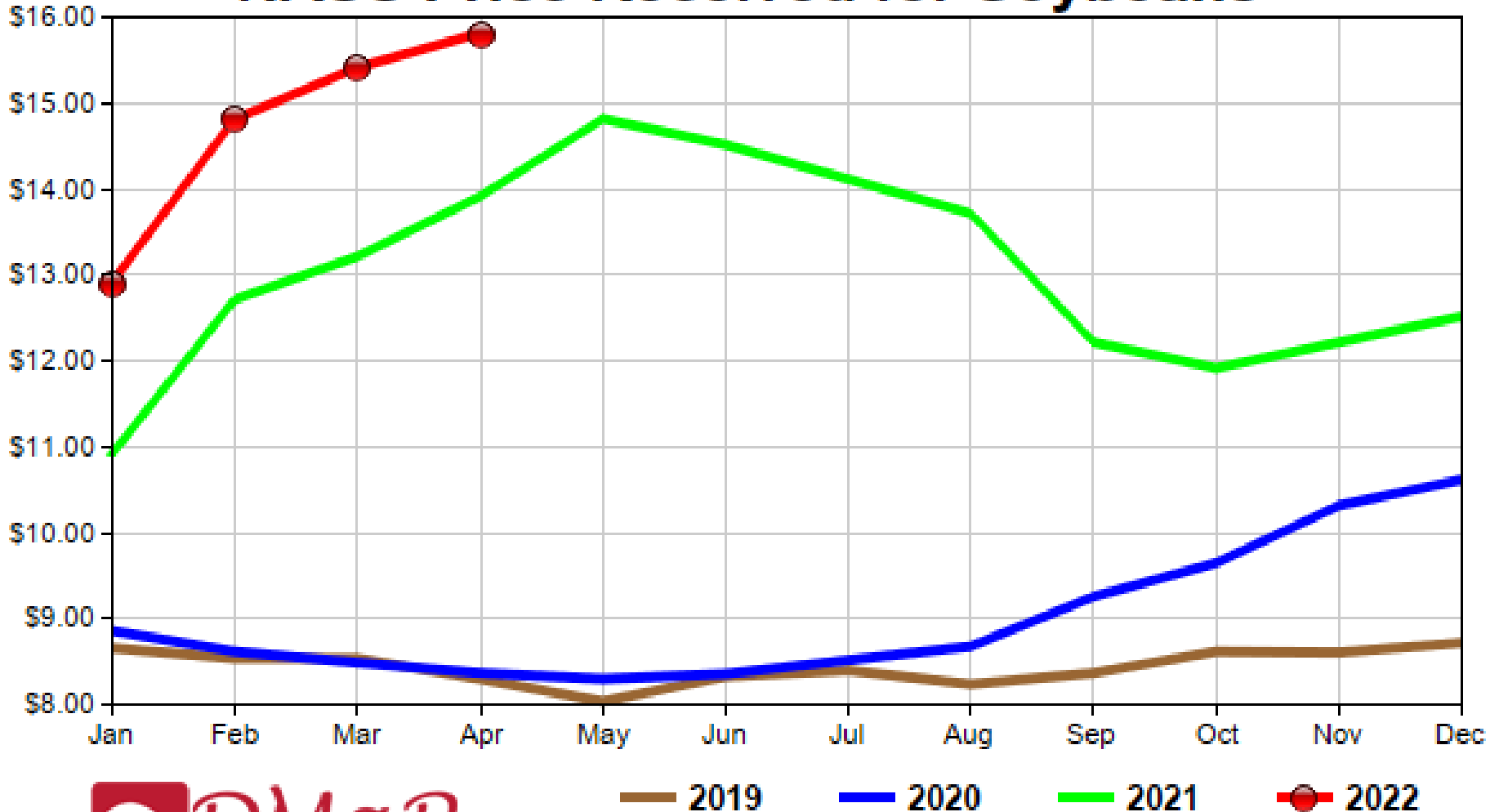
# NASS Price Received for Corn



— 2019    — 2020    — 2021    ● 2022

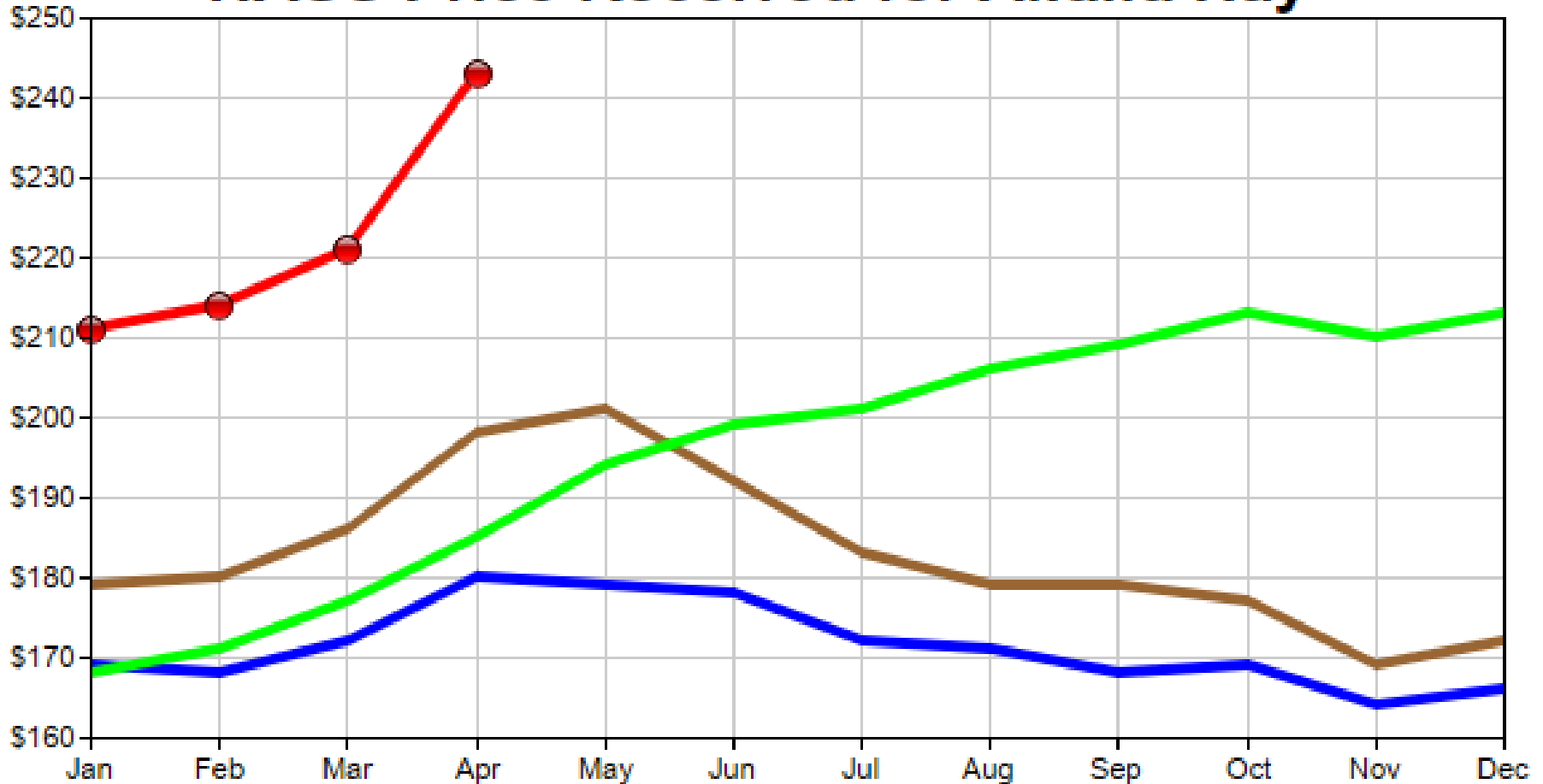
Updated 5/31/22

# NASS Price Received for Soybeans



Updated 5/31/22

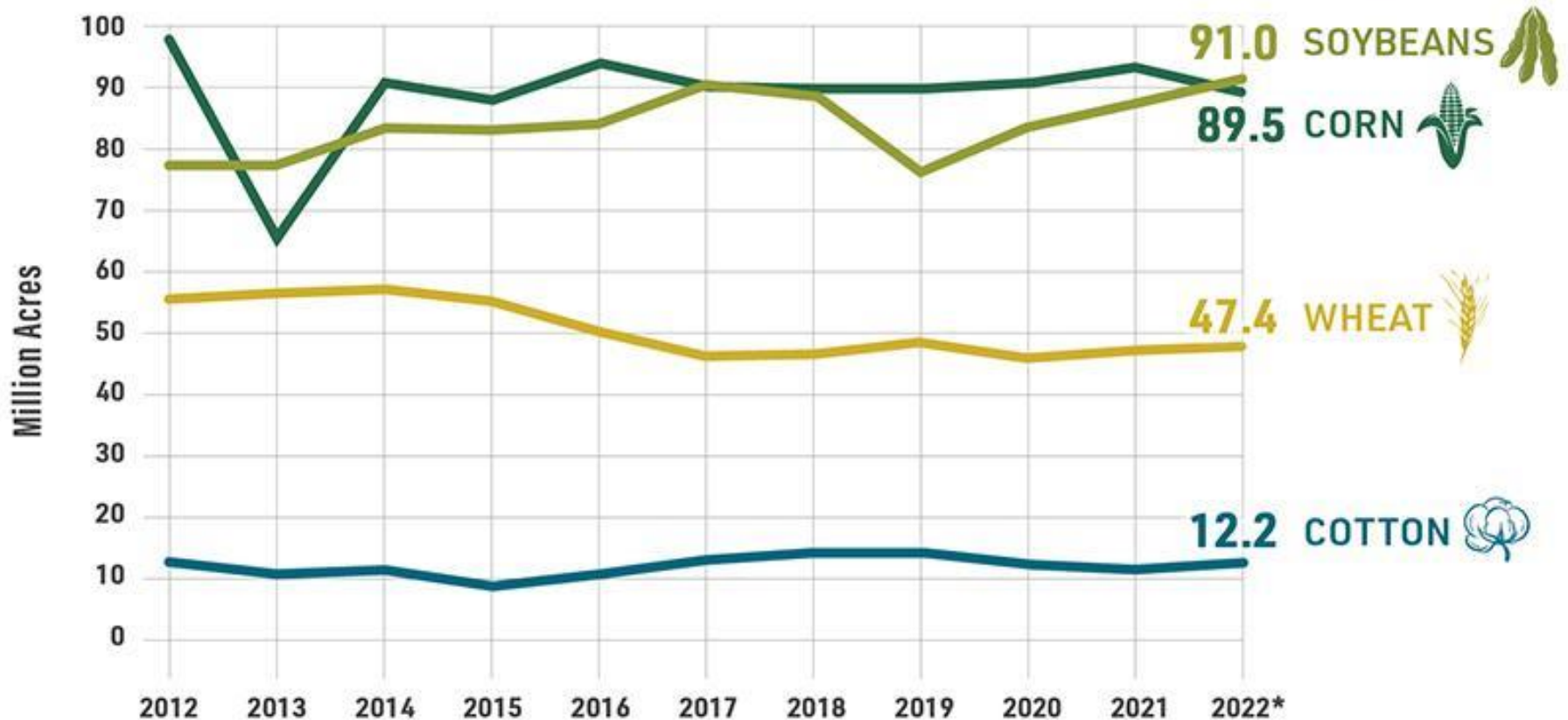
