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Dairy Week In Review

Dated May 3, 2023



Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Class III Milk Price (April)	\$16.76/cwt.	▼ 9.6 %	▼ 7.5 %	▼ 32.3 %
Class IV Milk Price (May)	\$17.94/cwt.	▼ 0.3 %	▼ 2.4 %	▼ 26.9 %
Corn (May)	\$ 6.45/bushel	▲ 0.6 %	▼ 1.2 %	▼ 19.2 %
SBean Meal (May)	\$427.8/ton	▲ 0.4 %	▼ 5.2 %	▼ 0.1 %
DMC Margin (March)*	\$ 6.08/cwt.	—	▼ 1.8 %	▼ 47.8 %

*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.

- The Dairy Margin Coverage (DMC) feed cost declined by 39 cents during March compared to February. All three DMC feed cost factors – corn, soybean meal (SBM), and superior alfalfa hay –experienced declines that resulted in a final total DMC feed cost of \$15.02 per cwt. Unfortunately, the U.S. all-milk price declined an additional 50 cents compared to February to average \$21.10 per cwt. The resulting DMC margin was announced as \$6.08 per cwt, triggering indemnities at the \$6.50 per cwt and greater margin coverages. At the maximum \$9.50 margin coverage, the indemnity payment is \$3.42 per cwt on 1/12 of annual production history. This is \$2,688 per 1 million pounds of production history enrolled in the program or \$13,438 for a dairy operation that maximizes the 5-million-pound cap. With February's indemnity covering the rest of the annual premium, the March payment adds an additional 22 cents per cwt to the 2023 net benefit, making it 50 cents per cwt.
- Even though the DMC margin deteriorated an additional 11 cents per cwt compared to February, the decreased feed cost started what is projected to be a trend for the rest of the year. Based on the April 27 DMC Decision Tool, feed costs are expected to decline each month through the rest of the year. The DMC feed cost is expected to end the year at \$12.53 in December. The DMC feed cost is expected to average \$13.87 for the year.
- All three DMC feed commodities are expected to decrease relative to their current prices. March corn price was \$6.67 per bushel and is projected to drop by \$1.49 to \$5.18 per bushel by December. Corn price is estimated to average \$6.01 per bushel for the year. Superior alfalfa hay is supposed to drop from its current March price of \$314 per ton to \$281 per ton in December and average \$294.56 for the year. SBM is expected to drop from March's \$484.40 per ton to \$425.44 and average \$460.82 for the year. With milk price projected to increase during the second half of the year, the DMC margin is expected to surpass the maximum \$9.50 margin coverage in November and December. The U.S. all-milk price is expected to continue to decline from \$21.10 per cwt in March to a low of \$19.74 per cwt in June. July milk price is expected to increase relative to June and reach \$22.48 in December. At current market prices, the \$9.50 maximum margin provides a U.S. all-milk price floor of \$23.37 per cwt for the year.
- On March 31, the USDA released its *Prospective Planting* report. Through its survey, the USDA reported that a total of 92.0 million acres of corn are expected to be planted this year. This is 3.42 (+4%) million acres more than 2022. Soybean planted acres are marginally more than 2022 at 87.51 million acres, just 55,000 (+0.06%) acres more. More acres planted generally leads to more supply that puts downward pressure on the price.
- Recently, the National Oceanic and Atmospheric Administration (NOAA) updated its short-term climate update. NOAA now predicts that the El Niño climate phenomenon will begin sometime between May and July. The El Niño climate pattern is caused by warmer Pacific Ocean temperatures that shift the Jetstream, which affects the climate across the globe. While El Niño effects are hard to predict, it generally brings cooler, wetter summers to much of the U.S. The cooler weather reduces heat damaged corn pollination and potentially provides rain when crops need it.