

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — FEB. 2, 2022 — except where noted



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**Dairy Margin Coverage:** The December 2021 Dairy Margin Coverage (DMC) margin was announced earlier this week and is the first time in 13 months to eclipse the maximum \$9.50 margin coverage, albeit just barely. The DMC margin was announced as \$9.53 per cwt. A \$1.00 per cwt increase in the all-milk price overwhelmed a 61 cents per cwt increase in the DMC feed cost compared to November 2021 to raise the DMC margin above \$9.50 for the first time since November 2020.

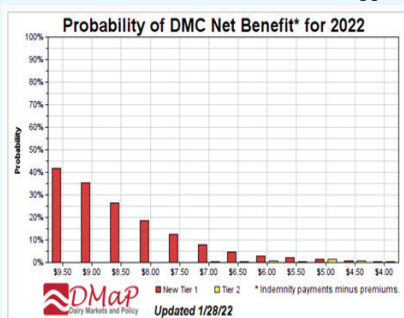
The December U.S. all-milk price was announced as \$21.80 per cwt and the DMC feed cost increased to \$12.27 per cwt compared to November's prices of \$20.80 and \$11.66, respectively. Corn, soybean meal, and alfalfa hay prices increased through December. Corn increased 20 cents per bushel to \$5.47 which is equivalent to \$195.36 per ton, \$7.14 per ton more than November. Superior alfalfa also increased by \$7 per ton to \$253.00. The largest increase in the DMC feed price came from a \$40.80 increase in the soybean meal price to \$399.53 per ton.

DMC projections as of January 27 show that the average DMC feed cost for this year is \$11.88 per cwt, and the U.S. all-milk price averages \$22.79. This gives an average DMC margin of \$10.92 per cwt, \$1.42 higher than the maximum \$9.50 margin coverage. However, the \$9.50 margin coverage sets an average all-milk price floor of \$21.38 per cwt and costs 15 cents per cwt or \$1,500 per 1 million pounds of PH for up to 5 million pounds of production. There is not a current risk management option that sets a price floor that high for that low of a price. In the last 15 years, there has only been three years that the all-milk price averaged over \$20 per cwt, and only one of those years has averaged higher than the \$21.38 price floor that the DMC Decision Tool is currently projecting.

These projections are estimates based on what the market is doing today. We really do not know what will happen one month from now and have an even smaller chance of guessing what is going to happen by the end of 2022 with milk prices. During the DMC enrollment period for 2020, margin projections were similar to what they are now with no payout expected. However,

milk markets crashed after the pandemic hit, and it culminated in DMC providing a net benefit of 62 cents per cwt, or about \$7,600 per 1 million pounds of PH.

I cannot guarantee that the milk price will be as high as what is projected, nor can I guarantee that it will drop far enough to create a net benefit to DMC. However, I can guarantee that if you do not enroll in DMC and something happens to cause margins to drop below the \$9.50 margin coverage, you will not get a DMC payment. This high of a price floor probably locks in a profit of somewhere between \$2 and \$3 per cwt for the average Pennsylvania dairy producer. If you have a higher-than-average cost of production, you are at an even greater risk if you do not enroll in DMC this year. DMC enrollment is open at your local Farm Service Agency (FSA) office through February 18, 2022. Many FSA offices are operating by appointment only due to COVID-19 protocols. Call your FSA office to make an appointment to enroll. If you do not know the phone number, contact me via phone or email and I'll find it for you. Even with milk price projections as high as they are, there is a lot of volatility in the market causing a greater than 40% probability that DMC will provide a net benefit in 2022. If current DMC rules are applied retroactively to 2000, DMC would not have provided a net benefit in only two out of 22 years. Will 2022 be the third year? What if it is not? It would only take milk dropping \$1.50 per cwt for DMC to trigger payments. I'm thinking that peace of mind costs 15 cents per cwt.



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 — FEB. 2, 2022 AT THE CLOSE

	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22	DEC-22	JAN-23	TREND				
<b>CLASS III MILK FUTURES (\$/CWT)</b> vs. wk ago: Feb to Sept. \$0.70-1.40 higher, Oct 2022 to Jan. 2021 \$0.30-0.50 higher. <b>12-Month Avg. 20.91</b> ↑↑	20.31	21.51	21.60	21.49	21.39	21.33	21.22	21.10	20.80	20.50	20.10	19.60	↓↓				
<b>CLASS IV MILK FUTURES (\$/CWT)</b> vs. wk ago: Feb to Apr \$0.25-0.50 higher, May 2022 to Jan 2023 \$0.50-1.00 higher. <b>12-Month Avg. 22.14</b> ↑↑	23.45	23.74	23.15	23.24	22.50	22.30	22.13	21.65	21.45	21.09	20.75	20.23	↓↓				
----- HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III CONTRACTS OVER LIFE OF CONTRACT & MONTH/DATE OF OCCURRENCE -----																	
	22.63 01/22	22.38 02/22	21.98 01/22	21.50 01/22	21.39 02/22	21.34 01/22	21.22 02/22	21.10 01/22	20.89 01/22	20.67 01/22	20.20 01/22	20.20 01/22					
	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	11.20 05/20					
<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 0.62	1.53	2.29	1.82	1.58	0.99	1.03	0.95	0.79	0.60	0.79	1.17					
<b>*AVG</b>	1.67	2.55	2.15	1.66	1.45	1.25	1.31	1.15	0.67	0.74	1.38	0.85					
<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) Updated with NEW prem. alfalfa feed cost</b>	DMC	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	*OCT-21	*NOV-21	*DEC-21		
		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	*9.53	↑↑
<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	*SEP-21	*OCT-21	
	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	↑↑