# NASS Price Received for Alfalfa Hay



— 2019    — 2020    — 2021    ●— 2022

**Updated 5/31/22**

# U.S. PLANTED ACRES

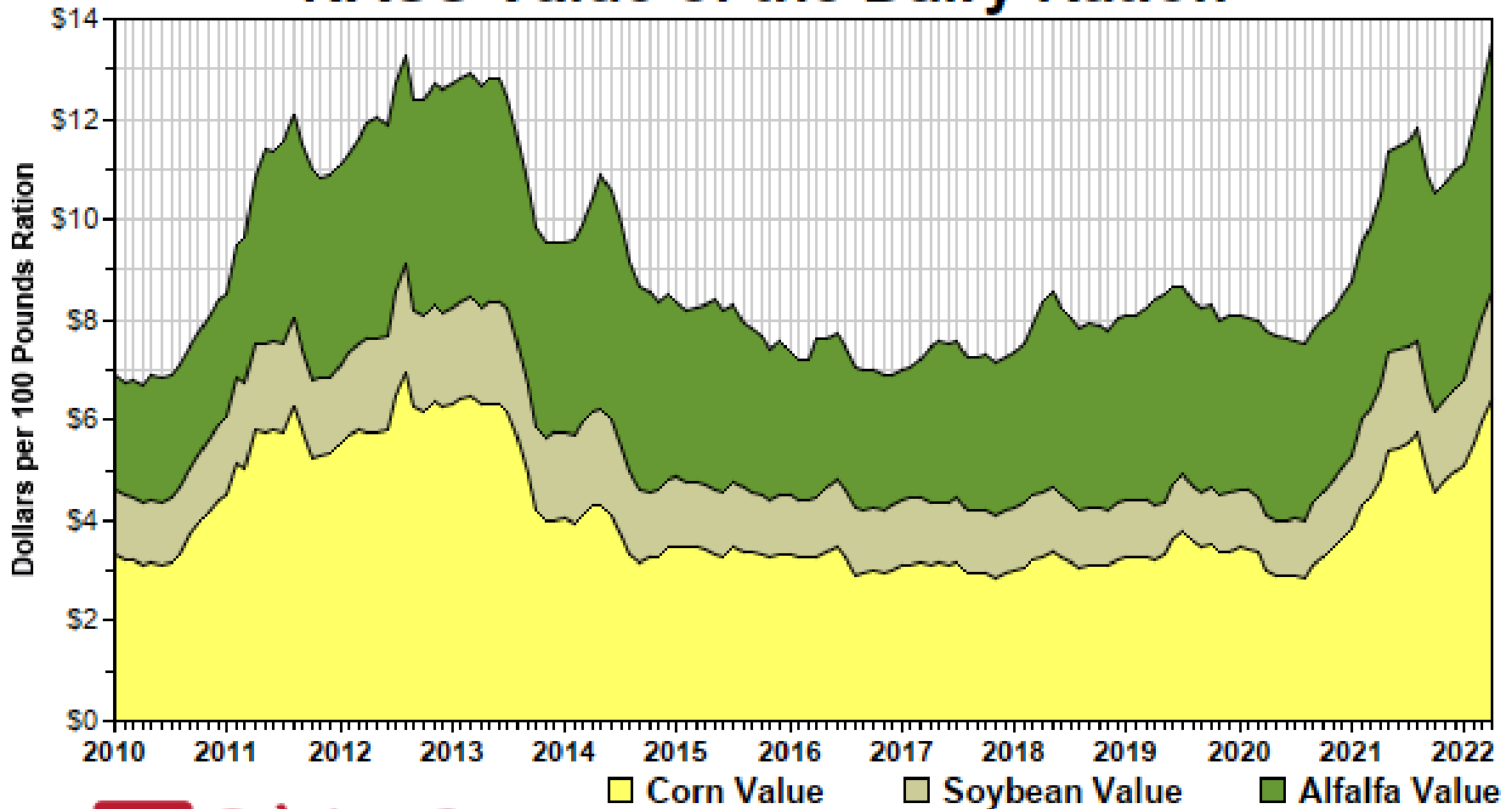


SOURCE: USDA

# Hay Auction Prices June 17-21

Location	Price Premium Hay (\$/ton)
Pennsylvania	\$260-290
Iowa and Minnesota	\$210
Texas	\$340-380
California	\$370-400

