

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JAN. 26, 2022 — except where noted

**JANUARY:** We seem to be in the dead of winter with temperatures falling and snow on the ground. Though temperatures in Pennsylvania seem to be getting colder, milk prices across the nation continue to heat up.

Class III and IV prices continued their upward march during January. Class III and IV prices continue to be inverted with the 12-month average Class IV milk price \$1.50 per cwt higher than the Class III 12-month average. Based on January 24 closing prices, the average Class III for the next 12 months is \$20.72 per cwt, \$1.20 higher compared to this time last month and \$3.89 more than one year ago. The 12-month average Class IV price improved to \$22.21 per cwt during January. This is \$1.74 per cwt more compared to the end of December and \$6.87 more than this time one year ago. What continues to drive milk prices higher?

The U.S. herd size in December continued declining year-over-year (YOY) for the 3rd month in a row. Dairy cow numbers dropped 67,000 head (-0.7%) compared to Dec. 2020. The national herd is now 9.375 mil/head. The larger drop in cow numbers is observed when comparing May 2021's high of 9.507 mil. to December's herd size. The U.S. herd size decreased by 7,000 compared to Nov. and 132,000 head since May (-1.4%). U.S. milk production followed a similar trend. Dec. milk production fell by a slight 0.14% to 18.825 bil. pounds, 26 mil. pounds less than one year ago. Milk production per cow increased by about one half of a pound per day to 74.5 pounds compared to Dec. 2020. This means the drop in cow numbers was the main driver in decreased total milk production.

PA accounted for 2,000 of the 7,000 head reduction in cow numbers from November to December. The PA dairy cow herd was 470,000 down 2,000 head from Nov. to Dec. The Dec. herd size is about 8,000 less (-1.7%) compared to the PA herd size one year ago. Total milk production across the Commonwealth followed the national production trend. However, PA had a more pronounced decline of 2.6%. PA milk production was 834 mil. pounds, 22 mil. pounds less than one year ago. Total milk production declined despite a 1.4-pound increase in milk production per cow. The average

PA cow produced 65.8 pounds in Dec. 2021, 0.9% more compared to Dec. 2020.

Although export data runs one month behind much of the other dairy information, all indications are that dairy export activity remains strong. Nov. dairy export volume grew to 192,278 metric tons (MT), 30,600 MT (+19%) more than Nov. 2020. Export value was even more impressive at \$667.4 mil., 32% more than Nov. 2020. Increased export volume coupled with increased dairy product costs contributed to the significant increase in value. Nonfat dry milk/skim milk powder and cheese led export growth.

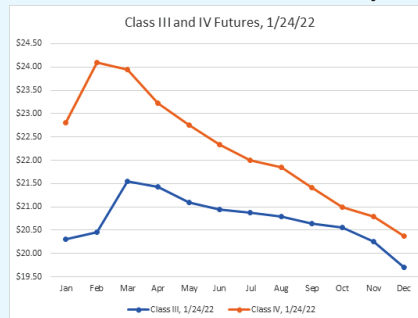
With less milk to turn into dairy products, butter and powder production are down 10% and 15%, respectively. Cheese production is up marginally at 1.6%. With strong domestic and international demand and lower production, butter and powder stocks were reduced by 27% and 21%, respectively. Cheese stocks grew about 3.5% over a year ago, but this is less than typical for this time of year. All of this is helping to bolster prices.

The Center for Dairy Excellence in conjunction with the PA Beef Producers Working Group, Center for Beef Excellence, and Center for Poultry and Livestock Excellence are asking farmers and agriculture employees to complete a confidential Mental Wellness Survey. Results will be used to assess mental well-being and develop future programming. Visit [centerfordairyexcellence.org/mental-wellness-survey](https://centerfordairyexcellence.org/mental-wellness-survey) to access the surveys and complete by Feb. 15.



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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. 26, 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			
*AVG = Average basis for North- East and Mid-East	CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Jan. a nickel higher, Feb-July \$1-2 lower, Aug-Dec \$0.30-0.55 lower											12-Month Avg. 20.32↓↓				
	20.28	19.51	20.17	20.57	20.62	20.62	20.65	20.60	20.50	20.40	20.15	19.80	↓↓			
	CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Jan. \$0.10 higher, Feb-July \$0.30-0.70 lower, Aug-Dec steady to \$0.30 lower.											12-Month Avg. 21.87↓↓				
	22.80	23.20	23.23	22.60	22.17	21.95	21.85	21.58	21.26	20.97	20.65	20.21	↓↓			
	----- 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				
*MARGIN = Milk Price over Feed Cost	MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)															
	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	0.67	0.74	1.38			
per cwt. YELLOW = payment triggered	DMC OFFICIAL GROSS MARGINS per cwt.(USDA All-Milk, com/alfalfa & Ill. soybean, feed for all classes of dairy cattle on the farm) *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
	U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg & USDA's All-Milk price, USDA-reported com & alfalfa hay & Ill. soybean prices (lactating feed only)															
	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
	PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA com & alfalfa hay & Buff., NY soybean prices (lactating feed only)															
	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	*10.68	*12.47

