

CENTER FOR
Dairy EXCELLENCE
Dairy Week In Review

Dated January 25, 2023



Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Class III Milk Price (Feb)	\$17.89/cwt.	▼ 8.0 %	▼ 5.1 %	▼ 12.1 %
Class IV Milk Price (Feb)	\$18.76/cwt.	▼ 5.5 %	▼ 3.4 %	▼ 17.8 %
Corn (March)	\$ 6.76/bushel	▲ 0.2 %	▲ 3.5 %	▲ 7.8 %
SBean Meal (March)	\$480.00/ton	▲ 3.2 %	▼ 1.1 %	▲ 10.3 %
DMC Margin (December)*	\$ 9.76/cwt.	—	▼ 10.4 %	▲ 2.4 %

**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.*

- New Zealand's milk production fell 0.6 percent in December, down to just over 5.7 billion pounds, according to the Dairy Companies Association of New Zealand. For the 2022-23 season, Kiwi milk production is down 2.7 percent from last year, season-to-date. Milk solids were up 0.6 percent in December.
- Inflation and consumer spending both slowed in December, according to the US Commerce. Year-over-year inflation fell to 5 percent, half a point lower than November and the lowest since September 2021.
- The December Dairy Margin Coverage (DMC) margin was announced as \$9.76 per hundredweight (cwt) and does not trigger an indemnity. The DMC margin decreased \$1.13 relative to November because of a drop in the U.S. all milk price that was further amplified by a slight increase in the DMC feed cost. On the feed side of the margin, alfalfa hay price dropped while corn and soybean meal (SBM) increased. At \$327.00 per ton, alfalfa hay was \$4 cheaper than November. Corn increased by 8 cents to \$6.48 per bushel. This is a slight increase of \$3.21 to \$235.00 per ton. SBM had the most significant increase, rising \$26.10 to \$462.85 per ton. The resulting DMC feed cost equaled \$14.94 per cwt and contributed 23 cents to the degraded margin. The biggest factor for the reduced margin was the U.S. all-milk price. Milk price decreased by 90 cents to \$24.70.
- During 2022, the alfalfa hay price averaged \$303.58 per ton while corn averaged \$6.76 per bushel (\$241.29 per ton) and SBM averaged \$465.09 per ton. The resulting DMC feed cost averaged \$14.83 per cwt, \$3.06 per cwt more than 2021 and \$5.96 more than 2020 which was the lowest DMC feed cost at \$8.87 per cwt. The U.S. all-milk price averaged \$25.56 per cwt, \$6.87 per cwt more than 2021 and \$7.24 more than the 2020 program year low of \$18.32. The resulting average DMC margin was \$10.73 per cwt, \$3.81 better than the program low of \$6.92 per cwt in 2021. Final DMC 2022 averages represent program highs for individual feed costs, total feed cost, milk price, and DMC margin. Indemnities were triggered in August and September and resulted in payments of \$1.42 and 88 cents per cwt, respectively, at the maximum \$9.50 per cwt margin coverage. These payments covered the annual premiums and fees and resulted in a slight net benefit of 3 cents per cwt per 1 million pounds of production history up to the 5-million-pound, Tier 1 cap.

Government and Industry:

- Enrollment for the 2023 DMC program year was extended last week to Tuesday, January 31. Based on the January 21 online DMC Decision Tool, the maximum \$9.50 margin coverage is projected to trigger indemnities from January through October. The forecasted DMC feed cost equals \$13.83 per cwt for the year. The milk price is expected to average \$21.65 per cwt through 2023. These averages equate to a projected DMC margin of \$7.82 per cwt. If these margins become reality, it would mean a net benefit of \$1.52 per cwt for the year or about \$15,200 per 1 million pounds of production history or about \$76,000 for an operation that maxes out the Tier 1 cap. To sign up to participate in the 2023 DMC Program, visit your local FSA office before Tuesday, January 31.
- The 2023 Pennsylvania Dairy Summit is planned for February 8 - 9 at the Penn Stater in State College, Pa. Thanks to funding and grants provided by PDMP, CDE, Summit Sponsors, and the Northeast Dairy Business Innovation Center, discounted registration fees are available to dairy producers from any state. The dairy producer registration fee for the two-day Summit is \$100 with \$50 single-day registrations also available. Discounts are available for additional registrants from the same farm. Additionally, free transportation will be available for Pennsylvania dairy farmers from the Quarryville and Belleville, PA areas to attend each day of the Summit. Registration can be completed online at padairysummit.org or by calling 814-355-2467. Transportation reservations can also be made by calling the same phone number.