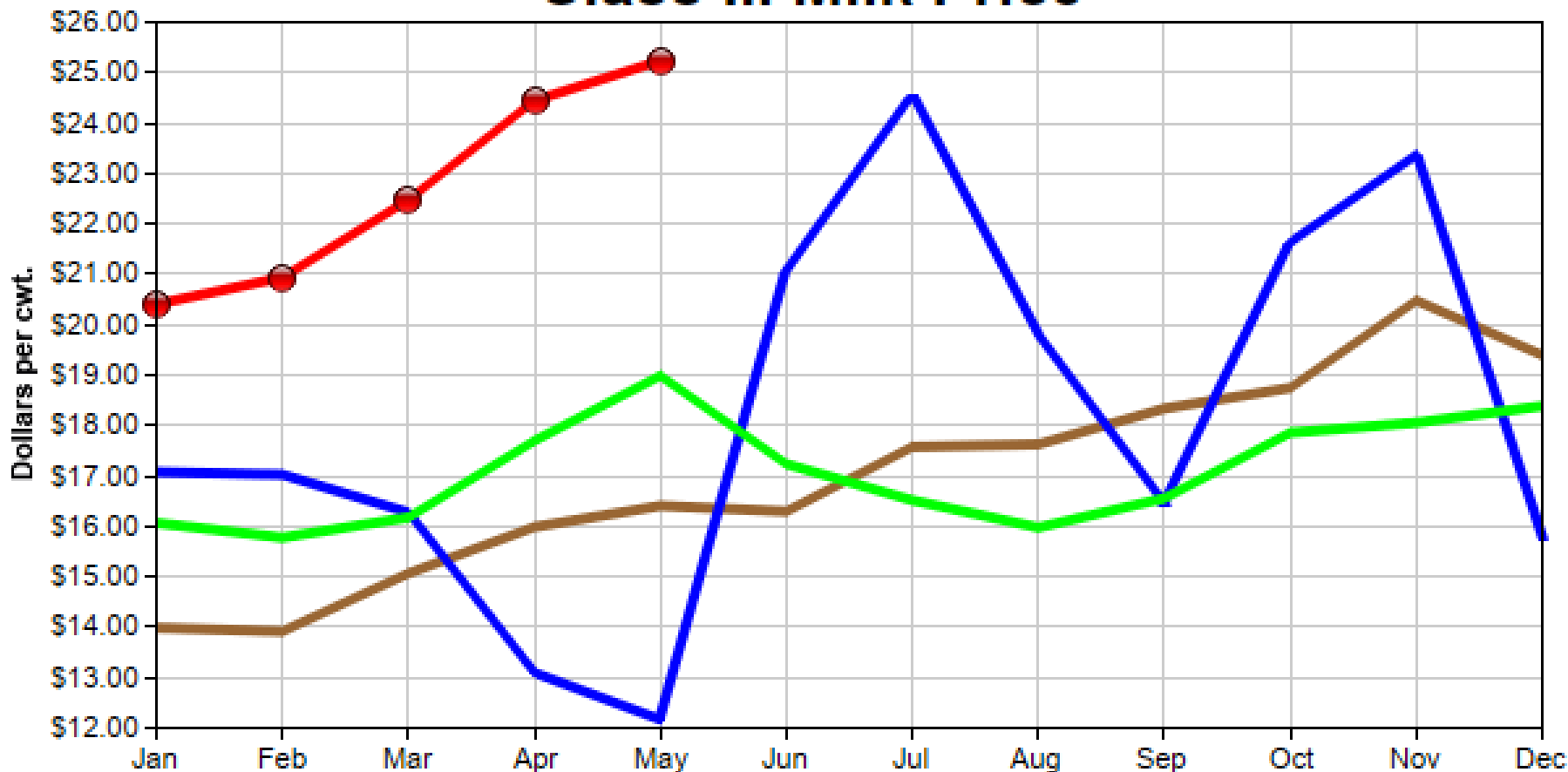
# NASS Value of the Dairy Ration



Updated 5/31/22



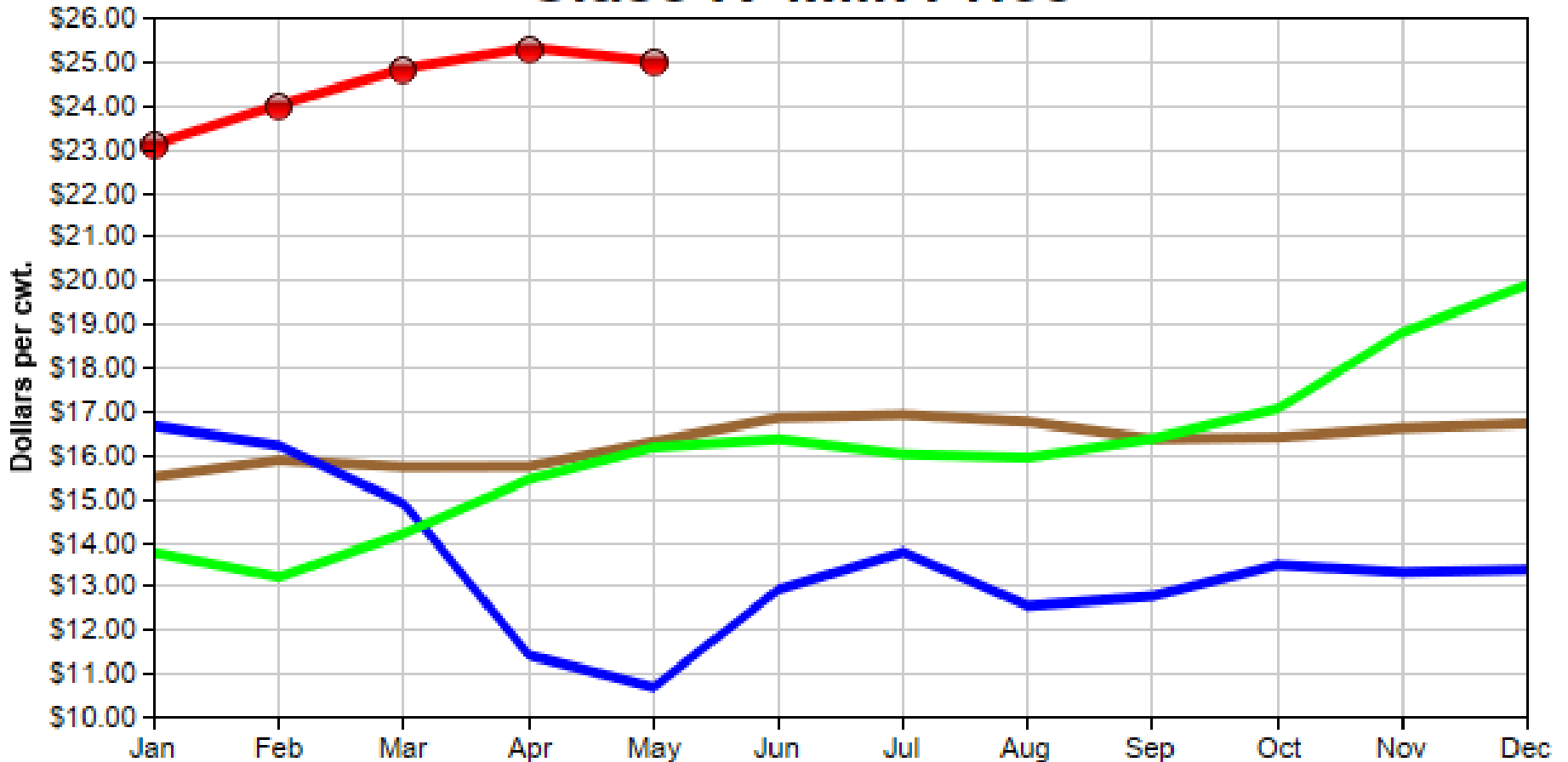
# Class III Milk Price



— 2019    — 2020    — 2021    ● 2022

**Updated 6/2/22**

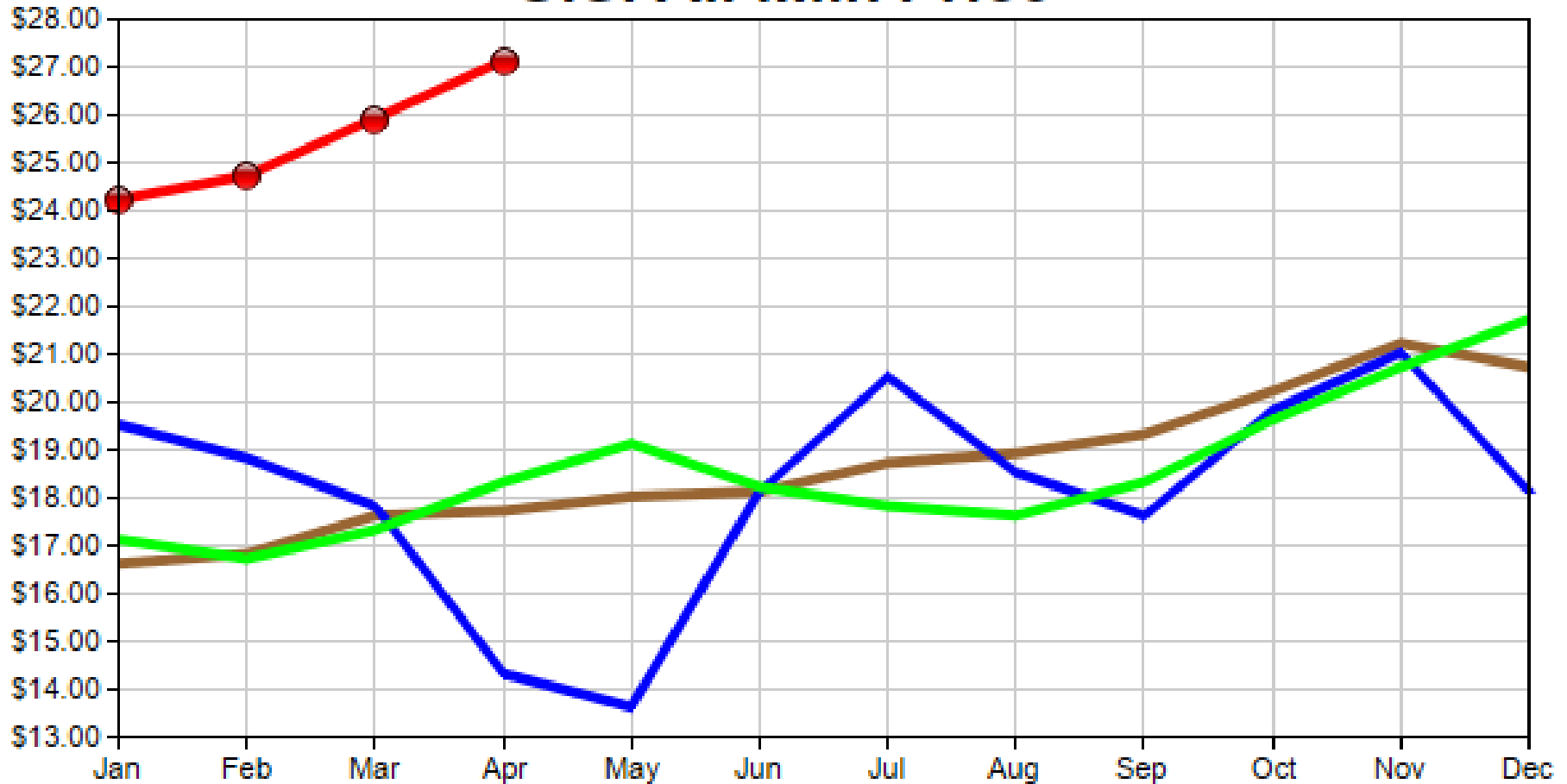
# Class IV Milk Price



— 2019    — 2020    — 2021    —●— 2022

**Updated 6/2/22**

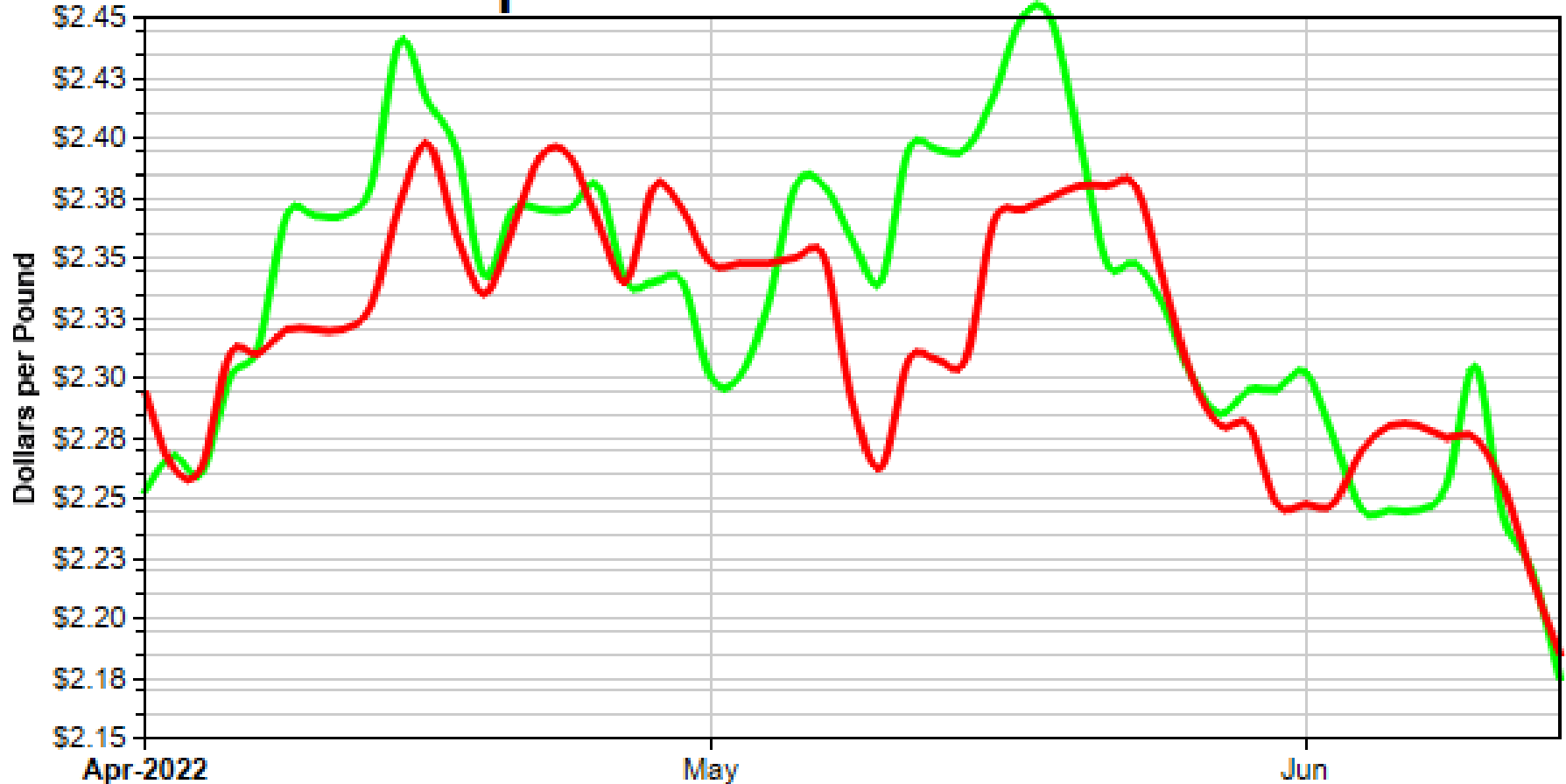
# U.S. All Milk Price



— 2019    — 2020    — 2021    ● 2022

**Updated 5/31/22**

# CME Spot Cheddar Cheese Prices

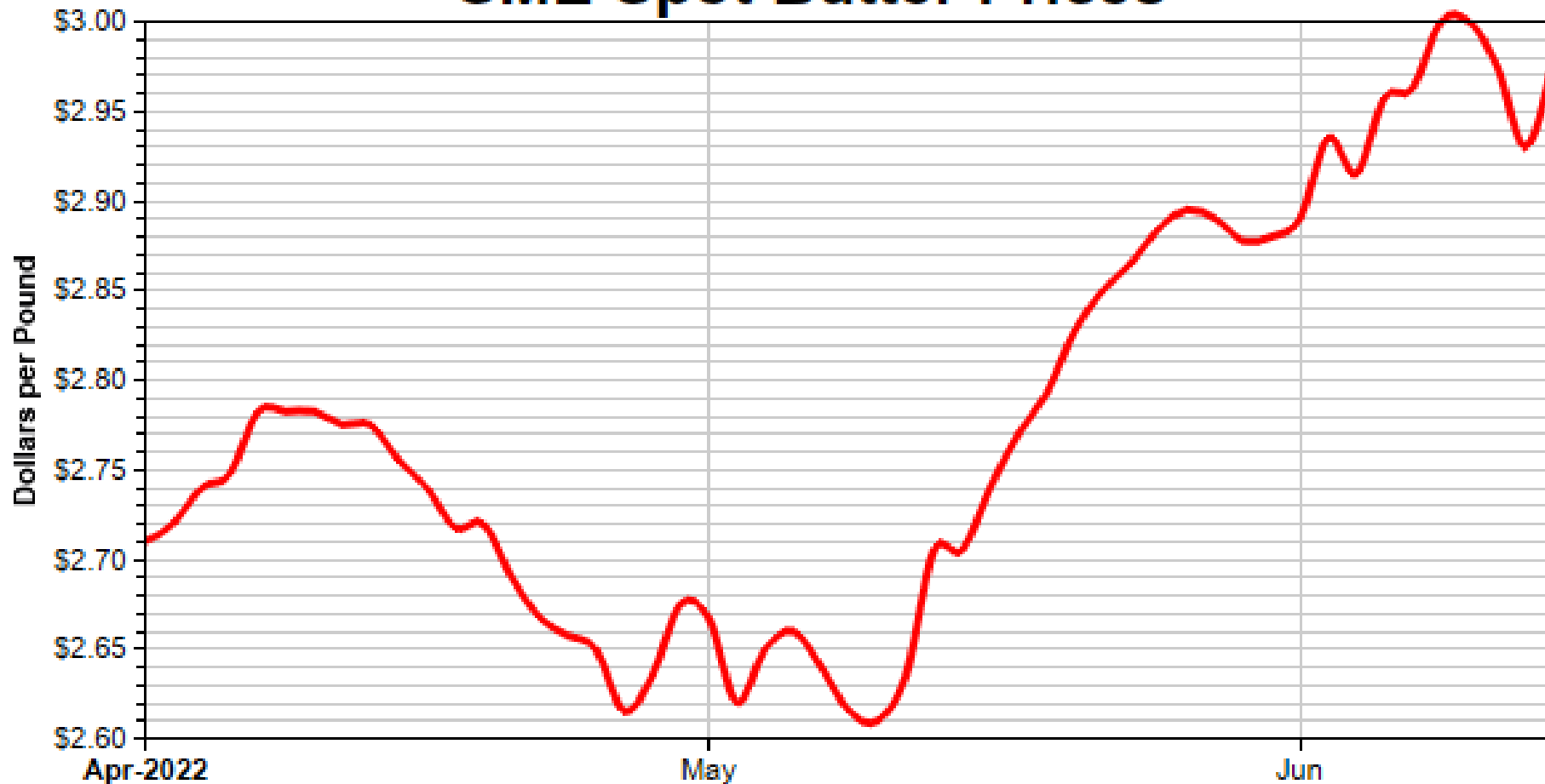