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium														
20.25 0.03	19.50 0.31	20.25 0.87	20.50 1.09	20.75 1.32	20.50 1.30	20.75 1.53	20.50 1.44	20.50 1.51	20.50 1.58	20.25 1.58	19.75 1.48			
MAR-22				JUL-22				DEC-22						
CORN (\$/BU)				OPTIONS — CALLS				Example Daily Strike Price / Premium	MAR-22 JUL-22 DEC-22					
									SOYMEAL (\$/TON) OPTIONS — CALLS					
5.75 39.40	6.10 40.40	6.20 32.60					360 39.45	390 27.75	380 29.50					
6.65 03.20	8.30 04.20	8.10 08.10					420 04.75	480 05.55	500 04.40					



CORN FUTURES (\$/BU)													TREND
MAR-22	MAY-22	JUL-22	SEP-22	DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	JUL-24	DEC-24		
6.270	6.250	6.192	5.852	5.726	5.802	5.832	5.830	5.504	5.444	5.520	5.520	↑↑	
----- WEEK AGO -----													
6.104	6.110	6.072	5.780	5.646	5.724	5.754	5.750	5.434	5.384	5.452	5.464		

SOYMEAL FUTURES (\$/TON)												TREND
JAN-22	MAR-22	MAY-22	JUL-22	AUG-22	SEP-22	OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	JUL-23	
400.5	399.7	398.8	392.9	384.6	375.8	374.7	371.9	366.2	362.9	362.7	360.0	MIXED
----- WEEK AGO -----												
398.3	395.9	395.3	390.9	383.4	374.7	374.0	372.2	367.3	364.8	364.8	361.4	

* = NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES – *OCT 2021				CME DAIRY CASH-SETTLED FUTURES (\$/LB)					01/26/22	SPOT CASH TREND			
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JAN	FEB	MAR	APR	MAY	JUN	JUL	01/26/22		
*OCT (estimated)	*8.52↓	*9.35↑	*12.47↑	NFDM	1.641	1.735	1.752	1.734	1.702	1.676	1.668	↓ 1.7775 ↓	
				WHEY	0.700	0.755	0.790	0.782	0.767	0.747	0.725	↑ 0.8200 ↑	
IOFC = \$/COW	PREV MO	8.54	8.01	BUTTER	2.613	2.485	2.400	2.340	2.302	2.301	2.320	↓ 2.4900 ↓	
	YR AGO	7.49	8.48	CHEESE	1.894	1.7900	1.835	1.883	1.893	1.905	1.925	See Below	
					CME SPOT CHEESE, BARREL S					1.6625	40 LB BLOCKS	1.7300	↓ / ↓

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 01/26/22 SPOT CASH TREND														TREND
	JAN	FEB	MAR	APR	MAY	JUN	JUL							01/26/22
NFDM	1.641	1.735	1.752	1.734	1.702	1.676	1.668	↓	↓	↓	↓	↓	↓	1.7775 ↓
WHEY	0.700	0.755	0.790	0.782	0.767	0.747	0.725	↑	↑	↑	↑	↑	↑	0.8200 ↑
BUTTER	2.613	2.485	2.400	2.340	2.302	2.301	2.320	↑	↑	↑	↑	↑	↑	2.4900 ↑
CHEESE	1.894	1.790	1.835	1.883	1.893	1.905	1.925	↓	↓	↓	↓	↓	↓	See Below
CME SPOT CHEESE: BARRELS 1.6625 / 40 LB BLOCKS 1.7300 ↓ / ↓														

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. Jan. 19, 2022 sale New Holland, PA)											
COWS: Fresh    Bred    Springing    HEIFERS: Bred    Springing    Beef x    Open: 300-600 lbs    Beef X    600-900 lbs    900-1000 lbs <b>BULLS</b> (1000 lb)											
1150    1135    1300    1175    1175    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											
Avg. of prices reported by USDA Market News for PA Auction Markets Jan. 20-25, 2022											
CULL MARKET COWS (\$/CWT LIVELWEIGHT											
Premium White    Breakers    Boners    Lean											
60.00    79.75↑↑    72.85↑↑    73.00↑↑											
----- TWO WEEKS AGO -----											
N/A    78.60    71.75    64.60											
----- YEAR AGO -----											
55.75    54.25    48.60											

Price averages do not include lower-end 'common'

Average to high dressing

FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)

Choice & Prime 1250-1550 lbs light test

**BULL CALVES:**    No. 1 & 2, 90-130 lbs

70-85 lbs

CURRENT

112.00

130.00

110.00

Beef X

N/A

250.00

175.00

WEEK AGO

107.00

125.00

N/A

YR AGO

82.00

83.00


45.00


↑↑


↑↑

↑↑

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FARMSHINE

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DEPARTMENT OF AGRICULTURE

Average to high dressing

Premium White	Breakers	Boners	Lean
60.00	79.75↑↑	72.85↑↑	73.00↑↑
----- TWO WEEKS AGO -----			
N/A	78.60	71.75	64.60
----- YEAR AGO -----			
55.75	54.25	48.60	

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