

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JAN. 3, 2024 — except where noted



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**Milk prices, Class utilization and the controllables:** USDA isn't announcing the December Class III and Class IV milk prices until Thursday of this week, but Class III went off the CME board at \$16.08 per hundred-weight while Class IV went off at \$19.19 per cwt. If these prices hold true, that will mean the Class III milk price averaged \$17.02 per cwt in 2023, while the Class IV price averaged \$19.11 for the year. Based on those prices, 2023 will have closed with Class III slightly below the five-year average of \$17.92 per cwt., while Class III will have closed about \$1.70 above the five-year average of \$17.40.

I don't know how 2023 felt on your dairy farm. But for many dairy farms, it certainly didn't feel like an above average year. Feed costs stayed relatively high through July until they started to fall into the autumn months. At the same time, other input costs, such as energy, labor, and cropping inputs, trended upward in 2023 and put pressure on profit margins on the dairy. Interest rates also steadily increased over the past 18 months to peak in July 2023, adding to the downward pressure on your margin.

Looking ahead to 2024, milk prices don't seem to be much different than where they were in 2023. Based on January 2 futures market closing prices, the Class III milk price is expected to dip below \$16 for the first quarter of 2024 before rebounding to an average of \$17.66 in the second quarter and then increasing to an average of \$18.44 for the last six months of the year. CME futures have the Class IV price averaging \$19.15 for the first quarter, increasing to an average of \$19.56 for the second quarter, and peaking in the last half of the year at a six-month average of \$19.95.

Unfortunately, uncertainty always exists in any commodity market, whether it is with milk prices or on the input side. Managing the controllables can help you navigate the uncertainty that could come our way in the next year. So, what aspects of your milk price are within your control and what aspects are outside your control? Much of your milk price is controlled at the Federal Milk Marketing Order level based on how the milk in that FMMO is utilized.

The majority of Pennsylvania is divided between Federal Milk Marketing Orders 1 (Northeast) and 33 (Mideast). If you look at the average of the two,

about 32% of the milk produced is utilized as Class I or bottled milk, while 23% is utilized as Class II or for soft products like yogurt and ice cream. About 27% is utilized as Class III or for cheese, and the remaining 17% is utilized as Class IV or for butter and powder.

This means there is less milk going into Class III or cheese production in this region than in other parts of the country. That has helped mailbox prices in Pennsylvania over the past year compared with other regions because more of our milk price is influenced by Class IV, which has been the higher of the two in 2023 and is projected to be the higher of the two in 2024.

Still, while more farmers are starting to move into value-added markets, how milk in any particular region is utilized between Classes is not something that you have a lot of control over at the farm level.

Two things you do have more control over in your milk price is the amount of solids you get paid for and whether you receive any quality premium for your milk.

Each month, when USDA announces mailbox prices, they share what the average butterfat and protein percentage was for that month nationwide. If you look at the mailbox price reports from December 2020 to December 2022, butterfat percentages increased from 4.09 to 4.24% nationwide while protein percentages increased from 3.29 to 3.37%. Other solids stayed consistently at 5.76%.

Another area you can control is whether your dairy participates in risk management programs. Soon, USDA will open the enrollment period for the 2024 Dairy Margin Coverage (DMC) Program. In the life of the Farm Bill since DMC was introduced, the program provided more than \$57,800 in net benefits for every 1 million pounds of protected milk. That has been a significant boost for the farmers who enrolled in this margin-based insurance program.

If you are not currently enrolled in DMC and want to enroll for 2024, contact your local FSA Office to make sure you receive the announcement when enrollment opens.

Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, via CME & USDA reports.

## CME DAILY FUTURES & OPTIONS TRADING — JAN. 3, 2024 AT THE CLOSE

	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	OCT-24	NOV-24	DEC-24	TREND											
<b>*AVG =</b> Average basis for North-East and Mid-East																								
<b>CLASS III MILK FUTURES (\$/CWT)</b> vs. wk ago: Jan-May down \$0.20-0.30, Jun-Dec down \$0.10-0.20																								
	15.31	15.55	16.19	17.08	17.75	18.09	18.27	18.35	18.49	18.48	18.43	18.28	12-Month Avg. 17.52 NC ↓↓											
<b>CLASS IV MILK FUTURES (\$/CWT)</b> vs. wk ago: Jan-Apr up \$0.50, May-Dec. firm to \$0.15 higher, mostly up \$0.10.																								
	19.33	19.10	19.30	19.45	19.55	19.72	19.90	19.99	20.08	20.00	19.98	19.77	12-Month Avg. 19.68 ↑↑											
<b>*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered</b>																								
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>	15.25	0.13	15.50	0.40	16.25	0.63	17.00	0.68	17.75	0.91	18.00	0.96	18.25	1.01	18.25	1.01	18.50	1.18	18.50	1.18	18.50	1.29	18.25	1.25
<b>MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</b>																								
PA	1.17	0.62	1.53	2.29	1.82	1.58	0.99	1.03	0.95	0.79	0.60	0.79												
*AVG	0.85	1.67	2.55	2.15	1.66	1.45	1.25	1.31	1.15	0.69	0.74	1.38												
<b>DMC OFFICIAL GROSS MARGINS per cwt(USDA All-Milk, com, alfalfa &amp; Ill. soybean, feed for ALL CLASSES of dairy cattle on farm) Updated with NEW prem. alfalfa feed cost</b>																								
DMC	SEP-22	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	*NOV-23									
	8.62	10.71	10.89	9.76	7.94	6.19	6.08	5.84	4.83	3.65	3.52	6.46	8.44	9.44	*9.58 ↑↑									

