

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MAR. 1, 2023 — except where noted

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FEBRUARY: Global milk supply continues to improve, thanks in part to increasing production in the U.S. and the European Union (EU). This, and a strong dollar will provide headwinds for U.S. dairy exports this year. However, domestic demand is expected to remain strong. These inter-relationships are resulting in mixed outcomes on dairy product prices and Class III and IV prices.

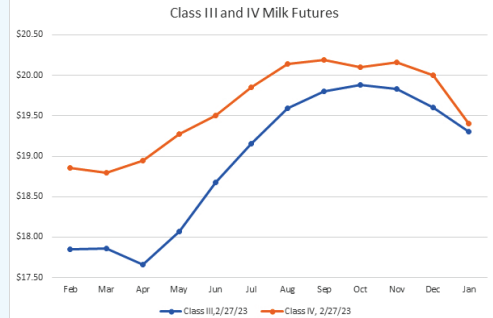
per cwt decline relative to the average price at the end of January. January cheese stocks posted a small year-over-year (YOY) decline of 0.3% and an equivalent 0.3% month-over-month decline.

Global Dairy Trade (GDT), EU, and U.S. milk prices for butter, cheese, and nonfat dry milk/skim milk (NDM/SMP) are relatively similar. Cheese and NDM/SMP prices among these three markets are within 15 cents per pound of each other. Cheese is the only category that continues to provide the U.S. with a slight advantage, with an average January price (for cheddar, 40-pound blocks) of \$1.96 per pound compared to \$2.21 per pound for GDT and \$2.27 per pound in the EU. U.S. powder production has picked up over the last few months as U.S. milk production has ticked up over the same period. The major thing holding powder exports back during 2022 was not price-related but supply-related. With lower global milk supply last year, available milk production across the globe was manufactured into higher value products like butter and cheese instead of powder.

This will hopefully provide support to the Class III price in the short term. The current Feb. 27, 12-month average is \$1.10 per cwt more than the 5-year average, but it is \$3.02 per cwt less than what Class III averaged during 2022. The U.S. herd size increased by 47,000 (+0.41%) head in January to 9.414 million cows. The average cow in January was more efficient than she was last year, producing 18 pounds more (+0.9%) milk at 2,052 pounds per cow. Assuming 87% of the total number of cows at any given time are lactating, this is equivalent to 76.1 pounds per day, 6/10 of a pound more than a year ago. As a result of more cows producing milk more efficiently, U.S. milk production increased by 250 mil. pounds (+1.3%) YOY to 19.300 bil. pounds.

How is this affecting current markets? As powder availability has increased, demand is picking up internationally. Since the U.S. exports around 80% of the NDM/SMP produced in the nation, its price is more susceptible to international demand changes. However, butter stocks are building because the domestic market (the major market for butter) is declining and causing stocks to build. Based on Class IV futures prices as of February 27, the 12-month average Class IV price has improved 56 cents per cwt compared to the end of January to \$19.60 per cwt. This is \$2.56 per cwt more than the five-year rolling average, but \$4.87 per cwt less than what Class IV averaged during 2022. If domestic butter sales continue to be challenged, it may be hard to support a continued increase in the Class IV price in the short term.

Pennsylvania was not able to reverse its trend of declining cow numbers during January, with the state's herd size declining by 2,000 (-0.4%) YOY to 466,000. However, this is 1,000 cows more than December 2022. Milk production per cow experienced a slight increase of 10 pounds (+0.6%) to 1,820 during January. Assuming 87% of the herd is lactating at any given time, this is equivalent to 67.5 pounds per cow per day. Increased efficiency was enough to overcome the herd size reduction to keep total production positive. Total milk production in Jan. was up by 1 million pounds (+0.1%) to 848 million pounds.



Class III milk price stayed relatively flat compared to one month ago, averaging \$18.94 over the next 12 months. This is a slight 7 cents

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 — MAR. 1, 2023 AT THE CLOSE													TREND										
MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24												
CLASS III MILK FUTURES (\$/CWT) vs. week ago: Futures \$0.20-0.50 lower across the board.													12-Month Avg. 18.95										
17.75	17.59	17.90	18.45	19.02	19.52	19.70	19.85	19.82	19.54	19.20	19.00		↓										
CLASS IV MILK FUTURES (\$/CWT) vs. week ago: Mar down \$0.25, Apr-Aug down \$0.50-0.65, Aug23-Feb24 down \$0.10-0.20													12-Month Avg. 19.35										
18.55	18.38	18.63	19.00	19.36	19.68	19.86	20.10	20.16	19.95	19.40	19.21		↓										
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
17.75	0.15	17.50	0.42	18.00	0.68	18.50	0.75	19.00	0.84	19.50	0.95	19.75	1.09	19.75	1.11	19.75	1.16	19.50	1.23	19.25	1.19	19.00	1.21
MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)																							
PA	1.53	2.29	1.82	1.58	0.99	1.03	0.95	0.79	0.60	0.79	1.17	0.62											
*AVG	2.55	2.15	1.66	1.45	1.25	1.31	1.15	0.67	0.74	1.38	0.85	1.67											
DMC OFFICIAL GROSS MARGINS per cwt(USDA All-Milk, com, alfalfa & Ill. soybean, feed for ALL CLASSES of dairy cattle on farm) Updated with NEW prem. alfalfa feed cost																							
DMC	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	DEC-22	*JAN-23								
	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	9.76	*7.94	↓							

