

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — FEB. 14, 2024 — except where noted



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**DMC signup in March:** If anything, this week taught us to expect the unexpected. On Monday, it was 50 degrees outside and seemed like spring was right around the corner. We woke up Tuesday morning, and there were 4 inches of snow outside. Weather reports were warning about the impending weather, and we all thought the ground was far too warm to merit that much snow. Or at least I did. But the snow came, despite what we thought, and with it lots of traffic problems and downed branches.

Expecting the unexpected is a good motto when you look at how both milk prices and commodity prices can move up and down without little notice. Any slight change in the supply or demand side of the equation can have a major impact on where prices move. That is why leveraging programs like Dairy Margin Coverage and Dairy Revenue Protection can be very beneficial because they offer protection, in other words, insurance, against the unexpected.

USDA has indicated that enrollment in the 2024 DMC Program is not likely to open until March. This will allow USDA additional time to implement changes made in last fall's Farm Bill extension, which permanently folded the Supplemental Dairy Margin Coverage program into the underlying DMC program. The Supplemental DMC allows USDA to make supplemental payments to producers on 75 percent of the difference between their 2019 milk production and the original DMC production history established in 2014. To make it permanent, USDA's Farm Service Agency needs to update their software and finalize a rule to be published in the Federal Register.

Both the DMC Program and the DRP Program, which is administered by USDA's Risk Management Agency and offered through crop insurance agents, distributed record payments in 2023. The DMC Program paid out premiums in eleven out of twelve months in 2023, with December's margin announced last week at \$8.44 per hundredweight. That's down \$1.44 from November's margin, which was the highest of the year and the only month above the \$9.50 threshold. The feed cost calculation under DMC showed December feed costs increasing by four cents to \$12.16 per cwt., while the All-Milk price dropped \$1.10 to \$20.60 per cwt.

The margin results in an indemnity payment of \$1.06 per cwt. for those covered at the \$9.50 level, after sequestration. With December ending the

year, the DMC program yielded a net payment after sequestration of \$2.49 for those covered at the \$9.50 level. That's nearly \$25,000 per 1 million pounds of production history enrolled in the program up to the 5-million-pound cap. If a dairy operation maxed out the cap, the net benefit was over \$124,500. That additional income can make a huge impact on a dairy operation when the unexpected happens.

Enrollment information on USDA's website shows that 1,770 dairy operations in Pennsylvania are enrolled in the USDA DMC Program, with 5.265 billion pounds of milk covered in 2023. The total amount in premiums received by Pennsylvania dairy farms through DMC in 2023 totaled \$99.796 million before December's payment was added in. Nationwide 17,059 farms are enrolled in the program, with about 155.33 billion pounds protected. Total DMC payments in 2023 across the US before December's announcement were at \$1.27 billion.

DRP is less well known and understood among the dairy community than DMC. But it still can be a valuable tool for those farms that understand their cost of production and want to protect their bottom line. While DMC offers protection against your margin, DRP is protection based on the market. It allows producers to set a minimum price for their milk based on where futures prices are on that given day when they take out the coverage. Then if the market falls below that level, the only cost they have is the cost of the premium to pay for the coverage.

In some years when milk future prices stayed flat throughout the year, DRP hasn't been as helpful, with premiums outweighing any indemnities received. But in 2023, the dramatic shift in markets that came last summer and fall offered opportunities for farms to lock in a profitable price that was higher than where the market ended up. Because of that, DRP payments are expected to be more than \$415 million across the US in 2023. This is the highest since the program was created in 2019.

This week's snow was a good reminder that we can never truly prepare for what tomorrow will bring. Using programs like DMC and DRP can provide some layers of protection even if we are not fully prepared for those unexpected changes in the marketplace.

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. 14, 2024 AT THE CLOSE

*AVG = Average basis for North-East and Mid-East	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	OCT-24	NOV-24	DEC-24	JAN-25	TREND			
<b>CLASS III MILK FUTURES (\$/CWT)</b> vs. wk ago: Feb-Jul24 \$0.05-35 lower, Aug-Dec24 fully steady, Jan25 \$0.10 lower.	16.16	17.02	17.30	17.66	18.07	18.31	18.50	18.63	18.60	18.55	18.24	17.95	MIXED			
<b>CLASS IV MILK FUTURES (\$/CWT)</b> vs. wk ago: Feb-Jun24 dn \$0.10-0.20, Jul-Aug24 firm to up \$0.05, Sep24 dn \$0.50, Oct24-Jan25 up \$0.10-20.	19.90	19.97	20.17	20.41	20.62	20.89	21.10	21.30	21.32	21.30	20.70	19.11	MIXED			
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>	16.25 0.88	17.25 0.42	17.75 0.71	17.75 0.73	18.25 0.90	18.50 1.00	18.50 1.08	18.75 1.18	18.50 1.10	18.50 1.19	18.25 1.25	18.50 1.00				
<b>MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG 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 YELLOW = payment triggered</b>	1.67	2.55	2.15	1.66	1.45	1.25	1.31	1.15	0.69	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 farm) Updated with NEW prem. alfalfa feed cost</b>	DMC 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	*DEC-23	TREND
	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	*8.44	↓↓