■ 40 lb Blocks

■ 500 lb Barrels

**Updated 6/14/22**

# CME Spot Butter Prices



**Updated 6/14/22**

# CME Spot Grade A Nonfat Dry Milk Prices



**Updated 6/14/22**

# CME Spot Dry Whey Prices



**Updated 6/14/22**

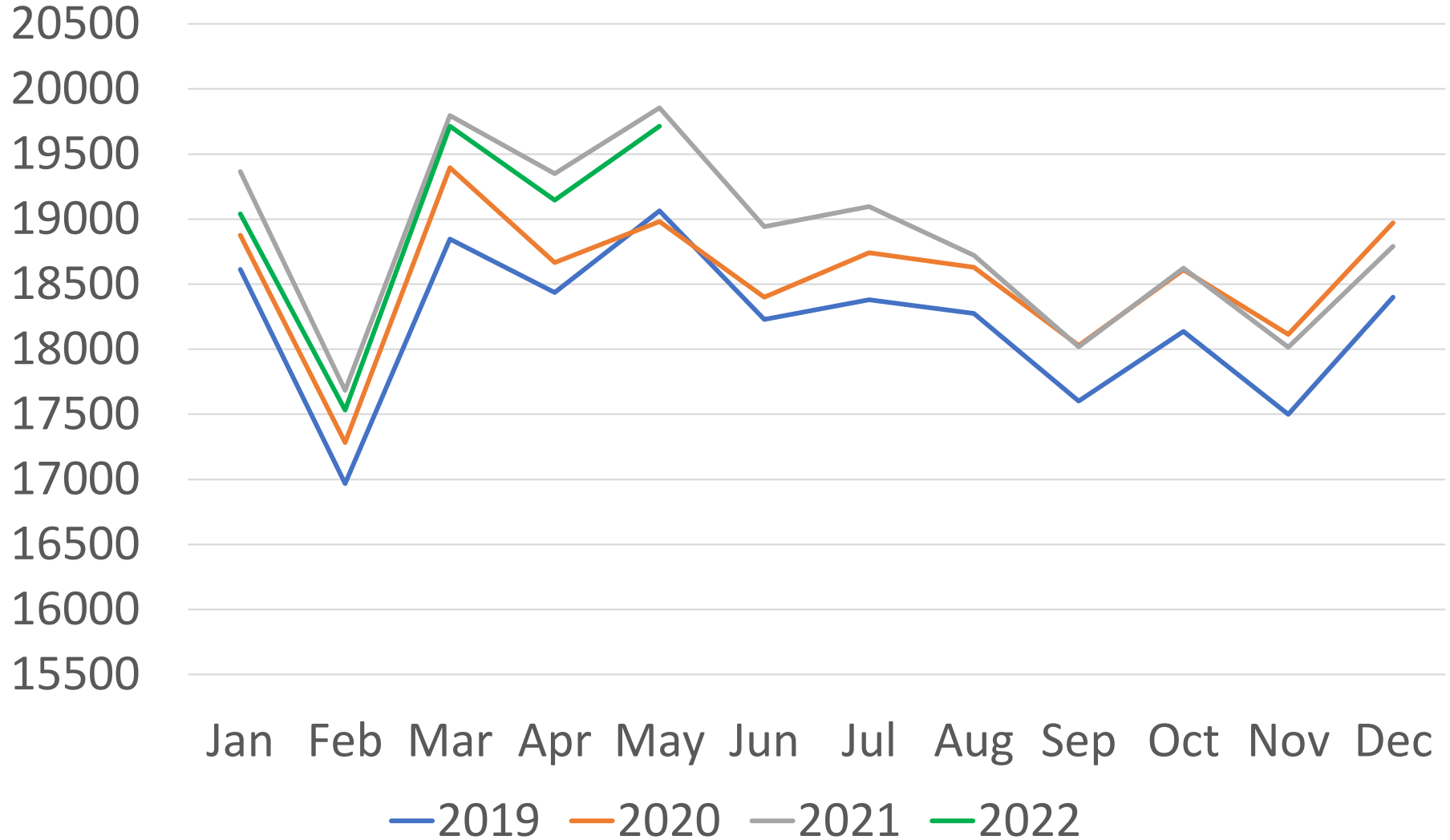
# May 2022 Milk Production

State	YOY
California	-1.7
Wisconsin	+0.8
Idaho	-0.3
Texas	+5.8
New York	0.0
Pennsylvania	-1.1
Vermont	-0.9
Minnesota	-1.0
Michigan	-1.7
New Mexico	-10.5
US	-0.7



