

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MAR. 13, 2024 — except where noted



JAYNE SEBRIGHT
Executive Director, CDE
717.346.0849
jsebright@centerfordairyexcellence.org



January DMC margin is \$8.48: February 28, 2024 was the first day dairy farms could enroll in the Dairy Margin Coverage (DMC) Program for the 2024 Program Year. You have until April 29, 2024 to enroll at your local Farm Service Agency. However, those who enroll early in the process could receive a payment as early as mid-March for their January milk production. That's because the January margin under the DMC Program was announced at \$8.48 per hundredweight, up 4 cents from December and 54 cents above year-ago levels, but still \$1.02 cents below the \$9.50 threshold for the maximum coverage level.

Indemnities were triggered at the \$8.50 up to \$9.50 margin coverages. The change in January margin was driven by a 54 cents per cwt drop in the total DMC feed cost that surpassed a 50 cents per cwt drop in the U.S. all milk price. Corn price dropped six cents to \$4.74 per bushel. This slight drop in corn price represents a \$2.14 per ton drop in the corn price to \$169.29. Alfalfa hay price dropped a slight \$1 per ton to \$274. Soybean meal (SBM) accounted for the largest drop, falling \$62.20 to \$378.40 per ton. Total DMC feed cost was \$11.62 per cwt. The January U.S. all milk price was announced as \$20.10 per cwt.

The announced January margin results in an indemnity of \$1.02 per cwt on 1/12 of enrolled production history. This equates to a January net payment after the 5.7% sequestration fee of about \$802 per 1 million pounds of production history enrolled up to the 5-million-pound, Tier 1 cap. The payment to dairy operations that maximize the Tier 1 cap is about \$4,008. This payment is guaranteed, even though the enrollment period is currently open, and pays just over half the premium of the maximum \$9.50 margin coverage for the coverage year. February margins are currently projected just under the \$9.50 level before margins increase in the remainder of the year.

For those who still haven't enrolled, USDA is encouraging you to call ahead to set up an appointment with your local FSA office to minimize wait times. The DMC program remains largely unchanged from 2023, but there are two adjustments. For those who elected for the five-year lock-in contract in 2019, the 25% premium discount will be extended through the 2024 program year. However, producers are not required to remain in the lock-in contract. Changes to original elections can be made, but pre-

miums on changes will revert to the full premium amount without any discounts. Lock-in contract farms still must visit their FSA office to enroll for 2024 coverage.

The second change involves combining established production history (EPH) and supplemental production history (SPH). If a farm has applied for supplemental dairy margin coverage in a previous year, they can now combine their original EPH and SPH for one adjusted production history (APH). The benefit of this is mainly received by lock-in contract farms. Instead of having to pay the full premium on SPH, they will now receive the discounted premium on their full APH. If actual production in 2019 was greater than EPH, the option still exists to establish SPH which can then combine to create a new APH. SPH is determined by subtracting EPH from 2019 actual production and multiplying the difference by 75%. Triggered indemnities that may occur prior to and during the enrollment period will be retroactive to January 1, 2024.

USDA's Dairy Margin Coverage Program is just one option for those who are looking to protect their operations from price volatility. Another option is the Dairy Revenue Protection Program. While DMC provides margin-based coverage, DRP is a program you can purchase through a crop insurance agent to provide market-based protection against unexpected changes in the milk price. It guarantees a minimum quarterly revenue for up to 100% of quarterly milk production without giving up any upside.

DRP premiums are subsidized by 44% up to 55% depending on the price protection amount chosen by the dairy farmer. Policies are available nearly every day that milk production is traded on the Chicago Mercantile Exchange (CME) with a few exceptions. Policies are available up to 5 months in advance. Currently, policies are available for Quarters 3 - 4 in 2024 and Quarters 1 - 3 in 2025. DRP is highly customizable and can be made to closely match your milk check. Farms can choose between a Class and a component option. For more information about DRP, contact an approved crop insurance provider. If you are not sure who a local one is in your region, the Center can provide you with a list. Give us a call at 717-346-0849.

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. 13, 2024 AT THE CLOSE

*AVG =	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	OCT-24	NOV-24	DEC-24	JAN-25	FEB-25	TREND
Average basis for North-East and Mid-East	16.52	16.19	16.77	17.51	17.51	18.10	18.35	18.50	18.35	18.03	18.00	18.00	MIXED
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered	19.98	19.97	19.85	20.10	20.39	20.65	20.80	21.09	21.05	20.80	19.76	19.28	↓↓
CLASS III MILK (\$/CWT) vs. wk ago: Mar firm, Apr-Jun up \$0.20-0.30, Jul-Sep dn \$0.05-0.20, Oct-Dec up \$0.05-0.20, Jan-Feb25 weak-\$0.10 lower. 12-Month Avg. 17.65↑↑													
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Mar24 firm, Apr up \$0.15, May-Dec dn \$0.05-0.15, Jan-Feb25 firm. 12-Month Avg. 20.31↓↓													
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium													
16.50 0.07 16.50 0.53 17.00 0.71 17.25 0.83 18.25 0.88 18.50 0.98 18.50 0.93 18.50 1.00 18.25 1.01 18.00 1.06 18.00 1.15 18.00 1.20													
MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG 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 0.69 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-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													
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 *8.48 ↑↑													