U.S. AVG PREMIUM ALFALFA & ALFALFA / GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report	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	DEC-23	JAN-24	TREND
	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	231.70	*254.85	↑↑
<b>U.S. AVG. BRED COWS &amp; HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report</b>	1310	1290	1300	1250	1352	1342	1330	1400	1559	1502	1540	1500	1741	2108	N/A	*1635	↓↓
<b>U.S. AVG. FRESH COWS per head as reported by USDA Monthly National Dairy Comprehensive Report</b>	1701	1526	1531	1436	1487	1493	1544	1469	1792	1615	1634	1643	1830	1988	*N/A	*1792	↓↓

<b>CORN FUTURES (\$/BU)</b>	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
	4.242	4.372	4.472	4.532	4.642	4.754	4.816	4.850	4.772	4.796	4.890	4.924	↓
WEEK AGO	4.342	4.464	4.554	4.632	4.736	4.850	4.910	4.930	4.824	4.836	4.932	4.970	

<b>SOYMEAL FUTURES (\$/TON)</b>	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24	OCT-24	DEC-24	JAN-25	MAR-25	MAY-25	JUL-25	AUG-25	TREND
	343.3	336.5	339.5	340.7	341.1	340.1	342.3	343.1	341.9	342.3	344.6	343.7	↓
WEEK AGO	351.2	347.8	351.0	351.4	350.3	347.9	349.9	348.9	349.1	350.7	349.3	346.7	

* = NEW	<b>PA MILK MARGIN &amp; IOFC-LATEST PSU VALUES - *NOV. 2023</b>	<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 02/14/24</b>				<b>SPOT CASH</b>	<b>TREND</b>						
	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	FEB24	MAR24	APR24	MAY24	JUN24	JUL24	AUG24	02/14/24	02/14/24	
FEED =	*NOV. (estimated) *7.79↑↑	*11.48↑↑	*17.33↑↑	NFDM	1.217	1.200	1.211	1.236	1.251	1.275	1.292	↓	1.1800↓
IOFC =	PREV MO 7.63	11.38	17.10	WHEY	0.456	0.492	0.497	0.500	0.512	0.500	0.500	Mixed	0.5200↑
TX \$/COW	YR AYO 9.25	13.01	19.95	BUTTER	2.735	2.775	2.796	2.813	2.829	2.840	2.872	↑	2.7175↑
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			CHEESE	1.604	1.679	1.707	1.740	1.770	1.800	1.825	↓	See Below
				<b>CME SPOT CHEESE: BARRELS 1.5750 / 40 LB BLOCKS 1.5150 NC / ↓</b>									

* = NEW	<b>ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>							<b>CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW</b>						
	CL I ADV	CL III	CL III	CL IV	ALL-MILK-U.S	ALL-MILK-PA	WEIGHTED AVG. 4-WK	JAN. 1 - 27, 2024	JAN. 2024 COMPONENTS					
	17.99(FEB)	20.04(JAN)	15.17(JAN)	19.39(JAN)	20.60(DEC)↓	21.80(DEC)↓	PRODUCT VALUE	MAKE ALLOW	NET					
	MONTH AGO													
	18.48	19.88	16.04	19.23	21.70	23.10	CHEESE	1.5226	0.2003	3.3223	↓	PROT	1.1265	↓
	YEAR AGO													
	20.78	21.61	19.43	20.01	24.70	25.50	BUTTER	2.6294	0.1715	2.4579	↓	B.FAT	2.9765	↓
	CATTLE - DAIRY PURPOSES (\$/HD) JAN. 10, 2024, New Holland PA Receipts down slightly from a year ago, but over half (58%) were fresh milking cows and springer cows and heifers, 22% bred cows and heifers, 9% open heifers. Prices \$100-200 lower, except bred cows higher.													
	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Beef x	Open: 300-600 lbs	Beef X	600-900 lbs	Beef X	900-1100 lbs	BULLS (800-1300 lbs)		
	1975	1900	1750	LTD	1700	1800	700	825	N/A	N/A	N/A			
	MONTH PRIOR													
	2075	1600	2125		1650	2100	N/A	975	1350	1150				

Price averages do not include lower-end common	<b>PA Auction Markets Feb. 8-13, 2024</b>			<b>FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)</b>		CURRENT	WEEK AGO	YR AGO
	<b>CULL MARKET COWS</b> \$/CWT LIVELWEIGHT	Choice & Prime 1250-1550 lbs light test			144(cple)	145.00	128.00	
	Premium White Breakers Boners Lean	<b>BULL CALVES:</b> No. 1 & 2, 90-130 lbs			415.00	735.00	350.00	
		70-85 lbs			425.00	725.00	400.00	

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