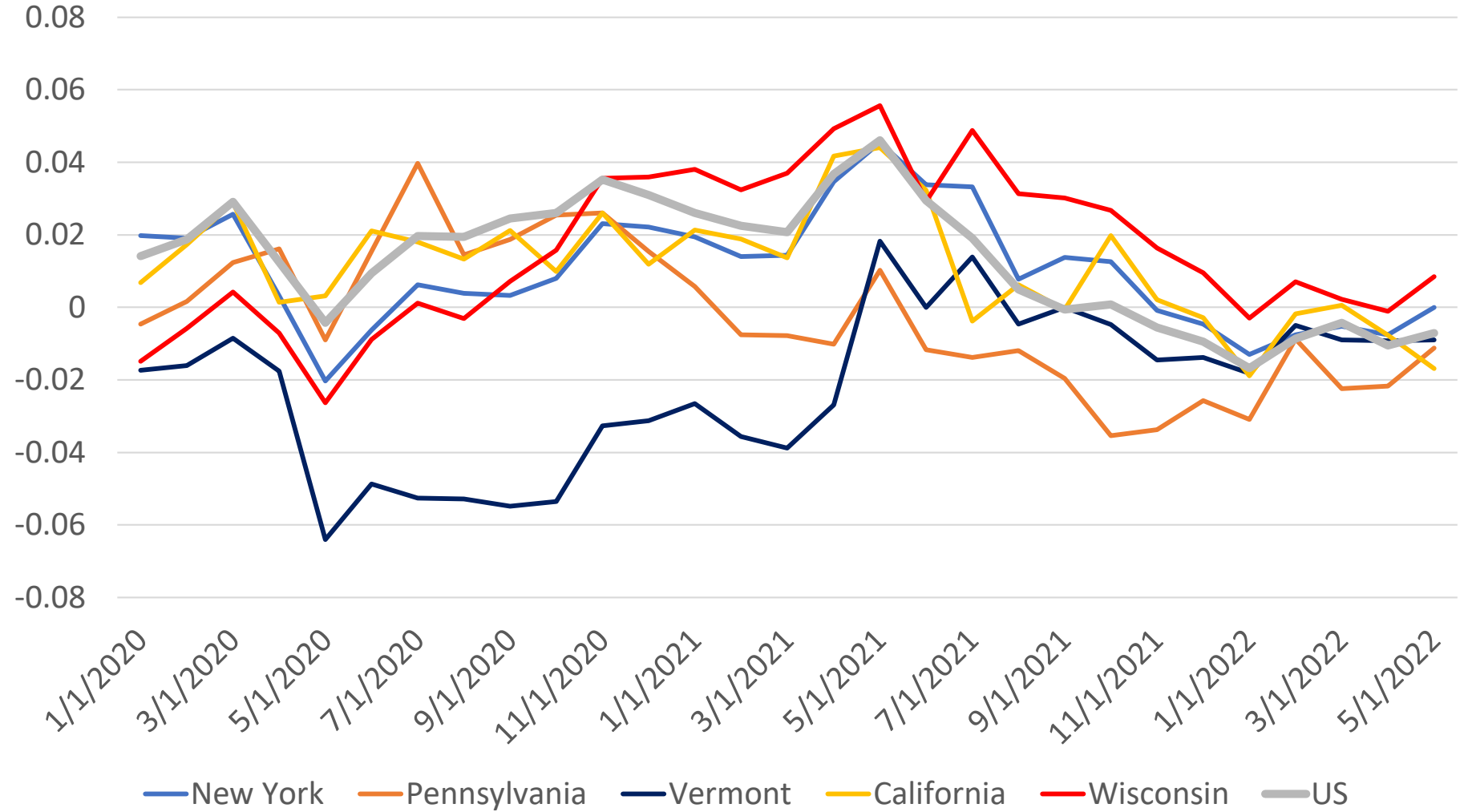
# US Milk Production

Million Lbs



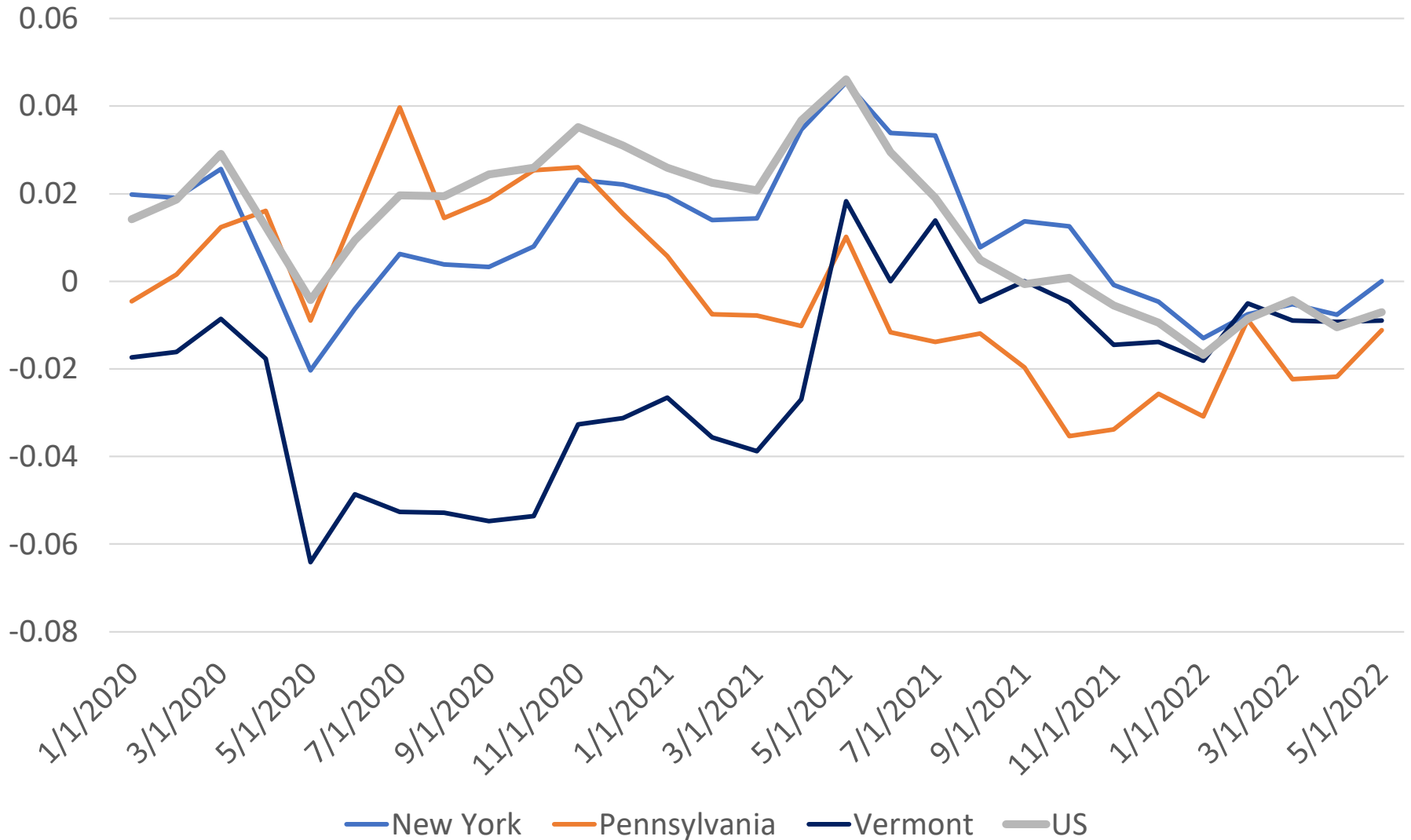
# YoY Milk Production Change

% change

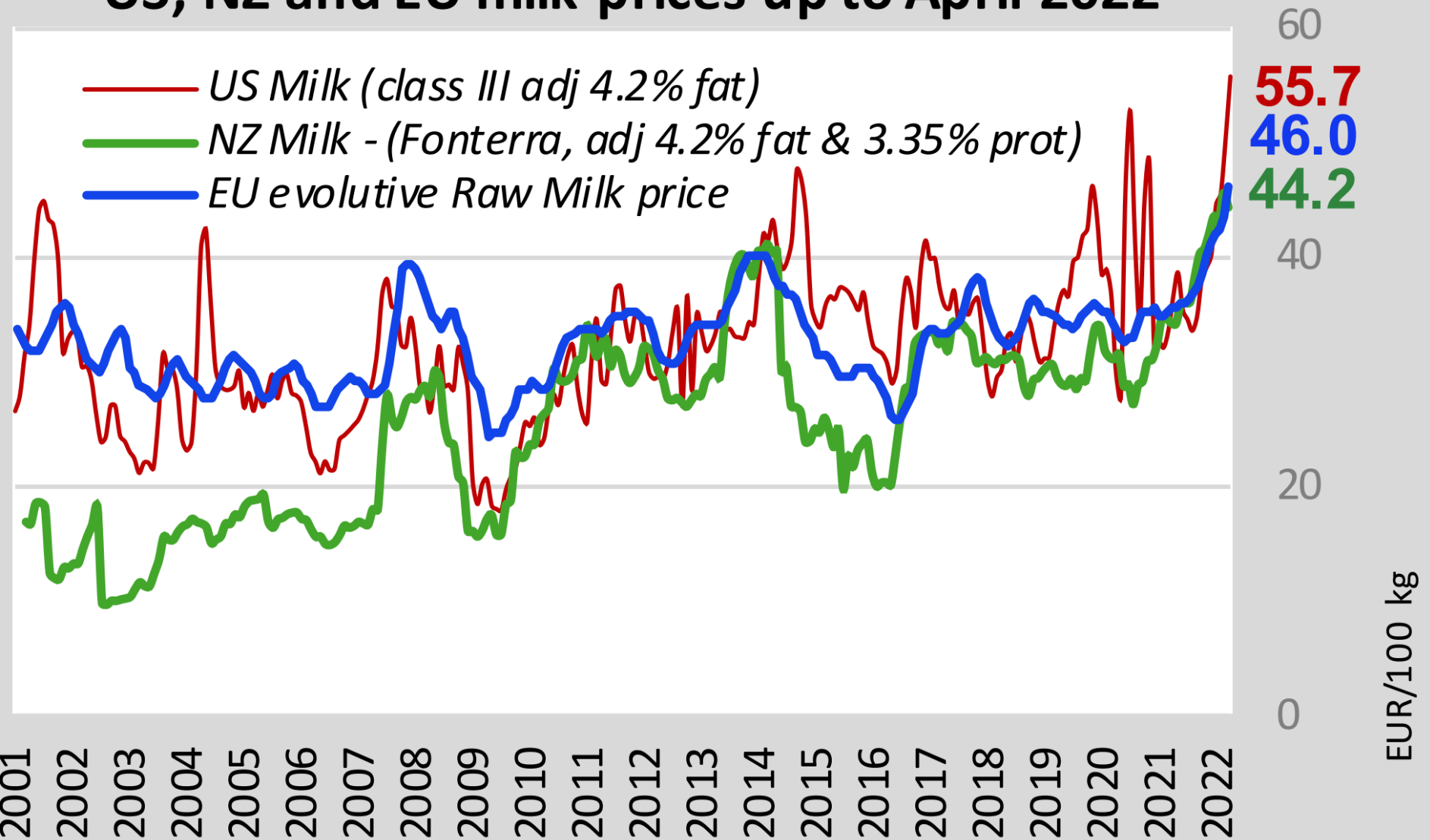


# YoY Milk Production Change

% change

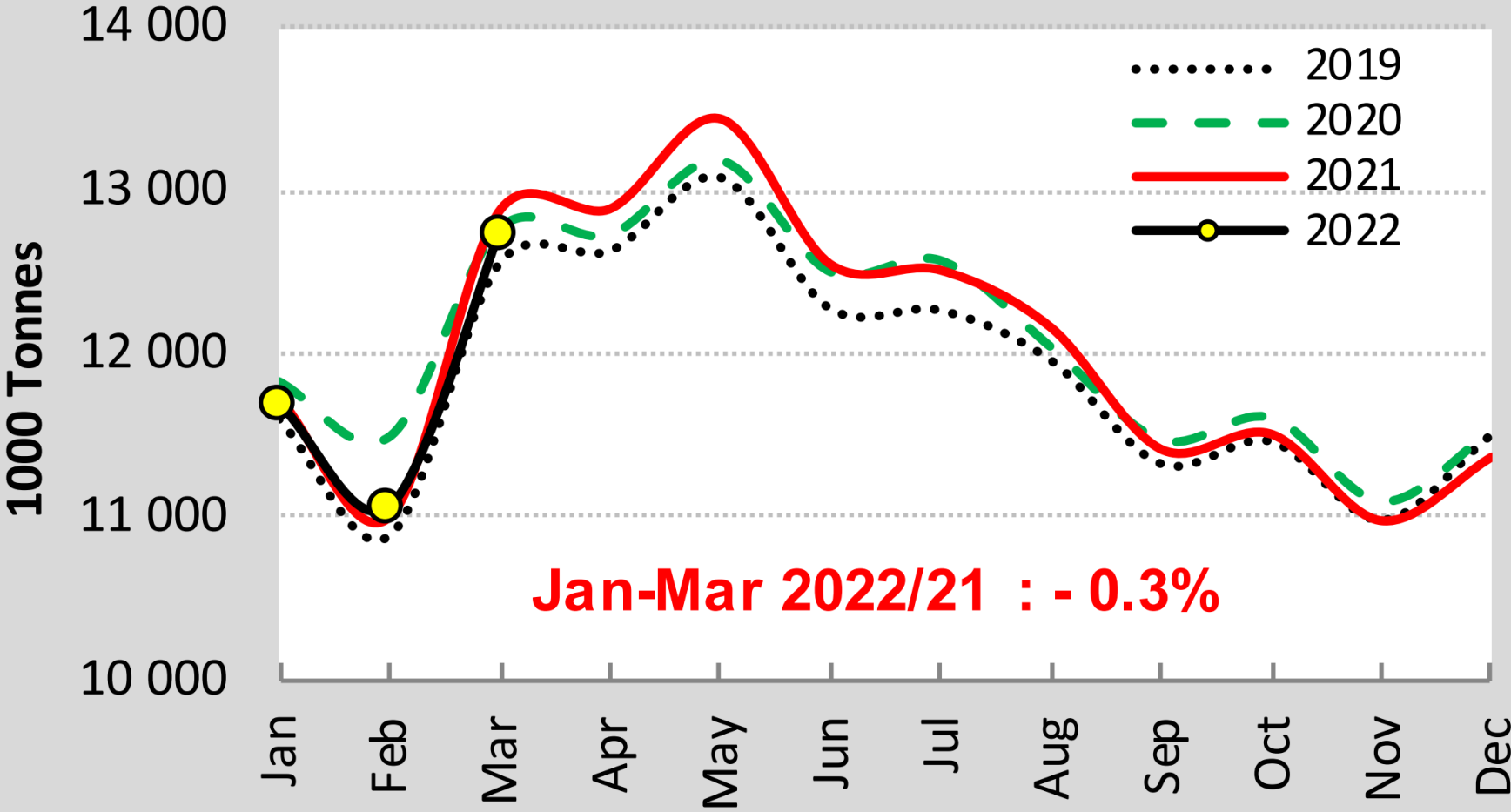


# US, NZ and EU milk prices up to April 2022



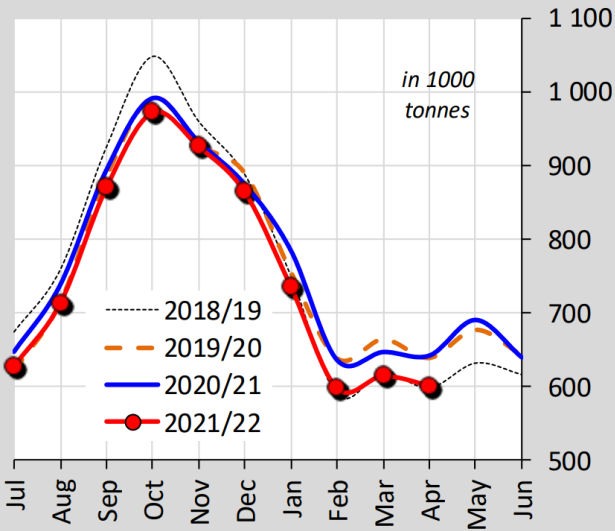