	AUG-22	SEP-22	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	*NOV-23	TREND
<b>U.S. AVG PREMIUM ALFALFA &amp; ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report</b>																	
308.17	290.70	300.10	289.50	296.50	266.60	297.25	277.00	290.00	292.86	244.27	254.92	243.50	238.50	217.82	*240.41 ↑↑		
<b>U.S. AVG. BRED COWS &amp; HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report</b>																	
1407	1265	1310	1290	1300	1250	1352	1342	1330	1400	1559	1502	1540	1500	1741	*2108 ↑↑		
<b>U.S. AVG. FRESH COWS per head as reported by USDA Monthly National Dairy Comprehensive Report</b>																	
1417	1384	1701	1526	1531	1436	1487	1493	1544	1469	1792	1615	1634	1643	1830	*1988 ↑↑		

	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25	JUL-25	SEP-25	DEC-25	MAR-26	MAY-26	TREND
<b>CORN FUTURES (\$/BU)</b>													
	4.652	4.780	4.882	4.912	4.984	5.094	5.146	5.154	4.992	4.972	5.036	5.072	↓↓
WEEK AGO													
	4.726	4.852	4.946	4.964	5.032	5.136	5.190	5.192	5.052	5.036	5.140	5.186	

	JAN-24	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24	OCT-24	DEC-24	JAN-25	MAR-25	MAY-25	JUL-25	TREND
<b>SOYMEAL FUTURES (\$/TON)</b>													
	381.0	380.4	379.3	380.3	378.3	375.3	371.8	373.4	372.9	370.6	369.9	371.2	↓↓
WEEK AGO													
	403.2	392.4	388.7	389.3	386.5	382.7	378.4	380.1	379.5	376.9	375.7	376.7	

	*AUG. 2023			CME DAIRY CASH-SETTLED FUTURES (\$/LB) 01/03/24												SPOT CASH TREND	
	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	DEC23	JAN24	FEB24	MAR24	APR24	MAY24	JUN24			01/03/24				
<b>*NEW FEED = \$/CWT.</b>	*AUG (estimated)	*8.84 ↓↓	*8.14 ↑↑	*14.78 ↑↑	NFDM	1.214	1.211	1.229	1.250	1.267	1.286	1.302	↑↑	1.1800 ↑↑			
<b>IOFC = \$/COW</b>	PREV MO	9.16	6.18	13.05	WHEY	0.425	0.423	0.416	0.434	0.436	0.440	0.465	↓↓	0.4000 ↑↑			
<b>YR AGO</b>	YR AGO	9.38	12.61	219.65	BUTTER	2.625	2.582	2.586	2.589	2.586	2.595	2.605	↑↑	2.6850 ↑↑			
					CHEESE	1.540	1.578	1.6500	1.735	1.795	1.830	1.853	↓↓	See Below			
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price																
	CME SPOT CHEESE: BARRELS 1.4150 / 40 LB BLOCKS 1.4450 ↑↑ / ↓↓																

	*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB) * = *NEW					
	CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S	ALL-MILK-PA	WEIGHTED AVG. 4-WK NOV. 1-25, 2023			NOV. 2023 COMPONENTS		
	18.48(JAN)	21.21(NOV)	17.15(NOV)	20.87(NOV)	21.70(NOV) ↑↑	23.10(NOV) ↑↑						
	MONTH AGO											
	19.76	21.95	16.84	21.49	21.60 4.21F	22.80 4.08F						
	YEAR AGO											
	22.58	24.67	21.01	23.30	25.40 4.23F	26.60 4.12F						

	CATTLE - DAIRY PURPOSES (\$/HD) NOV. 29, 2023, New Holland PA) Receipts up slightly from a year ago, but over half (53%) were open and bred heifers selling generally steady compared to one month ago while 30% of receipts were fresh/milking cows and 9% springer heifers, with both of those classes selling \$300-500 higher than a month ago.					
	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Beef x
	2075	1600	2125	1650	2100	
	MONTH PRIOR			MONTH PRIOR		
	1590	1585	1625	1700	1690	
				625	750	1375
				N/A		

	PA Auction Markets Dec. 29, 2023 - Jan. 2, 2024			FED HOLSTEIN STEERS (\$/CWT LIVWEIGHT)			CURRENT Beef X			2 WEEKS AGO			YR AGO		
	CULL MARKET COWS (\$/CWT LIVWEIGHT)			Choice & Prime 1250-1550 lbs light test			135.10(ltd)			159.10			114.25		
	Premium White			Breakers Boners Lean			BULL CALVES: No. 1 & 2, 90-130 lbs			325.00			590.00		
							70-85 lbs			400.00			600.00		
										315.00			590.00		
										365.00			635.00		
										160.00			120.00		

brought to you by:

Price averages do not include lower-end common

Average to high dressing

	TWO WEEKS AGO			
	N/A	96.75	87.00	80.10
	YEAR AGO			
	N/A	80.25	70.75	71.75