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Dairy EXCELLENCE
Dairy Week In Review

Dated August 2, 2023



Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Class III Milk Price (August)	\$17.49/cwt.	▲ 27.6 %	▲ 24.8 %	▼ 13.3 %
Class IV Milk Price (August)	\$18.81/cwt.	▲ 2.7 %	▲ 4.6 %	▼ 24.8 %
Corn (September)	\$ 4.88/bushel	▼ 4.4 %	▼ 11.0 %	▼ 17.5 %
SBean Meal (August)	\$451.8/ton	▼ 3.5 %	▲ 8.1 %	▼ 7.6 %
DMC Margin (June)*	\$ 3.65/cwt.	—	▼ 24.6 %	▼ 69.4 %

*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.

- The June Dairy Margin Coverage (DMC) margin was announced as \$3.65 per hundredweight (cwt) (Table 1) and hit a record low for the second consecutive month. Indemnities were triggered at all margin coverages (\$4.00 up to \$9.50 per cwt) for the first time in program history. The June Margin is \$1.40 per cwt less than May. June continued the downward trend of declining margins for the seventh month in a row and triggered indemnities for the sixth consecutive month. The DMC feed cost declined for the fourth month to reach the lowest total feed cost since November 2022 when it was \$13.72 per cwt. The total DMC feed cost fell 22 cents per cwt relative to May to settle at \$14.25 per cwt. All three DMC feed commodities experienced price declines. Soybean meal (SBM) price fell \$10.22 to \$413.36 per ton. Superior alfalfa hay price fell \$7.00 to \$310.00 per ton. Corn price did not decrease much but did fall 5 cents per bushel relative to May. On a per ton basis, this represents a drop of \$1.78 to \$231.79 per ton. The U.S. all-milk price tumbled \$1.40 in June to settle at \$17.90 per cwt. The net effect of the decreasing feed price and decreasing milk price was a margin that is \$1.18 per cwt less than May.
- The announced June margin results in an indemnity of \$5.85 per cwt on 1/12 of enrolled production history. This equates to a June net payment after the 5.7% sequestration fee of \$4,597 per 1 million pounds of production history enrolled up to the 5-million-pound, Tier 1 cap. Based on the online DMC Decision Tool dated July 27, 2023, the DMC margin is projected to remain below the catastrophic coverage in July before starting to improve in August through the rest of the year (Table 2). Projected feed costs are expected to continue to decline. However, there is fear of extra volatility in the feed commodity markets because of weather conditions across the world as well as the recent renewed Russian blockade of Ukrainian grain exports. At current projections, DMC provides a net U.S. all-milk price floor of \$22.90 for the rest of the year. At the current projections, DMC would provide a total net benefit this year of \$2.75 per cwt.
- The dairy price index fell 4.3 percent from the last session to \$3,100 per metric ton on the latest session, marking the sixth consecutive session of declines or flat prices. Whole milk powder prices fell dramatically, dropping 8 percent to \$2,864 per metric ton. Butter and cheese were both down, dropping 0.7 and 1.4 percent, respectively. Skim milk powder prices fell 1.4 percent, while butter milk powder prices were up 9.9 percent.

Industry:

- The Agricultural Emergency Relief Act was introduced in Congress last week to create a permanent structure at the Department of Agriculture to provide relief for farmers who lost crops due to natural disasters. While Congress routinely provides relief for farmers impacted by natural disasters, the lack of a permanent program has resulted in multiple administrative changes, which can cause unnecessary delays in implementation and confusion for farmers.