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP	NOV-23	DEC-23	JAN-24	*FEB-24
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
235.00	210.8	N/A	1635	N/A
1290	1300	1250	1352	1342
1330	1400	1559	1502	1540
1500	1741	2108	N/A	1635
1526	1531	1436	1487	1493
1544	1469	1792	1615	1634
1643	1830	1988	*N/A	1792
N/A	N/A	1792	N/A	N/A

CORN FUTURES (\$/BU)	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
4.264	4.412	4.534	4.610	4.730	4.856	4.920	4.940	4.822	4.840	4.932	4.970	4.970	↑↑
WEEK AGO													
4.180	4.286	4.440	4.480	4.610	4.740	4.804	4.830	4.722	4.742	4.832	4.866	4.866	

SOYMEAL FUTURES (\$/TON)	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
331.0	336.4	340.4	341.1	341.9	341.6	344.6	345.4	344.5	344.6	346.5	346.2	346.2	↑↑
WEEK AGO													
334.9	330.4	333.4	334.1	334.6	334.3	337.3	338.7	339.3	340.7	343.2	343.0	343.0	

PA MILK MARGIN & IOFC-LATEST PSU VALUES - *DEC. 2023	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 03/13/24	SPOT CASH TREND 03/13/24
*DEC. (estimated)	*8.11↑↑	*10.27↓↓	*16.35↑↑	NFDM 1.192	1.1625↑↑
*PREV MO	7.79	11.48	17.33	WHEY 0.474	0.4300↑↑
*YR AYO	9.45	12.04	19.13	BUTTER 2.809	2.8400↓↓
Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price				CHEESE 1.624	See Below
				CME SPOT CHEESE: BARRELS 1.4300 / 40 LB BLOCKS 1.4350 ↓↓ / ↓↓	

*USDA NOV-23 NEW ALL-MILK BF MAILBOX	*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW
FL \$25.80 3.94 \$24.17	CL I ADV↑↑ 18.80(MAR)	WEIGHTED AVG. 4-WK FEB. 1-24, 2024
SE \$25.70 4.02 \$23.71	CL II↑↑ 20.53(FEB)	PRODUCT VALUE MAKEALLOW NET
APP \$25.80 4.16 \$23.12	CL III↑↑ 16.08(FEB)	CHEESE 1.5947 0.2003 1.3944 ↑↑
NY \$23.20 4.28 \$22.55	CL IV↑↑ 19.39	BUTTER 2.7339 0.1715 2.5624 ↑↑
MO N/A	ALL-MILK-U.S. 20.10(JAN)↓↓ 21.30(DEC)↓↓	NFDM 1.2125 0.1678 1.0447 ↑↑
NEAR \$23.10 4.24 \$22.28	4.35F 4.34F	DRYWHEY 0.4649 0.1991 0.2658 ↑↑
OH \$22.60 4.14 \$21.81	MONTH AGO	
IN \$22.80 4.17 \$21.64	YEAR AGO	
*Western PA only \$21.67	18.99 20.83 17.78 18.86 23.10 4.23F 23.90 4.14F	
*WV \$24.20 4.58 \$21.27		
U.S. \$21.70 4.32 \$20.80		
MI \$21.10 4.22 \$20.80		
IL \$21.70 4.31 \$20.53		
CA \$21.80 4.28 \$20.53		
NEKS \$20.50 4.37 \$19.78		
*WI \$19.80 4.26 \$19.62		
*TX \$21.50 4.38 \$19.60		
*MN \$20.70 4.66 \$19.52		
*IA \$19.60 4.52 \$19.37		
*NM \$20.30 4.19 \$19.01		

CATTLE - DAIRY PURPOSES (\$/HD) JAN. 10, 2024, 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(800-1300lbs)
22% bred cows and heifers, 9% open heifers. Prices \$100-200 lower, except bred cows higher.	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	1150

PA Auction Markets Mar. 7-12, 2024	FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)	CURRENT Beef X	WEEK AGO	YR AYO
CULL MARKET COWS (\$/CWT LIVELWEIGHT)	Choice & Prime 1250-1550 lbs light test	157.25	174.10	149.75
Premium White Breakers Boners Lean	BULL CALVES: No. 1 & 2, 90-130 lbs	565.00	900.00	550.00
	70-85 lbs	550.00	950.00	575.00

brought to you by:

Average to high dressing

PA Auction Markets Mar. 7-12, 2024	WEEK AGO	YEAR AGO
N/A	110.85	105.10
N/A	95.10	90.85