CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — **MARCH 2, 2022** — except where noted

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FEBRUARY: I suppose time flies when you are having fun. It is hard to believe that another month has gone by. Class III and IV milk prices continue to increase despite turmoil in other parts of the world. The days are noticeably longer and hopefully warmer temperatures are around the corner as well.

Average Class III and IV milk prices continued to move up through the month of February. The 12-month average Class III price, based on February 28 closing price, is up $1.03 per cwt compared to the end of January to $21.75. Class III and IV futures prices continue to be inversed for the next 12 months. Class IV price continued to strengthen with the 12-month average increasing $1.41 relative to the end of January to $23.62. Final February Class prices won't be announced until closer to mid-March but based on the closing price of $23.97 on February 28, Class IV is in record high territory.

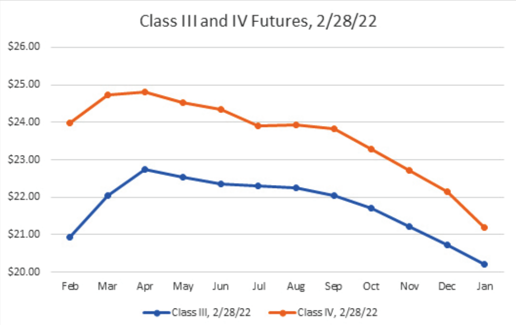
The U.S. herd size has been decreasing year over year (YOY) since October 2021, and the January herd size represents the eighth month in a row of declining cow numbers. At 3.368 million head, the January herd size reached its lowest number since June of 2020 and 82,000 (-0.9%) less than January 2021. Milk production also dropped YOY (-1.6%) for the third month in a row. A total of 19.1 billion pounds of milk was produced across the country which equates to about 2,034 (-0.8% YOY) pounds per cow during the month. The average U.S. dairy cow now produces about 75.4 pounds per day, 0.6 pounds less than one year ago.

Pennsylvania herd size and milk production followed the national trend. The state herd size fell in January to end the month with 469,000 dairy cows, 6,000 (-1.3%) less than Jan. 2021. Milk production per cow also declined across the Keystone State in January, amplifying the reduced cow numbers. Milk production in the state fell 1.6% YOY to 1,810 pounds per cow. The average PA cow produced 67.1 pounds per day, 0.9 pounds less than last January. The drop in cow numbers coupled with declining production resulted in a 3% decline in total milk production to 849 mil. pounds, 25 mil. less than Jan. 2021.

Although 2021 dairy exports set numerous records as previously reported, December export volume was down compared to Dec. 2020. A total of 158,851 metric tons (MT) of milk solids equivalent were shipped across U.S. borders in December. This represents a drop of 6,252 MT (-3.8%) YOY. However, with increased dairy product prices relative to one year ago, YOY export value increased by nearly 18% to $602.2 million this past December.

Dairy product inventory was mixed with Jan.butter stocks down 33% and cheese stocks up a slight 3%. Dec. nonfat dry milk stocks were down 15%. Jan. nonfat dry milk stocks were not available prior to publishing. Domestic and international demand remains strong. Declining production is leading to lower dairy product production as well. At the time of publishing Dec. dairy product production is the most current data. Butter and nonfat dry milk production was down 13% and 20%, respectively. Cheese production was basically flat at a small increase of 0.1% compared to Dec. 2020.

The shrinking milk supply is resulting in less milk available to be processed into butter, cheese and powder. Couple this with strong domestic and international demand, and you have a market to support increasing milk prices which is reflected in the current dairy futures market. The milk price is looking the best it has since 2014, but feed prices are expected to increase much of this year and could keep the margin perhaps tighter than desired. The longer the conflict between Ukraine, a large wheat and corn exporter, and Russia, a major energy and fertilizer exporter lasts, the more likely it becomes that U.S. dairy farmers will see even tighter margins because of higher energy, fertilizer and feed costs.



