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**Dairy** EXCELLENCE  
Dairy Week In Review

Dated January 4, 2023



**Markets:**

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Class III Milk Price (Jan)	\$18.85/cwt.	▼ 8.1 %	▼ 7.6 %	▼ 9.0 %
Class IV Milk Price (Jan)	\$19.41/cwt.	▼ 13.6 %	▼ 11.4 %	▼ 12.8 %
Corn (March)	\$ 6.53/bushel	▼ 3.3 %	▲ 4.1 %	▲ 8.3 %
SBean Meal (January)	\$482.5/ton	▲ 3.5 %	▲ 4.4 %	▲ 13.6 %
<b>DMC Margin (November)*</b>	<b>\$ 10.89/cwt.</b>	—	▲ 1.7 %	▲ 6.7 %

\*Each issue of "Dairy Week in Review" will report on the most recent Milk Margin published through USDA's Dairy Margin Coverage Program. This margin is published each month after the USDA Ag Prices Report is released.

- In its *Dairy World Markets and Trade* report, USDA estimates that collective milk production among the top-five global exporters (Argentina, Australia, the European Union, New Zealand, and the United States) will decrease by 0.7 percent in 2022. USDA expects production to stabilize next year, with year-over-year combined output among the combined exporters virtually unchanged from 2022.
- USDA will announce the December Class III and Class IV price later this week. Both milk prices traded mostly down over the next 12 months. At the end of closing on January 3, the 12-month average Class III milk price was \$19.28 per cwt, down 67 cents from mid-December. The Class IV price averaged \$19.83 per cwt, down 56 cents. However, Class III and IV milk prices continue to be \$1.62 and \$3.05 per cwt higher, respectively, than their five-year average. The USDA currently projects Class III milk price at an average of \$19.80 per cwt, while projecting \$20.10 for Class IV.
- USDA announced the November DMC Margin last week at \$10.89 per cwt, an 18 cents per cwt improvement compared to October. Total feed cost fell 48 cents compared to October to \$14.71 per cwt, and the U.S. all-milk price fell 30 cents to \$25.60 per cwt. The December DMC margin is projected to be \$9.71. Given the projected December margin and the actual margins for the rest of 2022, there is an average margin of \$10.73 per cwt for 2022.
- Feed prices are expected to be lower in 2023 but will remain historically high. Once all row crop data is in, 2022 corn and soybean yields are expected to be down from 2021. This could further tighten supplies as demand remains high. According to the December 29 Dairy Margin Coverage (DMC) Decision Tool, corn is expected to average \$6.05 per bushel, soybean meal will average \$448.64 per ton, and alfalfa will average \$300.77 per ton. These average feed prices give a total DMC feed cost of \$13.90 per cwt for 2023, nearly one dollar less than 2022's projected \$14.82 average. The Decision Tool estimates that the U.S. all-milk price will average \$22.38 during 2023. This gives an average margin of \$8.48 this year compared to \$10.73 last year. With a slightly lower 2023 feed cost compared to 2022, the reduction in the DMC margin is due entirely to lower milk price projected throughout 2023. Margins in January through September are expected to trigger indemnities each month. Margins range from a low of \$7.24 per cwt in March to a high of \$10.29 per cwt in December.

**Government and Industry:**

- If the current projected margins become reality, the \$9.50 per cwt DMC margin coverage would provide a net benefit to enrolled dairy farms of \$9,494 per 1 million pounds of enrolled production history, or \$47,469 for an operation that maxes out the 5-million-pound cap. With margins projected to be tight this year, that money can be helpful to fill in the gaps left by narrow margins. These margins are not guaranteed, but the USDA is projecting a 100% probability that DMC will provide a net benefit this year. The deadline to enroll in DMC for this program year was extended until January 31, 2023. Visit your local Farm Service Agency (FSA) office to enroll.
- The Environmental Protection Agency (EPA) issued a new rule defining Waters of the United States (WOTUS) under the Clean Water Act. The new definition maintains longstanding exemptions for farming activities, but removes an exclusion for prior converted cropland that was originally approved through the Navigable Waters Protection Rule. National Milk Producers Federation said this change means that dairy farmers may need to live under a WOTUS rule that is cumbersome, unclear and overly complicated. The new rule is pending Supreme Court review.