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Dairy Week In Review



Dated October 2, 2024

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Class III Milk Price (Sept)	\$23.32/cwt.	▼ 0.01 %	▲ 3.3 %	▲ 26.8 %
Class IV Milk Price (Sept)	\$22.30/cwt.	—	▼ 0.4 %	▲ 18.4 %
Corn (Dec)	\$ 4.29/bushel	▼ 4.4 %	▲ 11.1 %	▼ 11.9 %
SBean Meal (Oct)	\$ 350.0/ton	▲ 8.2 %	▲ 9.5 %	▼ 3.6 %
DMC Margin (Aug)*	\$ 13.72/cwt.	—	▲ 11.3 %	▲ 112.4 %

**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.*

Markets:

- Based on the USDA Milk Production report, Pennsylvania's August numbers dipped slightly from 2023's values. Pennsylvania milk production totaled 816 million pounds, down 2 million pounds year over year. Milk cow numbers dropped 1,000 head from 466,000 in 2023 to 465,000 in 2024. However, milk production per cow remains consistent with the prior year at 1,755 pounds. Decreasing farm numbers and limited replacement heifer inventories influence the stagnant growth in milk production and cow numbers for Pennsylvania. Milk per cow staying steady from 2023 to 2024 could be a testament to Pennsylvania's dairy farmers improving herd genetics and increasing feed efficiency.
- Looking at August 2024's USDA Cold Storage report, natural cheese stocks closed out at approximately 1.4 billion pounds in refrigerated warehouses, dipping month over month and down 6% year over year. This could be due to a delayed market response to decreased inventories and undervalued blocks in August. Conversely, butter stocks saw a 8% drop from July, but were up 11% from last August. Increasing volume, decreasing demand, and high prices could be contributing to butter inventory level dropping from July to August.
- The USDA announced August's Dairy Margin Coverage (DMC) margin at \$13.72 per cwt, the highest margin since the program's inception in 2019. The margin did not trigger indemnities at any coverage level. August's all-milk price came in at \$23.60 per cwt, jumping 80 cents from July's \$22.80. With corn, premium alfalfa hay, and soybean meal prices decreasing month over month, feed costs dropped 59 cents from July at \$10.47 per cwt to \$9.88 in August. Increasing milk prices and lower feed prices have resulted in the milk margin above feed costs trending upwards over the past four months.
- Updated on Sept. 30, the USDA's DMC Decision Tool projects that the DMC margin will jump \$1.35 per cwt from August's margin to \$15.07 in September. The projected margins for the rest of 2024 show October peaking at \$15.57 per cwt, then a decline through November with December closing out 2024 at \$14.74. With all-milk price estimates well over \$25.00 per cwt, coupled with potentially weak corn, premium alfalfa hay, and soybean meal price, this could create the perfect conditions for these historically high, forecasted margins.

Government/Industry:

- Hurricane Helene has caused catastrophic damage to the Southeastern states. With row crops flattened and poultry and cattle farms without power, Helene wreaked havoc on agricultural operations throughout Florida, Georgia, and the Carolinas. The affected states continue to report millions of dollars worth of damages. USDA and FEMA partnered together to create a Disaster Resource Center and a Disaster Discovery Tool to help producers navigate the various disaster relief programs available.
- On Oct. 2, East and Gulf Coast ports engaged in labor strikes, which could be detrimental to international dairy export markets considering these ports accounted for 21% of total U.S. dairy exports. With these strikes posing threat to U.S. dairy farmers and their bottom lines, the National Milk Producers Federation and the U.S. Dairy Exports Council urged the presidential administration to take action. These strikes could lead to increased transportation costs, rerouted shipments, and supply chain disruptions.