

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JAN. 4, 2023 — except where noted

**ZACH MYERS**  
Risk Education Manager  
336-468-0726  
zmyers@centerfordairyexcellence.org

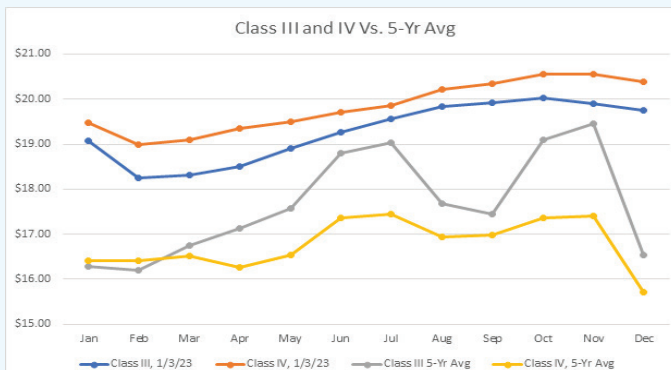
**Tighter margins expected in 2023:** January 3, 2023 marked the first day of trading in the new year. Unfortunately, Class III and Class IV milk prices continued the downward trends that started last year. To start 2023, there are a lot of market dynamics that are pressuring milk prices to continue to move lower. With a larger, more efficient herd size, more robust international supply and input costs remaining high, margins during 2023 will not be as positive as they were in 2022.

meal will average \$448.64 per ton, and alfalfa will average \$300.77 per ton. These feed prices give a total DMC feed cost of \$13.90 per cwt for 2023, nearly \$1.00 less than 2022's projected \$14.82 average. The Decision Tool estimates that the U.S. all-milk price will average \$22.38 during 2023. This gives an average margin of \$8.48 this coming year compared to \$10.73 over the past year. With a slightly lower 2023 feed cost compared to 2022, the reduction in the DMC margin is due entirely to lower project milk prices through 2023. Margins in Jan. through Sept. are expected to trigger indemnities each month. These projections range from a margin low of \$7.24 in March to a high of \$10.29 in December.

Class III and IV did not start the new year heading in the correct direction. Both milk prices traded mostly down over the next 12 months. At the end of closing on Jan. 3, the 12-month average Class III milk price was \$19.28 per cwt, down 67 cents from mid-December. The Class IV price averaged \$19.83 per cwt, down 56 cents. However, Class III and IV milk prices continue to be \$1.62 and \$3.05 per cwt higher, respectively, than their 5-year average. The USDA currently projects Class III milk price at an average of \$19.80 per cwt, while projecting \$20.10 for Class IV.

If the current projected margins become reality, the \$9.50 per cwt DMC margin coverage would provide a net benefit to enrolled dairy farms of \$9,494 per 1 million pounds of enrolled production history, or \$47,469 for an operation that maxes out the 5-million-pound tier-one cap. With margins projected to be tight this year, that money can be helpful to fill in the gaps. These margins are not guaranteed, but USDA is projecting a 100% probability that DMC will provide a net benefit this year. The deadline to enroll in DMC for this program year was extended until January 31, 2023.

The mid-December USDA forecasts for 2023 show 10,000 more cows (9.420 million) compared to 2022's projected 9.410 million head. Increased production per cow is also expected with the average cow producing 24,370 pounds, 245 pounds more than were projected for 2022. This is expected to lead to 229.5 billion pounds of total production, up 2.5 billion pounds (+1.1%) compared to 2022. Final 2022 cow numbers and production will be published in mid-February 2023.



The Nov. DMC Margin was announced at \$10.89 per cwt, an 18 cent improvement compared to Oct. Total feed cost fell 48 cents compared to Oct. to \$14.71 per cwt, and the U.S. all-milk price fell 30 cents to \$25.60. The Dec. DMC margin is projected to be \$9.71. The actual Dec. margin will be announced the end of Jan. Given the projected Dec. margin and the actual margins for the rest of 2022, the average is estimated at \$10.73 for 2022.

Feed prices are expected to be lower in 2023 but will remain historically high. Once all row crop data is in, 2022 corn and soybean yields are expected to be down from 2021. This could further tighten supplies as demand remains high. According to the Dec. 29 Dairy Margin Coverage (DMC) Decision Tool, corn is expected to average \$6.05 per bu, soybean

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. 4, 2023 AT THE CLOSE																
	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	TREND			
<b>CLASS III MILK FUTURES (\$/CWT) vs. *2 weeks ago:</b> Jan23 up \$0.10, Feb-Nov23 \$0.35-0.75 lower, Dec23 down \$0.15.	18.85	18.16	18.22	18.50	18.76	19.15	19.40	19.60	19.75	19.91	19.81	19.57	↓			
<b>CLASS IV MILK FUTURES (\$/CWT) vs. *2 weeks ago:</b> Jan-Feb23 down \$0.75-0.90, Mar-Dec23 \$0.25-0.50 lower, except Oct and Dec off \$0.10.	19.41	18.86	19.09	19.35	19.50	19.71	19.86	20.21	20.35	20.62	20.52	20.30	↓			
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>	18.75 0.19	18.25 0.59	18.00 0.63	18.50 0.88	18.75 0.98	19.25 1.14	19.25 1.11	19.50 1.23	19.75 1.36	20.00 1.49	19.75 1.45	19.50 1.53				
<b>MILK BASIS (\$/CWT) — PA BASIS &amp; 2016-19 AVG OF 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				
<b>*AVG YELLOW =</b>	0.85	1.67	2.55	2.15	1.66	1.45	1.25	1.31	1.15	0.67	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>	SEP-21	OCT-21	NOV-21	DEC-21	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	*NOV-22	TREND
DMC	6.69	8.54	9.14	9.53	11.54	10.98	11.55	12.29	12.51	11.92	9.92	8.08	8.62	10.71	*10.89	↑