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 — MARCH 2, 2022 AT THE CLOSE

	MAR-22	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	TREND
CLASS III MILK FUTURES ($/CWT) vs. wk ago: *$0.25-0.50 higher with May through Oct. contracts $0.80-1.00 higher* — *12-Month Avg. 21.51* ↑↑	22.24	23.05	23.07	22.91	22.80	22.76	22.44	22.09	21.52	21.01	20.36	20.02	↑↑
CLASS IV MILK FUTURES ($/CWT) vs. wk ago: *Fully $0.40 to $0.80 higher, some near $1.00 higher* — *12-Month Avg. 23.62* ↑↑	24.74	25.18	25.00	24.67	24.44	24.26	24.07	23.50	23.00	22.50	21.30	20.75	↑↑

HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III CONTRACTS OVER LIFE OF CONTRACT & MONTH/DATE OF OCCURRENCE

	MAR-22	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23
High	22.41 02/22	23.17 03/22	23.07 03/22	22.91 03/22	22.80 03/22	22.76 03/22	22.44 03/22	22.09 03/22	21.60 03/22	21.01 03/22	20.36 03/22	20.20 01/22
Low	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	11.20 05/20

CLASS III MILK ($/CWT) **OPTIONS — PUTS — Daily Strike Price** / Premium

22.25 0.23	**23.00** 0.71	**23.00** 1.13	**23.00** 1.40	**22.75** 1.43	**22.75** 1.57	**22.50** 1.68	**22.00** 1.60	**21.50** 1.56	**21.00** 1.55	**20.25** 1.48	**20.00** 1.49

MILK BASIS ($/CWT) — **PA BASIS & 2016-19 AVG OF PA/NY/VT/OH** — ***YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)***

	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB
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, corn/alfalfa & Ill. soybean, feed for all classes of dairy cattle on the farm) Updated with NEW prem. alfalfa feed cost*

DMC	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	DEC-21	*JAN-22	TREND
	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	*11.54	↑↑

*AVG = Average basis for North-East and Mid-East

*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered

U.S. AVG MILK MARGIN *per 100 lbs milk based on 75-lb herd avg & USDA's All-Milk price, USDA-reported corn & alfalfa hay & Ill. soybean prices (lactating feed only)*

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	*DEC-21	TREND
12.33	14.44	15.47	12.51	11.25	10.51	10.66	11.31	11.53	10.77	10.19	9.79	10.94	12.46	*14.11	*13.55	↓↓

PA AVG MILK MARGIN *per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA corn & alfalfa hay & Buff., NY soybean prices (lactating feed only)*

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	*DEC-21	TREND
11.10	10.91	11.31	12.36	10.53	8.56	8.15	9.24	9.37	9.76	10.20	10.04	11.07	12.26	*12.78	*14.70	↑↑

CORN FUTURES ($/BU)

	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
Current	7.390	7.250	6.936	6.274	6.092	6.122	6.144	5.756	5.652	5.722	5.716	5.726	MIXED
WEEK AGO	6.836	6.812	6.744	6.286	6.112	6.180	6.214	6.226	5.792	5.700	5.764	5.780	

SOYMEAL FUTURES ($/TON)

	MAR-22	MAY-22	JUL-22	AUG-22	SEP-22	OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	JUL-23		TREND
Current	457.7	448.0	442.5	429.9	418.1	406.5	404.8	400.6	392.1	388.4	386.9	379.3	↓↓
WEEK AGO	466.0	463.5	452.8	438.8	425.7	424.0	419.1	406.0	398.8	395.7	387.0	385.5	

PA MILK MARGIN & IOFC–LATEST PSU VALUES - *DEC. 2021

*=NEW; FEED = $/CWT.; IOFC = $/COW

	FEED COST ($/CWT milk)	IOFC ($/COW @ 75 lbs milk)	PA MILK MARGIN ($/CWT milk)
*DEC(estimated)	*8.01 ↓↓	*11.03 ↑↑	*14.70 ↑↑
PREV MO	8.02	9.59	12.26
YR AGO	7.49	8.48	11.31

CME DAIRY CASH-SETTLED FUTURES ($/LB) 03/02/22

	MAR	APR	MAY	JUN	JUL	AUG	SEP	TREND	SPOT CASH 03/02/22
NFDM	1.809	1.847	1.854	1.840	1.834	1.829	1.815	↑↑	1.8750 ↑↑
WHEY	0.806	0.790	0.765	0.730	0.710	0.695	0.680	↑↑	0.7400 ↓↓
BUTTER	2.690	2.700	2.665	2.615	2.590	2.585	2.569	↑↑	2.6775 ↑↑
CHEESE	2.025	2.115	2.138	2.135	2.144	2.134	2.122	↑↑	See Below