Source : DG AGRI, LTO Nederland

# EU - Cows' milk collected



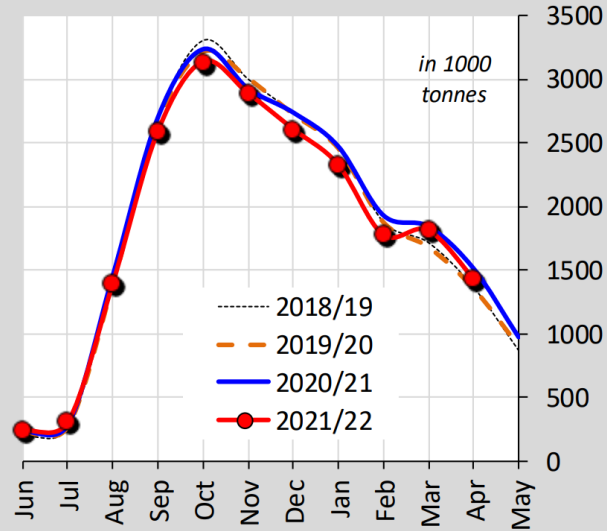
## Australian milk production

Jul-Apr 2021/22 compared to 2020/21 :- 3.4%



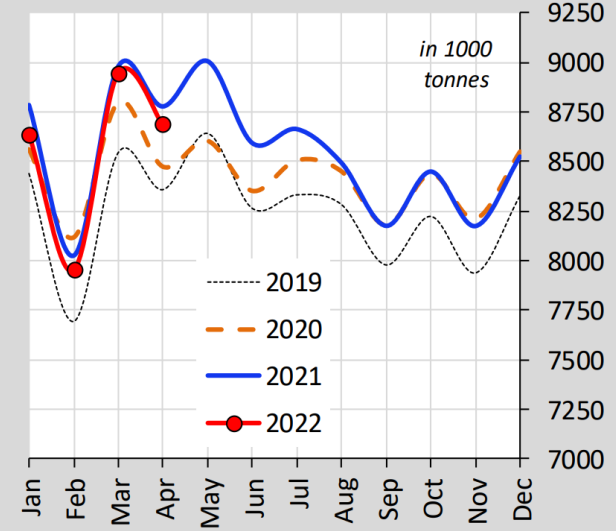
## NZ milk production

Jun-Apr 2021/22 compared to 2020/21 :- 4.1%



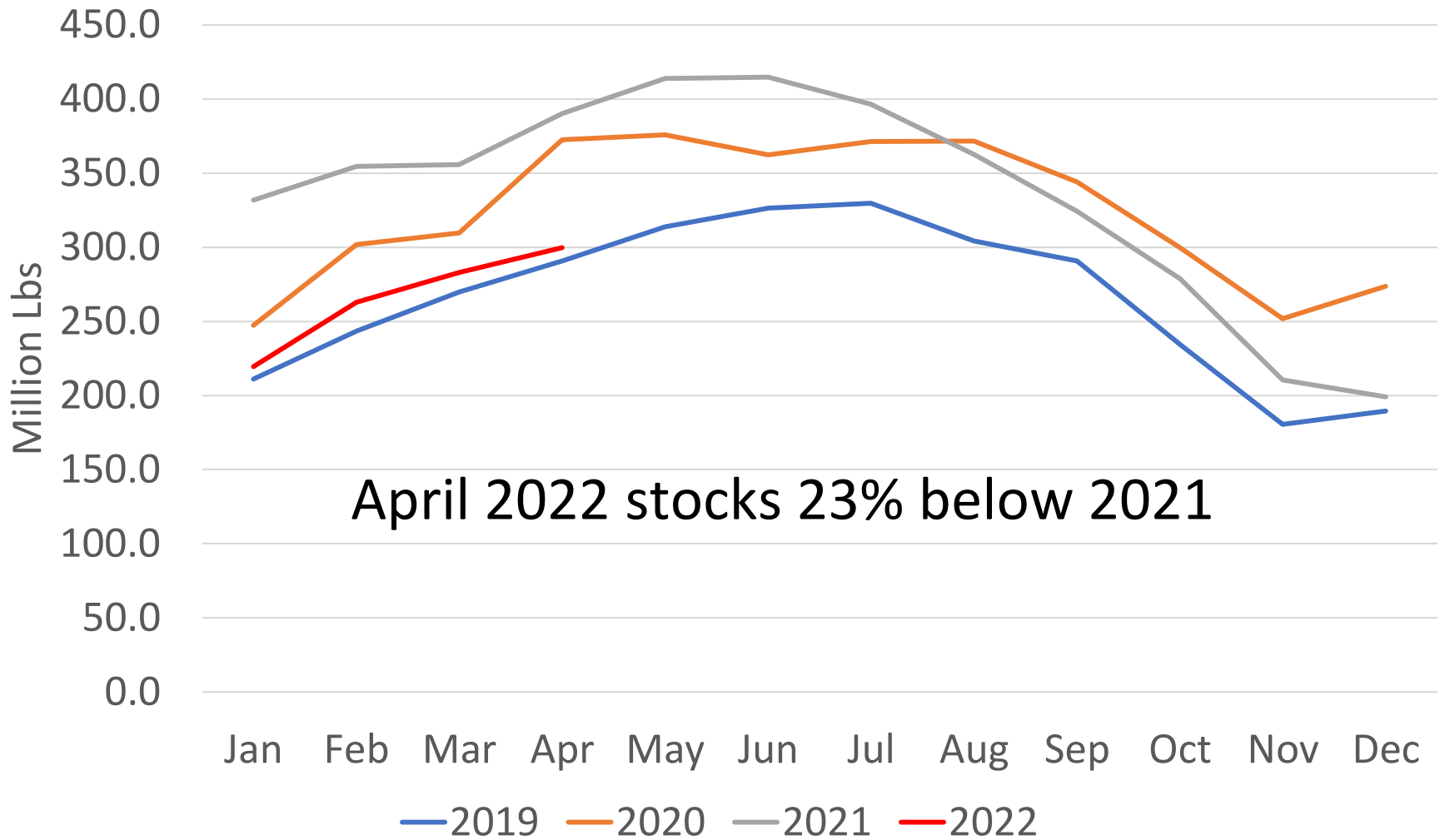
