

Dairy Situation and Outlook, April 20, 2022  
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Milk prices continue well above a year ago. The Class III price being above \$20 averaged \$5.27 higher January through March than a year ago. The Class IV price being above \$23 averaged \$10.30 higher January through March than a year ago. April prices will strengthen more. The Class III price will be near \$24.25, about \$6.60 higher than a year ago and the Class IV price will be near \$25.25, about \$9.80 higher than a year ago.

Higher Class III has been driven by higher cheese prices. Dry whey which was as high as \$0.8575 per pound back in February has been in the low \$0.60's and is now \$0.6350 per pound. This has the effect of lowering the Class III price by about \$1.30. But higher cheese prices have more than offset this. The 40-pound cheddar block price has been higher than March all of April ranging from \$2.2625 to \$2.3975 per pound and is now \$2.3350. The cheddar barrel price also averaged higher than March all of April ranging from \$2.2675 to \$2.44 per pound and is now \$2.3425. The higher Class IV price has been driven by higher butter and nonfat dry milk prices. Butter in April has ranged from \$2.71 to \$2.7825 per pound and is now \$2.72. Nonfat dry milk was \$1.85 per pound early April but has weakened some to \$1.7925.

Domestic sales of butter and cheese continue to run above year ago levels while fluid (beverage) milk sales have been running about 3% below a year ago. Sales are expected to continue above a year ago with food service improving as restaurants continue to return to more normal. However, inflation has reduced consumer spending power and could dampen domestic sales.

While dairy export volume continues to run below year ago levels they remain at a level to support milk prices. The volume of February exports on a milk solids equivalent basis was 1% lower than a year ago, the third straight monthly decline. The decline is due to a 11.5% decline in nonfat dry milk/skim milk powder exports and a 4.5% decline in whey product exports. Lower nonfat dry milk/skim milk exports were led by lower exports to the two top markets, Mexico and Southeast Asia. Lower exports of dry whey to the number one market, China led the decline in whey exports. While 2022 exports will be hard to match the record 2021 exports, exports should remain relatively strong as all U.S. dairy products are price competitive with Oceania and Western Europe and milk production in these two regions continue to run below a year ago.

But the major driver of much higher milk prices is milk production. March milk production for the U.S. was estimated to being 0.5% lower than 2021, the third consecutive decline from a year ago. The decline in milk production was due to fewer milk cows and slight increase in milk per cow. March milk cows were 87,000 fewer, a decline of 0.9% and milk per cow was up just 0.4%. Milk cow numbers after peaking in May 2021 declined month to month June through January of this year but reversed the decline with 3,000 added cows in February and another 5,000 in March. However, of the twenty-four reporting states just eight of the following states added cows February to March: Texas 7,000, New Mexico 4,000, Ohio and South Dakota 2,000 with Illinois, Iowa, Michigan, and Washington each adding 1,000. Just two reduced cow numbers February to March, Florida, and Pennsylvania by 1,000 each. By March of the twenty-four reporting states only six had more cows in March than February with fourteen having fewer cows and four with no change.

Of the twenty-four reporting states just seven had higher milk production in March than a year ago. States leading the increase in March milk production over a year ago were South Dakota 20%, Georgia 8.6%, and Texas 6.7%. The other states with increases milk production were Oregon 1.3%, Iowa 0.8%, California 0.5%, and Wisconsin 0.2%. Sixteen states had lower March milk production than a year ago. Decreases in March milk production were led by Florida 10.7%, and New Mexico

9.3% with declines in some other states of 2.9% in Michigan, 2.6% in Minnesota, 1.3% in Arizona and 1.0% in New York.

USDA is forecasting no increase in 2022 milk production over 2021. Milk cows are forecasted to average 78,000 fewer than 2021, a 0.8% decline and milk per cow to increase just 0.9%. Milk production could increase some second half of the year. But higher feed costs, labor costs, building costs, cost to plant and harvest this year's crops and fewer available dairy replacements will curtail increases in milk production. This means milk prices well above a year ago for the remainder of the year. Current dairy futures have Class III in the \$24's through July and then in the \$23's for the remaining of the year. Class IV is in the \$24's and \$25's through November. It is not certain milk prices this high will materialize but it seems unlikely prices would drop below \$20.

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