

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JAN. 19, 2022 — except where noted



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**Milk prices continue to improve:** After several years of low to borderline milk prices, current market conditions show significant improvement to milk prices as we begin 2022. Milk futures on the Chicago Mercantile Exchange (CME) are showing the highest Class III and IV prices since 2014. The Class III price in 2014 averaged \$22.34 per cwt and Class IV averaged \$22.09. Class IV and III milk prices inverted in November 2021 with Class III settling at \$18.03 per cwt, and Class IV settling 76 cents per cwt higher at \$18.79. The gap widened in December with Class IV settling at \$19.88 per cwt, \$1.52 higher than the \$18.36 per cwt Class III settled price. According to the futures market at the end of business on January 18, Class IV is expected to remain higher than Class III all next year. The current Class III milk futures market averages \$21.30 per cwt, \$1.04 per cwt less than 2014, and Class IV averages \$22.42, 33 cents per cwt higher than 2014.

Each month the USDA releases a World Agricultural Supply and Demands Estimate (WASDE) report. The most recent WASDE report, dated January 12, 2022, shows improved milk price projections in 2022. It reported an increase over the December 2021 WASDE projections that result from the recent increase in dairy product prices and milk prices through the end of December into the first part of January prior to publishing of the January WASDE report. Class III is projected to average 19.65 per cwt in 2022. This is \$1.50 more than the projected average reported last month and \$2.57 higher than the projected final 2021 average. The Class IV milk price estimate for 2022 is \$20.90 per cwt. This is an increase of \$1.90 over last month's projection for Class IV during 2022 and an impressive \$4.81 higher than the projected 2021 Class IV final price of \$16.09 per cwt. The projected U.S. all-milk price follows the same trend. The January WASDE report projects the all-milk price to equal \$22.60 per cwt. This is a \$1.85 increase over the December 2021 projection for 2022 and \$3.95 higher than the projected 2021 final U.S. all-milk price of \$18.65 per cwt.

I have already been asked the question by several individuals about

*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*

signing up for Dairy Margin Coverage (DMC) now that 2022 is looking to be perhaps the best milk prices since 2014 when the U.S. all-milk price averaged \$23.98 per cwt. I understand the hesitation.

However, DMC should be looked at as an insurance policy that sets a milk price floor, not whether it is projected to provide a benefit. Based on the USDA's online DMC Decision Tool, the DMC feed cost is expected to average \$11.74 per cwt in 2022. If a dairy farmer elects the maximum \$9.50 per cwt margin coverage for 15 cents per cwt., that sets a U.S. all-milk price floor of \$21.24 for up to 5 million pounds of production history.

The DMC Decision Tool still reports a blended alfalfa hay price and has not been updated to include the change to 100% of the high-quality alfalfa hay price. So, the projected price floor will increase once the tool is updated to include the correct hay price. The \$9.50 margin coverage premium per 1 million pounds is \$1,500, relatively inexpensive considering the high milk price floor it sets. DMC enrollment is open now at your local Farm Service Agency (FSA) office until February 18, 2022. During enrollment for 2020, the DMC Decision Tool was not projecting a payment. A lot of the nation's dairy farmers used those projections as a basis to not enroll. However, within three month of the 2020 enrollment deadline, Class III and IV milk prices dropped to their lowest since the 2009 market crash and DMC ended up providing a net benefit of 72 cents per cwt after the retroactive hay price change became official last year. There is still ample concern that the pandemic will spike again this winter and put downward pressure on an already volatile market.

