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Dairy EXCELLENCE
Dairy Week In Review

Dated August 3, 2022

Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Class III Milk Price (August)	\$20.15/cwt.	▼ 10.5 %	▼ 10.1 %	▲ 25.4 %
Class IV Milk Price (August)	\$24.99/cwt.	▼ 3.4 %	▼ 2.4 %	▲ 60.7 %
Corn (September)	\$ 5.91/bushel	▼ 1.5 %	▼ 21.4 %	▲ 7.7 %
SBean Meal (September)	\$488.9/ton	▲ 12.5 %	▲ 5.7 %	▲ 35.7 %
DMC Margin (June)*	\$ 11.92/cwt.	—	▼ 4.8 %	▲ 97.7 %

**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.*

- USDA announced the July Class III milk price at \$22.52 per hundred-weight, down \$1.81 from last month but \$6.03 above year-ago levels. Class III milk prices peaked in May and continue to trend down for the rest of the year, with the Class III price on CME milk futures for the last five months of the year averaging \$20.29 per cwt., more than \$5 below the peak in May. Class III prices took a big hit this week, with close up futures showing declines of over 50 cents. The July Class IV price was announced at \$25.79 per cwt., down just 4 cents from last month and 20 cents below its peak in May. The July Class IV price is still almost \$10 above last year's levels. Class IV futures prices for the last five months of the year show some erosion from current levels, but remain at an average of \$22.91 per cwt., well above a year ago levels and above the Class III price average for the same time period.
- The June Dairy Margin Coverage (DMC) margin was announced as \$11.92 per hundredweight (cwt) and became the seventh month in a row not to trigger an indemnity (Table 1). June's margin is 59 cents per cwt less than May's record high \$12.51 margin. Increased feed costs were compounded by lower milk price in the margin calculation to cause a reduced margin compared to May. The DMC feed cost reached a record high of \$14.98 per cwt, 19 cents per cwt more than May due to increases in all three DMC feed costs. After declining the previous two months, June soybean meal (SBM) price increased. At \$445.93, the SBM price was \$4.65 per ton higher compared to May. Monthly corn prices have been rising since October 2021, making June's increase the eighth consecutive month. The corn price added 11 cents compared to May, settling at \$7.37 per bushel. This equates to \$263.21 per ton, or \$3.92 more than May. The June alfalfa hay price increased an average of \$3 compared to May to settle at \$277.00 per ton. The June U.S. all-milk price fell to \$26.90 per cwt and contributed 40 cents of the total 59 cents per cwt margin reduction compared to May.
- Further degradation in the margin is expected to continue for the foreseeable future. The projected July 2022 DMC margin of \$10.94 per cwt, as of the online DMC Decision Tool dated August 1, is the last projected margin this year to be above \$10. The current estimated \$8.98 and 9.49 per cwt. August and September margins drop below the maximum \$9.50 per cwt margin coverage. If this becomes reality, the indemnity would be equivalent to \$442 per 1 million pounds (4 cents per cwt) of enrolled production history up to the 5-million-pound, Tier 1 cap.

Government and Industry:

- Dairy groups commended the release of the "Healthy Meals, Healthy Kids Act," approved by the US House Education and Labor Committee last week. This bill reauthorizes federal child nutrition programs. The bill includes provisions to provide increased access and maintain existing access to healthful dairy foods. It also takes an important step in increasing students' access to nutritious foods by securing more permanently the ability for schools to serve all milk options consistent with the Dietary Guidelines.