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**Dairy** EXCELLENCE  
**Dairy Week In Review**

Dated July 5, 2023



## Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Class III Milk Price (July)	\$14.01/cwt.	▼ 6.1 %	▼ 8.1 %	▼ 37.5 %
Class IV Milk Price (July)	\$17.98/cwt.	▼ 1.5 %	▼ 0.8 %	▼ 29.2 %
Corn (July)	\$ 5.48/bushel	▼ 7.3 %	▼ 9.1 %	▼ 27.1 %
SBean Meal (July)	\$417.9/ton	▲ 3.9 %	▲ 5.1 %	▲ 9.8 %
<b>DMC Margin (May)*</b>	<b>\$ 4.83/cwt.</b>	—	▼ 17.3 %	▼ 61.0 %

\*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.

- Further degradation of the Dairy Margin Coverage (DMC) margin continued through May. On June 30, the May DMC margin was announced as \$4.83 per cwt. This represents a record low, falling 20 cents below the previous low of \$5.03 per cwt set in August of 2021. Based on June 30 DMC projections, feed costs are expected to continue to decline while milk price is also expected to continue to decline enough to offset feed prices to keep the DMC margin on a downward trajectory at least through July, before improving through the rest of the year. Unfortunately, feed prices do not decline enough, or milk price improve enough to get the DMC margin above the maximum \$9.50 margin through the rest of the year.
- For the third month in a row, total DMC feed cost declined while the U.S. all-milk price has been declining since November 2022. Compared to April, the May U.S. all-milk price declined \$1.40 to \$19.40 per cwt. Corn and soybean meal (SBM) priced declined and alfalfa hay increased slightly. Corn dropped 16 cents to \$6.54 per bushel. This represents a \$5.71 drop per ton to \$233.57. SBM dropped \$33.67 compared to April to settle at \$423.58 per ton. Superior alfalfa hay price increased a slight \$2 to settle at \$317.00 per ton for the month of May. The drops in corn and SBM prices easily offset the slight alfalfa hay price increase dropping the total DMC feed cost by 39 cents to \$14.47 per cwt.
- Unfortunately, the U.S. all-milk price dropped more than the DMC feed commodities to drop the DMC margin for the sixth consecutive month. At the maximum \$9.50 margin coverage the May \$4.83 margin triggers a \$4.67 per cwt indemnity on 1/12 of established production history. After deducting the sequestration fee (5.7%), this is a payment of \$3,670 per 1 million pounds of production history enrolled in the program, or \$18,349 for operations that maximize the Tier 1, 5-million-pound cap. Through May, every month has triggered indemnities. At the \$9.50 margin coverage, the May indemnity adds an additional 37 cents per cwt to the net benefit through April, bringing the current net benefit to \$1.16 per cwt.
- Current projections show that the U.S. all-milk price is expected to average \$20.04 in 2023 with the DMC feed cost averaging \$13.87. This produces an average DMC margin of \$6.17 per cwt. At the \$9.50 margin coverage, an average feed cost of \$13.87 per cwt provides a U.S. all-milk trigger price of \$24.37 per cwt. If current projections become reality, the DMC program will provide enrolled dairy farmers with \$29,818 per 1 million pounds of production history or a total of \$149,488 for an operation that maximizes the Tier 1, 5-million-pound cap. The equates to a theoretical net benefit for 2023 of \$2.99 per cwt.
- USDA announced the June Class III milk price at \$14.91 per cwt., down \$1.20 from a month ago and \$9.42 below year-ago levels. It is the lowest Class III price since May 2020 in the height of COVID. Class III price futures continue to fall to a low of \$14.01 in July before rebounding to a high of \$17.49 in December, averaging about \$15.98 for the remainder of the year. The June Class IV price was announced at \$18.26 per cwt., up 16 cents from May but down \$7.57 from a year ago. Class IV milk futures prices average \$17.70 per cwt for the remainder of the year.

## Government & Industry:

- In June, the U.S. Department of Agriculture (USDA) announced \$23 million in grant funding available to support processing capacity expansion, on-farm improvements, and technical assistance services to producers through the Dairy Business Innovation Initiatives. In the Northeast, those funds are utilized by the Northeast Dairy Business Innovation Center to offer grants and other resources to farmers and processors. To learn what grants and resources are available through the NEDBIC, go to: <https://agriculture.vermont.gov/dbic>.