## U.S. milk production

Jan-Apr 2022 compared to 2021 :- 1.0%

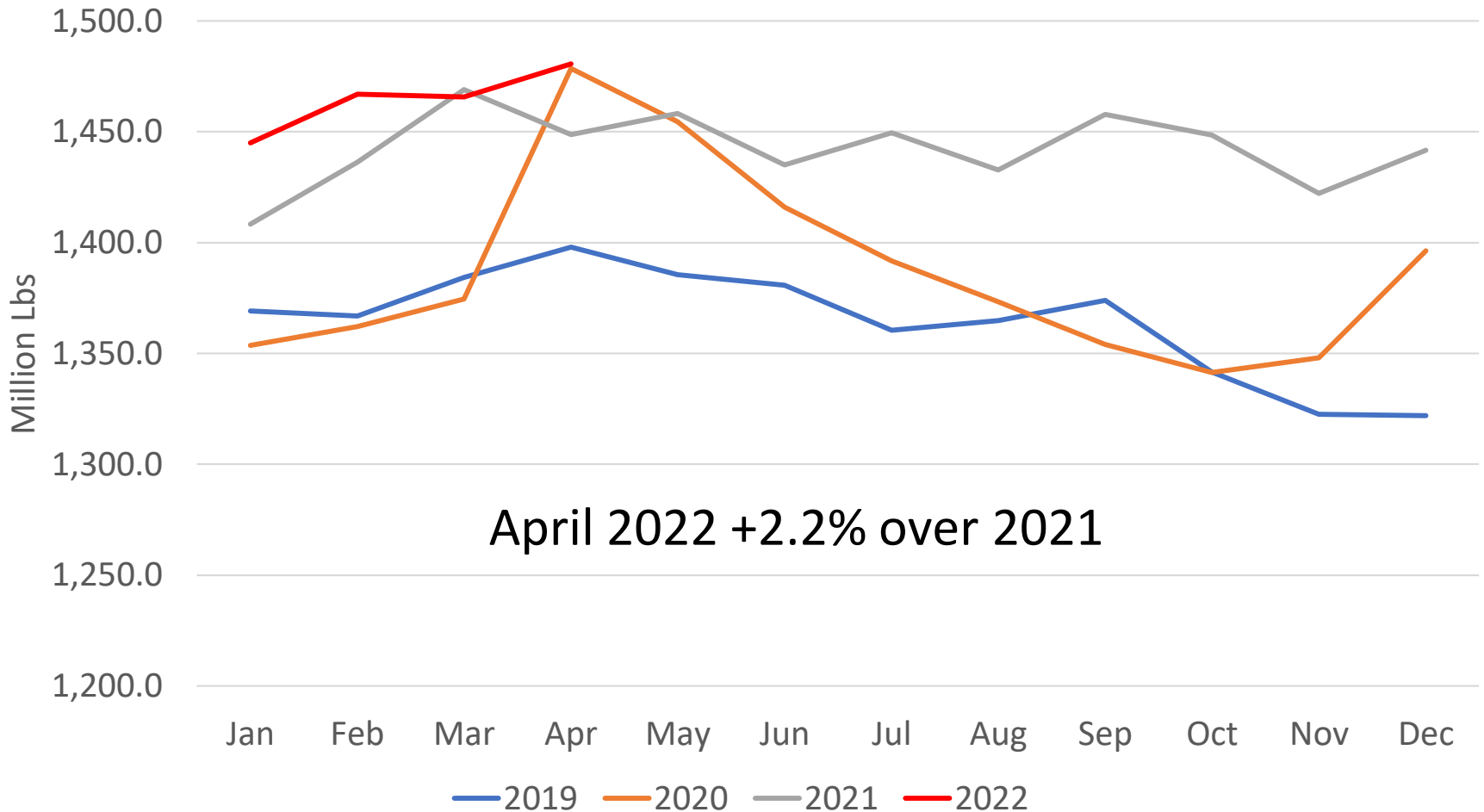


Source : DairyAustralia, Dcanz, USDA

# Butter stocks



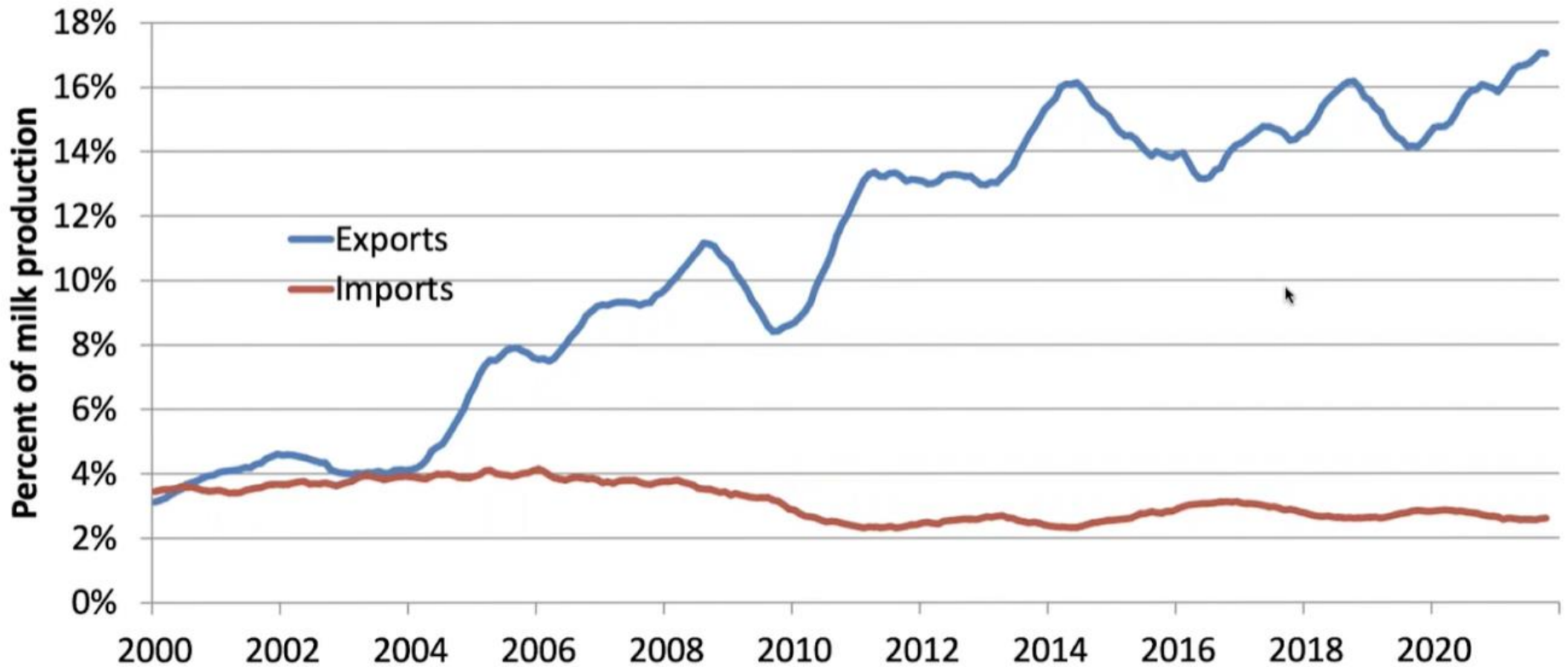
# Cheese Stocks





# US Dairy Trade

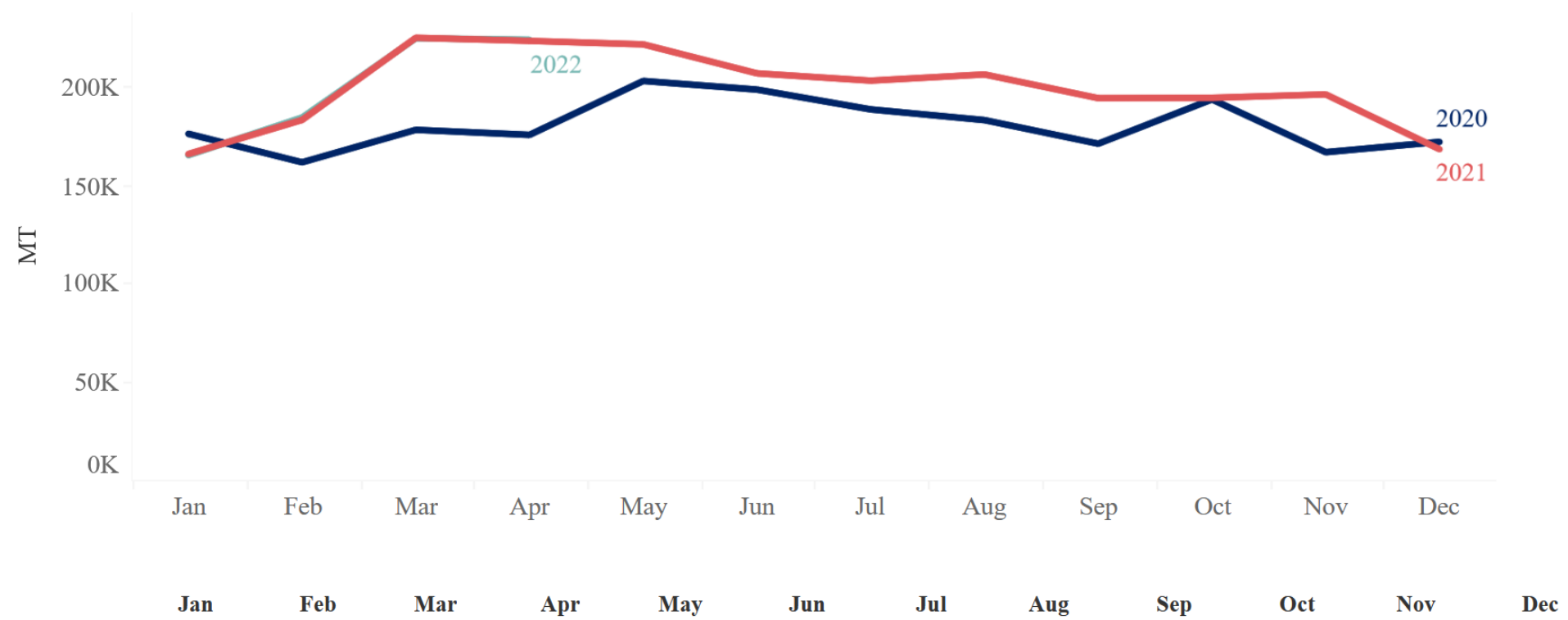
12-Month Rolling Average Trade as a Percent of Solids Produced