Don't forget the PA Dairy Summit Feb. 2-3 in Lancaster. It is hosted by the Professional Dairy Managers of Pennsylvania and the Center for Dairy Excellence and sponsored by numerous businesses from across the state and region. Please thank our 2022 sponsors by visiting them at the trade show during the Dairy Summit. Find out more at padairysummit.org

## CME DAILY FUTURES & OPTIONS TRADING — JAN. 19, 2022 AT THE CLOSE

	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22	DEC-22	TREND					
<b>CLASS III MILK FUTURES (\$/CWT)</b> vs. wk ago: Jan.-Apr. \$0.10 to \$1.30 lower, rest unevenly steady to \$0.15 higher or lower. <b>12-Month Avg. 21.13</b> ↓↓	20.23	21.31	22.32	21.94	21.60	21.30	21.20	21.11	21.10	20.91	20.54	19.99	↓↓					
<b>CLASS IV MILK FUTURES (\$/CWT)</b> vs. wk ago: Jan. \$0.10 lower, Feb-May \$0.25-0.65 higher, rest of board \$0.10-0.70 lower. <b>12-Month Avg. 22.25</b> ↓↓	22.71	23.56	23.76	23.30	22.91	22.30	22.24	21.87	21.42	21.54	20.89	20.44	↓↓					
----- HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III CONTRACTS OVER LIFE OF CONTRACT & MONTH/DATE OF OCCURRENCE -----																		
	20.66 01/22	22.63 01/22	22.38 02/22	21.98 01/22	21.50 01/22	21.30 01/22	21.34 01/22	21.20 01/22	21.10 01/22	20.89 01/22	20.67 01/22	20.20 01/22						
	11.28 05/20	11.28 05/20	11.03 04/20	11.20 04/20	11.12 04/20	11.20 05/20	11.20 04/20	11.12 05/20	11.20 05/20	11.12 04/20	11.31 04/20	11.20 05/20						
<b>MILK BASIS (\$/CWT) — PA BASIS &amp; 2016-19 AVG OF PA/NY/VT/OH</b> — <b>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</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 the farm)</b> *Updated with NEW prem. alfalfa feed cost*	DMC	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	SEP-21	OCT-21	NOV-21		
		*9.26	*10.97	*11.64	*8.54	*6.90	*5.97	*6.26	*6.77	*6.67	*6.03	*5.47	*5.03	*6.69	*8.54	*9.14	↑↑	
<b>U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg &amp; USDA's All-Milk price, USDA-reported com &amp; alfalfa hay &amp; Ill. soybean prices (lactating feed only)</b>	JUL-20	AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	*SEP-21	*OCT-21		
	15.04	13.43	12.33	14.44	15.47	12.51	11.25	10.51	10.66	11.31	11.53	10.77	10.19	9.79	*10.05	*11.74	↑↑	
<b>PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA com &amp; alfalfa hay &amp; Buff., NY soybean prices (lactating feed only)</b>	JUL-20	AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	9.82	*10.68	*12.47	↑↑
	12.67	11.10	10.91	11.31	12.36	10.53	8.56	8.15	9.24	9.37	9.76	10.20	10.04	9.82				

<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>																							
20.25	0.07	21.00	0.31	22.25	1.05	22.00	1.41	21.50	1.48	21.25	1.60	21.25	1.75	21.00	1.68	21.00	1.73	21.00	1.76	20.50	1.62	18.75	1.58
MAR-22			JUL-22			DEC-22			Example Daily Strike Price / Premium			MAR-22			JUL-22			DEC-22					
<b>CORN (\$/BU) OPTIONS — CALLS</b>						<b>SOYMEAL (\$/TON) OPTIONS — CALLS</b>																	
5.75	39.40	6.10	40.40	6.20	32.60	360	39.45	390	27.75	380	29.50	420	04.75	480	05.55	500	04.40						
6.65	03.20	8.30	04.20	8.10	08.10																		

<b>CORN FUTURES (\$/BU)</b>													
MAR-22	MAY-22	JUL-22	SEP-22	DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	JUL-24	DEC-24	TREND	
6.104	6.110	6.072	5.780	5.646	5.724	5.754	5.750	5.434	5.384	5.452	5.464	↑↑	
----- WEEK AGO -----													
5.990	6.006	5.980	5.710	5.582	5.660	5.686	5.686	5.380	5.342	5.410	5.410		