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report															
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	DEC-22	*JAN-23
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	296.50	*266.60
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report															
1018	1062	1152	1151	1237	1253	1390	1278	1184	1350	1407	1265	1310	1290	1300	*1250

CORN FUTURES (\$/BU)													TREND
MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25		
6.404	6.356	6.256	5.822	5.692	5.772	5.822	5.834	5.530	5.422	5.480	5.500	↓	
WEEK AGO													
6.740	6.742	6.640	6.076	5.920	5.996	6.036	6.036	5.656	5.544	5.602	5.620		

SOYMEAL FUTURES (\$/TON)													TREND
MAR-23	MAY-23	JUL-23	AUG-23	SEP-23	OCT-23	DEC-23	JAN-24	MAR-24	MAY-24	JUL-24	AUG-24		
490.4	470.3	461.0	448.0	432.0	419.6	417.2	412.6	404.2	399.0	397.1	393.3	↓	
WEEK AGO													
492.6	477.5	469.0	456.5	440.4	427.2	424.2	418.6	408.2	402.4	399.0	393.6		

PA MILK MARGIN & IOFC-LATEST PSU VALUES - *DEC 2022				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 03/01/23							SPOT CASH TEND		
FEED =	FEED COST	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT MILK)	MAR	APR	MAY	JUN	JUL	AUG	SEP		03/01/23	TREND
\$/CWT	*DEC (estimated)	*9.45↑	*12.04↓	*19.13↓	1.254	1.222	1.208	1.232	1.266	1.299	1.310	↓	1.1775↓
IOFC =	PREV MO	9.22	13.01	19.95	0.401	0.395	0.398	0.404	0.412	0.415	0.425	MIXED	0.4475↓
\$/COW	YR AGO	8.51	10.34	13.79	2.412	2.435	2.442	2.472	2.485	2.524	2.515	↓	2.3800 NC
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price				1.831	1.851	1.814	1.852	1.907	1.959	2.005	↓	See Below
					CME SPOT CHEESE: BARRELS 1.5525 / 40 LB BLOCKS 1.9000							↓ / ↓	

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						*CURRENT FEDERAL ORDER VALUES (\$/LB) * = *NEW						
*CL I ADV	*CL II	*CL III	*CL IV	*ALL-MILK-U.S	*ALL-MILK-PA	WEIGHTED AVG. 4-WK FEB. 1-25, 2023			*FEB 2023 COMPONENTS			
*18.99(MAR)	*20.83(FEB)	*17.78(FEB)	*18.86(FEB)	*23.10(JAN)	*23.90(JAN)	PRODUCT	VALUE	MAKE ALLOW	NET	*PROT	2.3650	↓
MONTH AGO						*CHEESE	1.8224	0.2003	1.6221	*B.FAT	2.7178	↓
20.78	21.61	19.43	20.01	24.70	25.50	*BUTTER	2.4158	0.1715	2.2443	*N.FAT	1.0766	↓
YEAR AGO						*NFDM	1.2553	0.1678	1.0875	*OTHER	0.2101	↓
22.88	23.79	20.91	24.00	24.20	24.80	*DRYWHEY	0.4031	0.1991	0.2040			

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. Feb. 22, 2023 sale New Holland, PA)														
COWS: Fresh			Bred			Springing			*HEIFERS: Bred			Springing		
1525	1450	1550	LTD	1200	1325	925	575	N/A	825	N/A	925	925	925	
WEEK AGO COMPARISON														
1575	N/A	1450	LTD	1300	1350	1200	800	LTD	N/A	880	LTD	N/A	1100	

FED HOLSTEIN STEERS (\$/CWT LIVELINE)				BULL CALVES:			
Choice & Prime	1250-1550 lbs light test	70-85 lbs	70-85 lbs	CURRENT	Beef X	WEEK AGO	YR AGO
131.00	175.00	375.00	175.00	131.00	375.00	129.00	120.00
				175.00	300.00	155.00	143.00
						130.00	130.00

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Average to high dressing

Premium White	Breakers	Boners	Lean
93.75↑	83.85↑	77.85↑	
WEEK AGO			
N/A	89.75	81.85	73.10
YEAR AGO			
N/A	82.50	75.00	63.50