# US Product Export Share

Product	Share of Production Exported (%)	US Share of World Trade (%)
Cheese	6	16
Butter	2	
NFD/SMP	71	37
Whey Products	50	36
Lactose	74	

# Monthly All Exports by Volume



Source: USDEC

## April 2022

223,710 MT

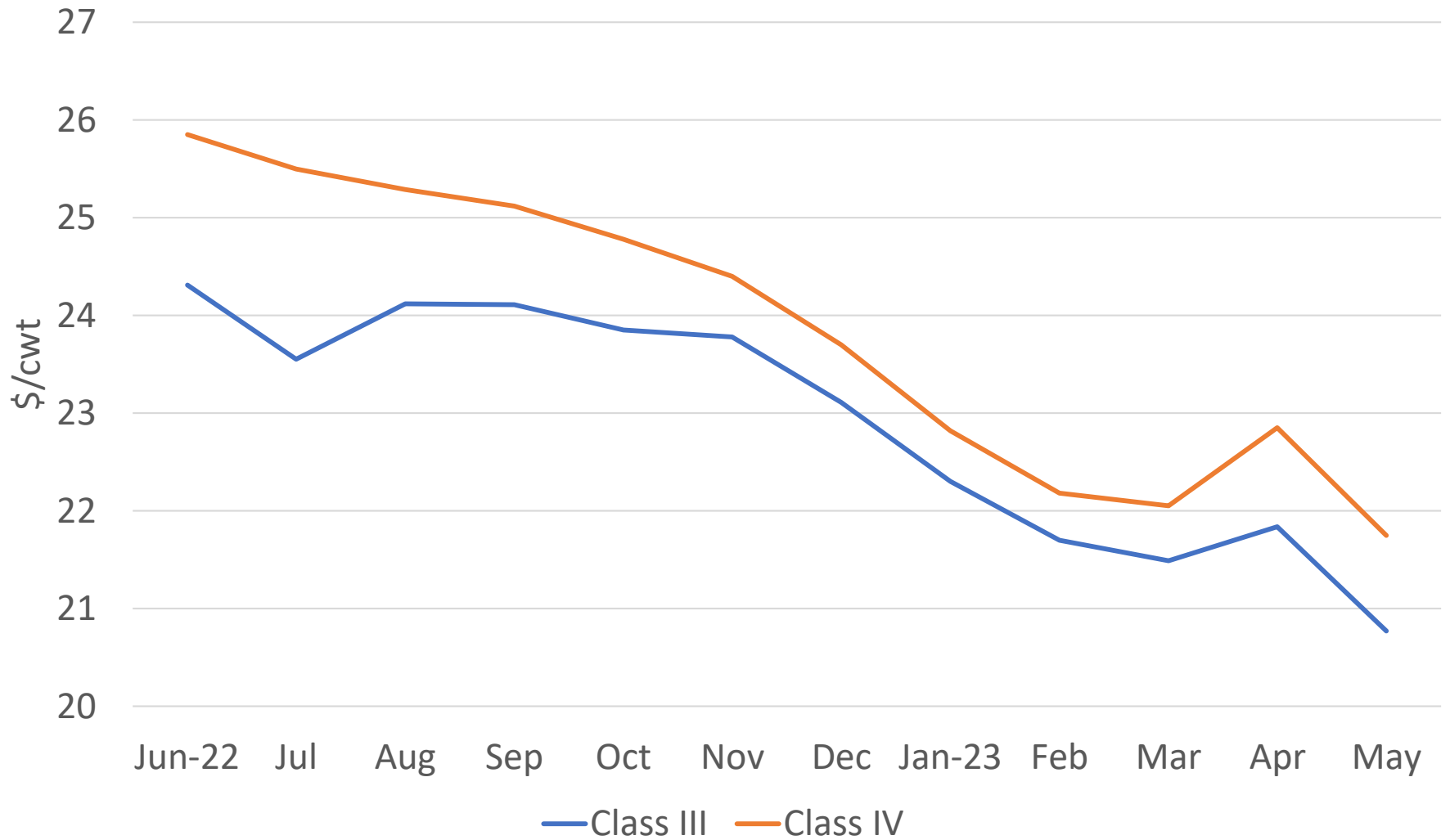
▲ 603 MT / ▲ 0.3% YoY

## 2022 YTD (April)

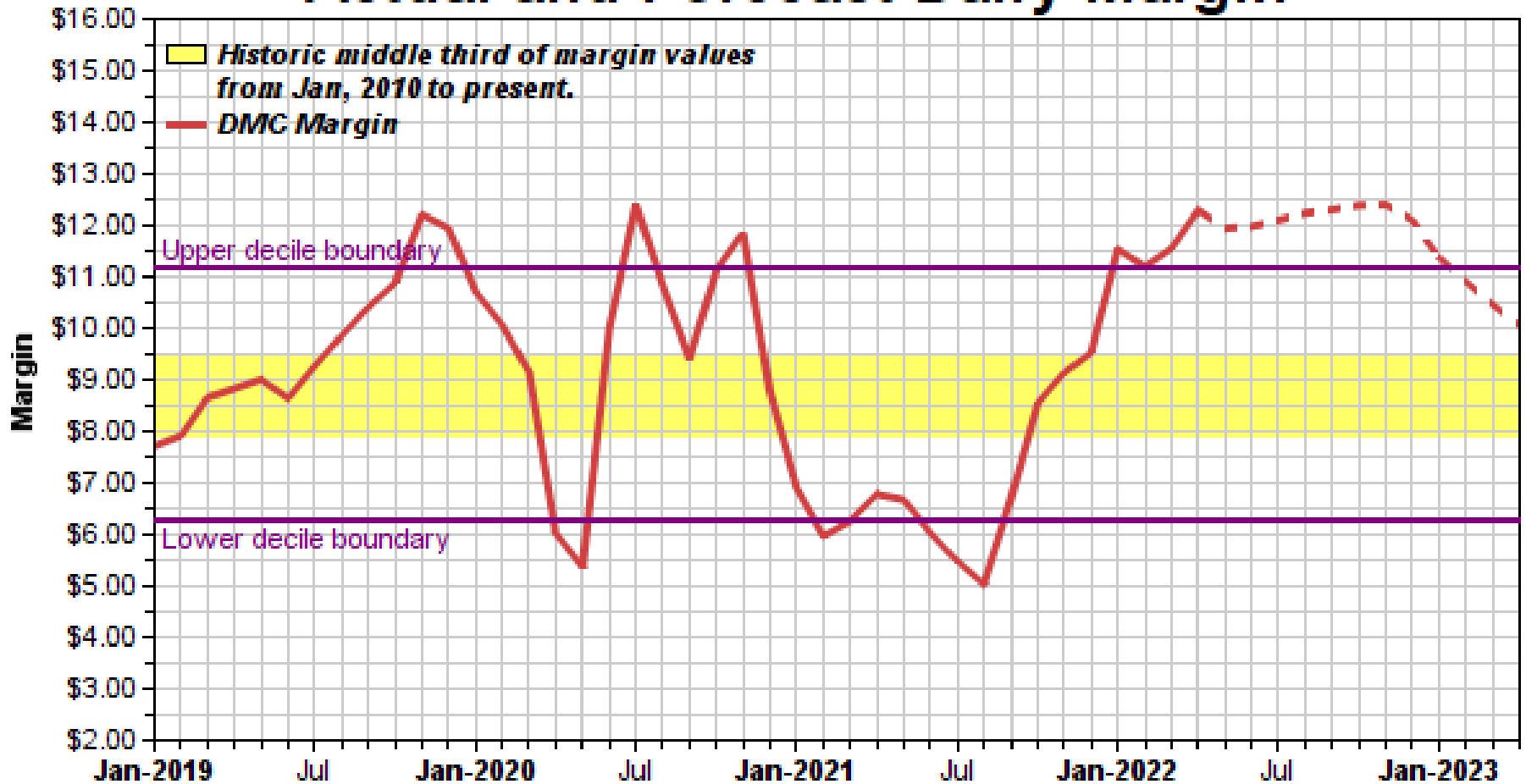
797,107 MT

▲ 956 MT / ▲ 0.1% YoY

# Class III and IV Futures June 22, 2022



# Actual and Forecast Dairy Margin



Updated 6/13/22

# Dairy Margin Coverage 2022

MONTH	ALL MILK PRICE FORECAST (\$/CWT)	CORN PRICE FORECAST (\$/BU)	PREMIUM/SUPREME ALFALFA HAY PRICE FORECAST (\$/TON)	SOYBEAN MEAL PRICE FORECAST (\$/TON)	FEED COST FORECAST (\$/CWT)	DMC MARGIN FORECAST (\$/CWT)
Jan	\$24.20	\$5.57	\$262	\$421.21	\$12.66	\$11.54
Feb	\$24.70	\$6.10	\$266	\$480.96	\$13.72	\$10.98
Mar	\$25.90	\$6.56	\$269	\$493.98	\$14.35	\$11.55
Apr	\$27.10	\$7.08	\$271	\$476.70	\$14.81	\$12.29
May	\$26.39	\$7.09	\$280	\$476.70	\$14.94	\$11.45
Jun	\$26.17	\$7.10	\$278	\$438.93	\$14.65	\$11.52
Jul	\$26.21	\$7.07	\$278	\$432.01	\$14.57	\$11.64
Aug	\$26.20	\$6.99	\$282	\$422.65	\$14.46	\$11.74
Sep	\$26.09	\$6.87	\$283	\$414.61	\$14.30	\$11.79
Oct	\$26.04	\$6.79	\$285	\$407.35	\$14.18	\$11.86
Nov	\$25.99	\$6.73	\$299	\$406.05	\$14.30	\$11.69
Dec	\$25.65	\$6.68	\$295	\$406.25	\$14.19	\$11.46
2022	\$25.89	\$6.72	\$278.97	\$439.78	\$14.26	\$11.62

# Dairy Policy Issues

- Start of next Farm Bill discussion
- Opportunities for RNG