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

Dated July 19, 2023



**Markets:**

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Class III Milk Price (July)	\$13.84/cwt.	▼ 0.3 %	▼ 7.5 %	▼ 38.6 %
Class IV Milk Price (July)	\$18.25/cwt.	▲ 1.1 %	▲ 0.7 %	▼ 29.5 %
Corn (September)	\$ 5.45/bushel	▼ 0.8 %	▼ 18.8 %	▼ 7.3 %
SBean Meal (August)	\$443.3/ton	▲ 5.2 %	▲ 0.9 %	▼ 1.6 %
DMC Margin (May)*	\$ 4.83/cwt.	—	▼ 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.

- The latest USDA Livestock, Dairy and Poultry Report left 2023 farm milk productions unchanged from last month at 228.4 billion pounds for the year. Forecasts for 2024 were lowered from last month to 230.6 billion pounds, driven by a lower projected dairy herd and slower growth in milk per cow. The All-Milk price forecast for 2023 was lowered by 15 cents to \$18.20 per cwt., while the All-Milk price forecast for 2024 was lowered by 55 cents to \$19.10 per cwt.
- USDA announced the August Class I base price at \$16.62 per cwt., down 70 cents from last month and \$8.51 below year-ago levels. This is the lowest Class I price announced since June 2020 when the pandemic caused Class I prices to fall to \$14.18 per cwt.
- The dairy price index on the latest Global Dairy Trade auction fell 1 percent from the previous session to \$3,289 per metric ton. This is the fifth session in a row of flat or declining prices. Cheddar cheese prices were down 10.1 percent, while butter prices were down 2.7 percent. Whole and skim milk powder prices were both down, falling 1.5 and 0.6 percent, respectively.
- Milk production in the European Union and United Kingdom was up year-over-year in May, increasing 0.8 percent to more than 32.5 billion pounds. May volumes were down, though, 0.7 percent from two years ago when the region hit an all-time record for May. However, May is the ninth month of year-over-year gains, with the region up 0.8 percent in milk production year to date.

**Industry:**

- As of July 17, Russia has terminated the Ukraine Black Sea agreement that allowed the Ukraine to continue to export grain products to other parts of the world. Russia will block shipping lanes to cutoff grain shipments from the Ukraine. This will not reduce Ukraine export to zero, but it will make it more difficult for the Ukraine to help balance the world market for grain. Shipping will have to move over land via truck or rail, which is less efficient and more expensive than by sea. If the Black Sea deal is not renegotiated, there will most likely be short- and long-term implications here in the U.S. that are likely to show as higher commodity prices. After the announcement, both corn and soybean prices jumped overnight.
- This could continue to put more pressure on already low milk price margins calculated through USDA's Dairy Margin Coverage Program. The Dairy Margin Coverage (DMC) feed cost has increased year-over-year since 2020. The DMC feed cost is calculated by summing the USDA announced average corn, soybean meal (SBM), and superior alfalfa hay prices, all on a hundredweight basis. The DMC program began in 2019, and the DMC feed price that year averaged \$8.99 per cwt and fell slightly to \$8.87 per cwt for the year in 2020. Since 2020, however, the DMC feed costs have been on an upwards trajectory with an average DMC feed cost of \$11.77 per cwt in 2021 and \$14.83 per cwt in 2022. The beginning of 2023 has seen an average DMC feed cost of \$14.99 per cwt through May. The DMC Decision Tool dated July 14, 2023, is projecting the DMC feed cost to average \$13.85 for the year. Corn, SBM, and alfalfa hay are all expected to decline through the rest of the year and drive the average price down.
- Political uncertainty across the globe is also impacting dairy companies. Moscow has seized control of the Russian subsidiaries of French yogurt maker Danone, highlighting risks facing foreign firms that continue to do business in the country. In a decree signed by Russian President Vladimir Putin, foreign-owned stakes in Danone's Russia business were put under the "temporary management" of Russia's federal property agency. The latest move could increase the pressure on Western firms to leave.