<b>SOYMEAL FUTURES (\$/TON)</b>													
JAN-22	MAR-22	MAY-22	JUL-22	AUG-22	SEP-22	OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	JUL-23	TREND	
398.3	395.9	395.3	390.9	383.4	374.7	374.0	372.2	367.3	364.8	364.8	361.4	↓↓	
----- WEEK AGO -----													
431.0	416.2	414.2	413.7	407.7	397.1	384.8	383.0	379.5	372.7	368.1	367.5		

<b>*NEW PA MILK MARGIN &amp; IOFC—LATEST PSU VALUES — *OCT 2021</b>				<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 01/19/22</b>												<b>SPOT CASH TEND</b>		
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	01/19/22	01/19/22	
	*OCT (estimated) *8.52 ↓↓	*9.35 ↑↑	*12.47 ↑↑	NFDM	1.641	1.730	1.780	1.778	1.761	1.734	1.691	1.691	1.691	1.691	1.691	1.691	1.691	1.8500 ↑↑
IOFC = \$/COW	PREV MO 8.54	8.01	10.68	WHEY	0.690	0.735	0.762	0.745	0.735	0.720	0.720	0.720	0.720	0.720	0.720	0.720	0.720	0.7800 ↑↑
	YR AGO 7.49	8.48	11.31	BUTTER	2.550	2.555	2.500	2.417	2.355	2.345	2.355	2.355	2.355	2.355	2.355	2.355	2.355	2.8825 ↑↑
				CHEESE	1.894	1.976	2.078	2.054	2.024	2.010	2.016	2.016	2.016	2.016	2.016	2.016	2.016	See Below ↓↓
				<b>CME SPOT CHEESE: BARRELS 1.9050 / 40 LB BLOCKS 1.8450 NC / ↓↓</b>														

<b>*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>														<b>CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW</b>				
CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK	DEC. 1-31, 2021	*DEC. 2021 COMPONENTS										
19.71 (JAN)	19.84 (DEC)	18.36 (DEC)	19.88 (DEC)	20.80 (NOV) ↑↑	21.50 (NOV) ↑↑	PRODUCE	1.7542	0.2003	1.5539	↓	PROT	2.5937	↓					
----- MONTH AGO -----						BUTTER	2.0641	0.1715	1.8926	↑	B.FAT	2.2919	↑					
19.17	18.40	18.03	18.79	19.70	19.90	NFDM	1.5471	0.1678	1.3793	↑	N.FAT	1.3655	↑					
----- YEAR AGO -----						DRYWHEY	0.6391	0.1991	0.4400	↑	OTHER	0.4532	↑					
15.14	14.01	15.72	13.36	21.10	20.20													

<b>CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. Jan. 19, 2022 sale New Holland, PA)</b>																											
<b>COWS: Fresh</b>				<b>Bred Springing</b>				<b>HEIFERS: Bred</b>				<b>Springing</b>		<b>Beef x</b>		<b>Open: 300-600 lbs</b>		<b>Beef X</b>		<b>600-900 lbs</b>		<b>900-1000 lbs</b>		<b>BULLS (1000 lb)</b>			
1150	1135	1300	1175	1175	N/A	N/A	N/A	N/A	N/A	1050	LTD	1200	LTD	1075	LTD												
----- 2 WEEKS AGO COMPARISON -----																											
1200	1150	1200	900	1150	N/A	375	N/A	625	750	N/A																	
<b>FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)</b>														<b>CURRENT</b>		<b>Beef X</b>		<b>WEEK AGO</b>		<b>YR AGO</b>							
Choice & Prime 1250-1550 lbs light test														107.00		110.00	75.00	75.00	↓								
<b>BULL CALVES: No. 1 &amp; 2, 90-130 lbs</b>														125.00	210.00	115.00	72.00	72.00	↑								
70-85 lbs														N/A	150.00	90.00	75.00	75.00	↑								

Price averages do not include lower-end common

Average to high dressing

----- TWO WEEKS AGO -----

----- YEAR AGO -----

60.00      78.60 ↑↑      71.75 ↑↑      64.60 ↑↑

N/A      68.50      60.25      50.50

56.75      52.50      48.50

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