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report																
	AUG-21	SEP-21	OCT-21	NOV-21	DEC-21	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22
235.20	246.10	256.09	262.84	242.90	270.34	253.80	278.02	280.00	322.00	321.17	312.50	308.17	290.70	300.10	289.50	↓
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report																
1065	993	1018	1062	1152	1151	1237	1253	1390	1278	1184	1350	1407	1265	1310	1290	↓

CORN FUTURES (\$/BU)													
	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25	TREND
6.536	6.540	6.492	6.092	5.946	6.024	6.062	6.052	5.568	5.602	5.676	5.692		MIXED
*TWO WEEKS AGO*													
6.520	6.520	6.462	6.092	5.962	6.044	6.080	6.070	5.580	5.654	5.684	5.642		

SOYMEAL FUTURES (\$/TON)													
	JAN-23	MAR-23	MAY-23	JUL-23	AUG-23	SEP-23	OCT-23	DEC-23	JAN-24	MAR-24	MAY-24	JUL-24	TREND
452.4	482.5	462.7	452.8	446.7	436.9	423.9	411.4	410.3	408.4	403.2	399.7		↑
*TWO WEEKS AGO*													
452.4	449.3	442.0	437.5	430.2	419.7	408.1	406.1	404.0	399.8	396.4	394.7		

PA MILK MARGIN & IOFC—LATEST PSU VALUES — OCT 2022				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 01/04/23							SPOT CASH TREND		
FEED =	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JAN	FEB	MAR	APR	MAY	JUN	JUL			01/04/23
OCT (estimated)	9.21	13.26	20.18	1.356	1.300	1.300	1.315	1.337	1.357	1.370	↓	↓	1.3100
PREV MO	9.25	12.63	19.58	0.420	0.395	0.392	0.397	0.419	0.420	0.435	↓	↓	0.4150
YR AGO	7.64	9.19	12.26	2.339	2.317	2.370	2.390	2.395	2.415	2.442	Mixed	↓	2.3800
				1.925	1.878	1.877	1.903	1.937	1.965	2.000	↓	↓	See Below
CME SPOT CHEESE: BARRELS 1.7150 / 40 LB BLOCKS 1.9725 ↑ / ↓													

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)													
CL I ADV	CL II	CL III	CL IV	*ALL-MILK-U.S.	*ALL-MILK-PA	CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW							
*22.41(JAN)	24.67(NOV)	21.01(NOV)	23.30(NOV)	*25.60(NOV)	*26.60(NOV)	WEIGHTED AVG. 4-WK NOV. 1-28, 2022	PRODUCT	VALUE	MAKE ALLOW	NET	NOV 2022 COMPONENTS		
				4.23F	4.12F	CHEESE	2.0897	0.2003	1.8894	↓	PROT	2.5374	↑
						BUTTER	2.9560	0.1715	2.7845	↓	B.FAT	3.3720	↓
						NFDM	1.5045	0.1678	1.3367	↓	N.FAT	1.3233	↓
						DRYWHEY	0.4745	0.1991	0.2754	↓	OTHER	0.2837	↓

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. Dec. 28, 2022 sale New Holland, PA)													
COWS: Fresh	Bred	Springing	*HEIFERS: Bred	Springing	Beefx	Open:	300-600 lbs	Beef X	600-900 lbs	Beef X	900-1300 lbs	BULLS(900+ lbs)	
1575	1300	1425	1325	1450	1000	415	N/A	680	N/A	865	900	IND.	
*TWO WEEK AGO COMPARISON*													
1635	1200	1200	1275	1450	N/A	N/A	N/A	N/A	N/A	N/A	1260		

CULL MARKET COWS (\$/CWT LIVELWEIGHT)				FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)				BULL CALVES:			
Premium White	Breakers	Boners	Lean	Choice & Prime	1250-1550 lbs	light test	70-85 lbs	No. 1 & 2	90-130 lbs	70-85 lbs	70-85 lbs
80.25	75.75	71.75		114.25	LTD			160.00	210.00	120.00	175.00
*TWO WEEKS AGO*				CURRENT Beef X				*2 WEEKS AGO*			
N/A	76.50	63.85	62.72	128.00				190.00	350	150.00	395
YEAR AGO				YR AGO				YR AGO			
63.50	68.35	60.25	49.25	116.00				115.00		70.00	

Price averages do not include lower-end common

Average to high dressing

brought to you by: