

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — APRIL 6, 2022 — except where noted



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Feed prices continue to increase: Like it or not, we live in a world economy now, and what happens abroad affects and sometimes compounds what happens here at home. Most evident, currently, is the war happening in Ukraine.

Ukraine is considered the breadbasket of Europe and historically provides about 12% of the world supply of wheat and 17% of the corn supply. In 2021, Ukraine exported 30% of its commodities to Europe and 15% to China. Worldwide, Ukraine ranks number one in sunflower seed production and in the top 10 for corn, barley, canola, wheat and soybeans.

With Ukraine exports and spring planting likely hindered by the Russian invasion, nations typically supplied by Ukraine will be looking for other sources, further tightening the world supply. The U.S. can shift supply to help accommodate the market, and the Biden Administration has vowed that the U.S. will help fill any voids left by reduced Ukrainian exports.

However, high fertilizer and fuel prices, also influenced by the Ukrainian/Russian war, may impair U.S. farmers' economic feasibility to adjust. On March 31, the USDA's Prospective Plantings report was released. According to the report, U.S. farmers plan on planting 89.5 million acres of corn this year, 4% fewer acres than were planted in 2021 with cost of fertilizer a likely reason. Another reason may be soybean prices that are near record highs. The corn acreage has shifted to soybeans with acres of soybeans planted expected to increase 4% compared to 2021 to 91 million acres.

What does this mean to feed costs projections for U.S. dairy farmers? According to the online Dairy Margin Coverage (DMC) Decision Tool, total DMC feed cost are anticipated to increase to a maximum of \$14.17 per cwt in May and June before tapering off somewhat after that. However, feed cost is projected to remain high through the second half of the year, remaining in the upper \$13.00s to average a projected \$13.83 per cwt for the year.

The current 2022 DMC projected corn price for May through December

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

is \$6.55 per bushel. However, this is much less than the corn price on the futures market for the same timeframe. As of the close of business on April 4, the average corn price, May through December, is \$7.30 per bushel. A swing in the corn price this large (\$0.75 per bushel) would result in a net decrease in the average DMC margin of 81 cents per cwt if soybean meal, alfalfa, and milk prices were to remain constant for the rest of the year.

The soybean meal futures prices are trading below the current posted DMC projections but remain historically high at an average of \$431.60 per ton on the futures market versus \$458.35 for the DMC Decision Tool dated March 31, 2022. If soybean meal was to decline an average of \$26.75, this would increase the DMC margin by 19 cents per cwt if corn, alfalfa and milk prices were to remain constant. This would be a net decrease to the DMC margin of 62 cents per cwt accounting for changing corn prices.

Alfalfa is not traded on the futures market and is generally less volatile than corn, soybean meal, or milk price. However, alfalfa hay is expected to remain in the \$250 to \$275 per ton range through the rest of the year according to the DMC Decision Tool.

Class III and IV milk futures have moderated somewhat lately, but still have a net positive trend compared to one month ago.

Drought in Brazil and Argentina, other larger feed commodity exporters, is expected to reduce corn and soybean yields which will further restrict the world supply. Many countries are likely to turn to the U.S. to fill feed commodity needs keeping supplies tight and price up.

The February DMC Margin was announced as \$10.98 per cwt, 56 cents per cwt lower than January. Total DMC feed cost increased \$1.06 per cwt to \$13.72, reaching a new high for the program. The U.S. all-milk price (\$24.70 per cwt), also a record high for the program, increased 50 cents per cwt but was not enough to offset feed prices to keep margins improving.

CME DAILY FUTURES & OPTIONS TRADING — APRIL 6, 2022 AT THE CLOSE

	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	TREND		
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: 2022 \$0.50-1.00 higher, 2023 up \$0.25-0.50	23.94	24.85	24.82	24.73	24.46	24.29	23.95	23.54	22.98	22.26	21.90	21.41	12-Month Avg 23.59 ↑		
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: \$0.05-0.30 higher; except Jun 2022 & Mar 2023 \$0.15 lower	25.13	25.00	24.97	24.99	25.00	24.89	24.60	24.27	23.83	23.24	22.60	22.10	12-Month Avg 24.22 ↑		
HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III CONTRACTS OVER LIFE OF CONTRACT & MONTH/DATE OF OCCURRENCE	24.26 03/22	25.09 03/22	24.97 03/22	24.73 04/22	24.46 04/22	24.29 04/22	23.95 04/22	23.80 03/22	23.43 03/22	23.43 03/22	22.20 03/22	22.08 03/22			
MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered	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	11.72 05/20			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	24.00 0.24	24.75 0.75	24.75 1.17	24.75 1.39	24.50 1.58	24.25 1.65	24.00 1.72	23.50 1.67	23.00 1.72	22.25 1.76	22.00 1.85	21.50 1.81			
MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	PA 2.29	1.82	1.58	0.99	1.03	0.95	0.79	0.60	0.79	1.17	0.62	1.53			
AVG 2.15 1.66 1.45 1.25 1.31 1.15 0.67 0.74 1.38 0.85 1.67 2.55															
DMC OFFICIAL GROSS MARGINS per cwt. (USDA All-Milk, com/alfalfa & Ill. soybean, feed for all classes of dairy cattle on the farm) Updated with NEW prem. alfalfa feed cost	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	*FEB-22
DMC	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	*10.98 ↑