<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>													
	MAR-22	JUL-22	DEC-22			MAR-22	JUL-22	DEC-22			MAR-22	JUL-22	DEC-22
20.25 0.10	21.50 0.70	21.50 1.04	21.50 1.25	21.50 1.43	21.25 1.45	21.25 1.52	21.00 1.50	20.75 1.54	20.50 1.51	20.00 1.44	19.50 1.38		
<b>CORN (\$/BU) OPTIONS — CALLS</b>													
	MAR-22	JUL-22	DEC-22			MAR-22	JUL-22	DEC-22			MAR-22	JUL-22	DEC-22
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
	6.224	6.222	6.172	5.836	5.730	5.802	5.826	5.822	5.502	5.456	5.532	5.532	MIXED
----- WEEK AGO -----													
	6.270	6.250	6.192	5.852	5.726	5.802	5.832	5.830	5.504	5.444	5.520	5.520	
<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
	435.1	433.5	430.2	419.4	404.7	391.5	390.6	387.0	377.7	372.2	369.8	362.3	↑↑
----- WEEK AGO -----													
	400.5	399.7	398.8	392.9	384.6	375.8	374.7	371.9	366.2	362.9	362.7	360.0	

<b>*NEW PA MILK MARGIN &amp; IOFC—LATEST PSU VALUES — *OCT 2021</b>				<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 02/02/22</b>								<b>SPOT CASH TEND</b>		
FEED =	FEED COST	IOFC (\$/COW	PA MILK MARGIN	JAN	FEB	MAR	APR	MAY	JUN	JUL		02/02/22	TREND	
\$/CWT.	(\$/CWT milk)	@ 75 lbs milk)	(\$/CWT milk)	NFDM	1.745	1.783	1.777	1.755	1.730	1.701	1.665	↑↑	1.7975	↑↑
IOFC =	*OCT (estimated)	*8.52	*9.35	WHEY	0.780	0.820	0.812	0.792	0.770	0.745	0.720	↑↑	0.8575	↑↑
\$/COW	PREV MO	8.54	8.01	BUTTER	2.499	2.450	2.405	2.360	2.376	2.399	2.384	↑↑	2.4525	↓↓
	YR AGO	7.49	8.48	CHEESE	1.859	1.950	1.870	1.975	1.964	1.981	1.996	↑↑	See Below	
			11.31	<b>CME SPOT CHEESE: BARRELS 1.8400 / 40 LB BLOCKS 1.8800</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	JAN. 1-29, 2022	PRODUCT	VALUE	MAKE ALLOW	NET	*JAN. 2022			
21.64(FEB)	*22.83(JAN)	*20.38(JAN)	*23.09(JAN)	*21.80(DEC) ↑↑	*22.30(DEC) ↑↑			*CHEESE	1.8978	0.2003	1.6975	↑↑	*PROT	2.3563	↑↑
				4.20F	4.11F			*BUTTER	2.6130	0.1715	2.4715	↑↑	*B.FAT	2.9567	↑↑
								*NFDM	1.6488	0.1678	1.4810	↑↑	*N.FAT	1.4662	↑↑
								*DRYWHEY	0.7087	0.1991	0.5096	↑↑	*OTHER	0.5249	↑↑

<b>CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. Jan. 26, 2022 sale New Holland, PA)</b>															
<b>COWS: Fresh</b>				<b>Bred Springing</b>				<b>HEIFERS: Bred</b>				<b>Springing Beef x</b>			
1225	1100	1225		N/A	N/A			N/A	N/A	N/A	N/A	N/A	N/A		
----- MONTH AGO COMPARISON -----															
1200	1150	1200		900	1150		N/A	375	N/A	625	750	N/A	N/A		
<b>FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)</b>															
Choice & Prime 1250-1550 lbs light test															
113.85															
<b>BULL CALVES:</b> No. 1 & 2, 90-130 lbs															
104.00 210.00															
70-85 lbs															
112.00 265.00															

Price averages do not include lower-end common

Average to high dressing

Two WEEKS AGO

YEAR AGO

60.00 75.85 67.25 55.35

N/A 78.75 72.85 73.00

60.75 57.35 50.35

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