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Dairy EXCELLENCE
Dairy Week In Review

Dated December 7, 2022



Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Class III Milk Price (Dec)	\$20.39/cwt.	▲ 2.8 %	▼ 4.7 %	▲ 9.3 %
Class IV Milk Price (Dec)	\$21.90/cwt.	▲ 7.6 %	▼ 4.3 %	▲ 9.5 %
Corn (December)	\$ 6.27/bushel	▼ 4.6 %	▼ 6.0 %	▲ 7.5 %
SBean Meal (December)	\$462.2/ton	▲ 10.8 %	▲ 10.2 %	▲ 28.7 %
DMC Margin (Sept)*	\$ 8.62/cwt.	—	▼ 18.6 %	▼ 5.7 %

*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.

- The October Dairy Margin Coverage (DMC) feed cost decreased by 59 cents per hundredweight (cwt) and the U.S. all-milk price increased an unexpected \$1.50 per cwt relative to September to improve the DMC margin by \$2.09 to \$10.71 per cwt. This represents the largest month-to-month increase in the program's history. The October DMC margin does not trigger an indemnity at any margin coverage after payments were triggered in August and September. Alfalfa hay price was the only feed cost factor to experience an increase. It increased \$6 per ton to \$348.00 setting a new record high for the ninth time this year. However, a significant decrease in corn and a small decrease in soybean meal (SBM) prices more than offset the alfalfa hay price to drop total feed costs relative to September. The average U.S. corn price dropped 59 cents per bushel in October to \$6.50. This is equivalent to \$232.14 per ton, a reduction of \$21.07 per ton compared to September. SBM dropped \$5.26 per ton to average \$468.68 during October. The resulting total feed cost was \$15.19 per cwt, over one dollar lower than the record \$16.22 set in August. Behind stronger Class III and Class IV milk prices, the October U.S. all-milk price was \$25.90 per cwt., as published in the USDA Ag Prices report.
- The latest USDA Dairy Products report shows cheese production up 1.4 percent from a year ago to 1.17 billion pounds in October, a new high for the month. The year-over-year gain was stronger than typical this time of year. Mozzarella production was up 2.2 percent. Cheddar production was up 2.9 percent. Butter production was down 2 percent from a year ago to 161 million pounds in October, the lowest October volume since 2018.
- US dairy exports were up in October, increasing 8.1 percent in volume and 25 percent in value compared to a year ago. Year to date exports were nearly 5.3 billion pounds, up 10.3 percent from a year ago and a new record for most dairy products. Butter exports were at 15.7 million pounds in October, the highest since April 2014 and up 62 percent from a year ago. Nonfat dry milk exports were up 10.5 percent, while cheese and whey exports increased 4.5 and 12.7 percent respectively.

Government and Industry:

- Enrollment for the 2023 DMC program year will go through Friday, December 9, 2022. At the maximum \$9.50 per cwt margin coverage, indemnities are projected for January through August. The DMC feed cost is estimated at \$13.62 during 2023. Adding the feed cost to the \$9.50 per cwt margin coverage provides a U.S. all-milk price floor of \$23.12 per cwt for next program year. Milk price is expected to average \$22.08 per cwt, \$1.04 less than the estimated price floor. If these projections were to become reality, DMC would provide a net benefit of 28 cents per cwt for the year. This is equivalent to about \$2,800 per 1 million pounds of production history up to the 5-million-pound, Tier 1 cap, or about \$14,000 for an operation that maxes out the Tier 1 cap. The DMC online decision tool is currently forecasting a 100% probability of a net benefit to those enrolled in the 2023 DMC program year. To sign up to participate in the 2023 DMC Program, visit your local FSA office before December 9.