U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg & USDA's All-Milk price, USDA-reported com & alfalfa hay & Ill. soybean prices (lactating feed only)															
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	*JAN-22
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	*15.65 ↑
PAAVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA com & alfalfa hay & Buff., NY soybean prices (lactating feed only)															
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	*JAN-22
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	*16.98 ↑

CORN FUTURES (\$/BU)													
MAY-22	JUL-22	SEP-22	DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	TREND	
7.564	7.470	7.156	7.046	7.072	7.072	7.032	6.512	6.284	6.356	6.330	5.820	↑	
WEEK AGO													
7.380	7.200	6.734	6.560	6.592	6.662	6.616	6.230	6.074	6.142	6.126	5.616		

SOYMEAL FUTURES (\$/TON)													
MAY-22	JUL-22	AUG-22	SEP-22	OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	JUL-23	AUG-23	SEP-23	TREND	
461.8	454.5	444.0	430.7	417.3	415.3	410.9	401.1	397.6	396.6	391.7	383.7	↓	
WEEK AGO													
473.1	466.9	455.5	440.7	426.8	424.0	417.7	405.0	399.6	397.6	392.4	385.5		

PA MILK MARGIN & IOFC-LATEST PSU VALUES - *JAN. 2022				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 04/06/22				SPOT CASH TREND					
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN
IOFC = \$/COW	*JAN (estimated) *7.94 ↓	*12.74 ↑	*16.98 ↑	1.819	1.805	1.810	1.825	1.830	1.825	1.804	1.804	1.804	1.815 ↓
	PREV MO 8.01	11.03	14.70	0.740	0.686	0.660	0.636	0.640	0.630	0.630	0.630	0.630	Mixed 0.6175 ↓
	YR AGO 8.74	6.42	8.56	2.760	2.737	2.720	2.695	2.674	2.665	2.640	2.640	2.640	2.7475 ↓
				2.242	2.361	2.380	2.352	2.352	2.354	2.337	2.337	2.337	↑ See Below
				CME SPOT CHEESE: BARRELS 2.3000 / 40 LB BLOCKS 2.3100 ↑ / ↑									

* = 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	MAR. 1-26, 2022		*MAR. 2022 COMPONENTS				
*24.38 (APR)	*24.76 (MAR)	*22.45 (MAR)	*24.82 (MAR)	*24.70 (FEB)	*25.70 (FEB)		PRODUCT	VALUE	MAKE ALLOW	NET	*PROT	2.7182	↑	
				4.18F	4.11F		*CHEESE	2.0548	0.2003	1.8545	↑	*B.FAT	3.0935	↑
							*BUTTER	2.7260	0.1715	2.5545	↑	*N.FAT	1.6113	↑
							*NFD	1.7954	0.1678	1.6276	↑	*OTHER	0.6131	↑
							*DRY	0.7943	0.1991	0.5952	↑			

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. March 30, 2022 sale New Holland, PA)															
COWS: Fresh				Bred				Springing				HEIFERS: Bred			
1450				1285				1475				1275			
												1400			
												N/A			
												850			
												N/A			
												860			
												N/A			
												910			
												1375			
WEEK AGO COMPARISON															
1325				1200				1500				1200			
												1375			
												1000			
												650			
												300			
												860			
												N/A			
												N/A			
												1000			

FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)				CURRENT Beef X WEEK AGO YR AGO			
Choice & Prime 1250-1550 lbs light test				116.00		118.00	89.00
BULL CALVES: No. 1 & 2, 90-130 lbs				175.00	300.00	117.00	105.00
70-85 lbs				185.00	400.00	92.00	80.00

brought to you by:

CULL MARKET COWS (\$/CWT LIVELWEIGHT)			
Premium White	Breakers	Boners	Lean
93.35 ↑	86.25 ↑	80.60 ↑	
WEEK AGO			
N/A	89.75	84.50	73.75
YEAR AGO			
N/A	68.25	62.60	53.35