CME SPOT CHEESE: BARRELS 1.9200 / 40 LB BLOCKS 2.0550 ↓↓ / ↑↑

**USDA OCT-21 NEW *

	ALL-MILK	BF	*MAILBOX
*FL	$22.00	3.67	$20.05
*N.ENG	$20.30	4.05	$19.54
*MO	N/A	N/A	$19.33
*WI	$19.60	4.02	$19.31
*MN	$20.30	4.23	$19.30
*IL	$19.40	4.06	$19.13
*PAwestern PA only			$19.12
*SE	$20.70	3.65	$19.10
*APP	$20.70	3.87	$19.09
*WA/OR	$21.05	4.20	$19.04
*IA	$20.00	4.20	$18.95
*CA	$19.90	4.00	$18.81
*NY	$19.90	4.00	$18.78
*OH	$19.70	3.94	$18.72
*U.S.	$19.70	4.05	$18.54
*PAeast	$19.90	3.99	$18.49
*IN	$19.20	3.96	$18.20
*TX	$18.90	4.24	$17.60
*MI	$18.30	3.91	$17.41
*NE/KS	$18.30	4.17	$17.21
*NM	$17.50	3.87	$16.48

***=NEW ANNOUNCED FEDERAL ORDER PRICES** ($/CWT)

	CL I ADV ↑↑	*CL II ↑↑	*CL III ↑↑	*CL IV ↑↑	*ALL-MILK-U.S	*ALL-MILK-PA
Current	22.88(MAR)	*23.79(FEB)	*20.91(FEB)	*24.00(FEB)	*24.20(JAN) ↑↑ 4.21F	*24.80(JAN) ↑↑ 4.13F
MONTH AGO	21.64	22.83	20.38	23.09	21.80	22.30
YEAR AGO	15.20	14.00	15.75	13.19	17.50	17.30

***CURRENT FEDERAL ORDER VALUES** ($/LB) * = *NEW

WEIGHTED AVG. 4-WK FEB. 1-26, 2022

PRODUCT	VALUE	MAKE ALLOW	NET	
*CHEESE	1.9068	0.2003	1.7065	↑↑
*BUTTER	2.6668	0.1715	2.4953	↑↑
*NFDM	1.7284	0.1678	1.5606	↑↑
*DRYWHEY	0.7800	0.1991	0.5809	↑↑

***FEB. 2022 COMPONENTS**

*PROT	2.3168	↓↓
*B.FAT	3.0218	↑↑
*N.FAT	1.5450	↑↑
*OTHER	0.5983	↑↑

CATTLE - DAIRY PURPOSES($/HD) NORTHEAST (Avg.Feb. 16, 2022 sale New Holland, PA)

	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Beef x	Open: 300-600 lbs	Beef X	600-900 lbs	Beef X	900-1100 lbs	BULLS(1000+ lbs)
Current	1200	1110	1500	975	1220	1050	450	400	625	635	N/A	1300 LTD
MONTH AGO COMPARISON	1150	1135	1300	1175	1175	N/A	N/A	N/A	1050 LTD		1200 LTD	1075 LTD

Avg. of prices reported by USDA Market News for PA Auction Markets Feb. 24-Mar. 1, 2022

CULL MARKET COWS ($/CWT LIVEWEIGHT

Price averages do not include lower-end 'common'

	Premium White	Breakers	Boners	Lean
Average to high dressing		82.50 ↑↑	75.00 ↑↑	63.50 ↓↓
WEEK AGO	N/A	81.10	74.50	65.75
YEAR AGO	N/A	68.25	63.85	57.35

FED HOLSTEIN STEERS ($/CWT LIVEWEIGHT)	CURRENT	Beef X	WEEK AGO		YR AGO	
Choice & Prime 1250-1550 lbs light test	120.00		114.00		82.00	↑↑
BULL CALVES: No. 1 & 2, 90-130 lbs	143.00	340.00	143.00	285	100.00	↓↓
70-85 lbs	130.00	280.00	130.00	300	55.00	↓↓

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