

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — APR. 12, 2023 — except where noted



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FMMO reform: There have not been any major changes to the Federal Milk Marketing Order (FMMO) system since 2000, except for the legislative change in the formula for pricing the Class I Mover, which was implemented in 2019. The COVID-19 pandemic exposed flaws in the current system, with this formula change in place, that resulted in lower milk prices paid to U.S. dairy farmers. It is not abnormal for there to be talk about FMMO reforms when the nation's dairy farmers are suffering through hard times. However, this time the talk is getting backed up by action from the dairy industry.

The International Dairy Foods Association (IDFA) is a national lobbying firm for milk processors, and the National Milk Producers Federation (NMPF) is a national lobbying firm for dairy farmers. Both IDFA and NMPF have been the most vocal participants in the current process. The main issue of contention among the two organizations is how "make-allowances" should be handled. The make-allowance is the theoretical cost to turn raw milk into manufactured products. Make-allowances for cheese, whey, butter, and nonfat dry milk are used in the Class III and IV milk price calculations. Any direct increase in make-allowances will result in a lower milk price for dairy farmers. Unfortunately, IDFA and NMPF could not reach agreement on how much to increase make-allowances. With no agreement, IDFA formally petitioned the USDA to raise the make-allowances used to determine FMMO milk prices. This resulted in a letter from NMPF to USDA asking the USDA to deny the petition and allow NMPF time to submit a petition that includes a more comprehensive approach to modernizing FMMOs. According to NMPF, increasing the make-allowances to what IDFA proposes – without any regard to other issues affecting dairy farmer milk prices – could decrease the U.S. all-milk price by as much as \$1.42 per cwt.

On March 7, 2023, the NMPF Board unanimously approved a set of 7 priorities that will be the basis for their petition to the USDA for FMMO reforms. First, NMPF supports returning to the "higher of" when calculating the Class I Mover. They also support discontinuing the use of barrel cheese prices in the protein component formula. Barrel cheese is only a small volume of the cheese market relative to block cheese. However, it

is weighted equally in the protein component formula. Barrel cheese price, historically, is less than block cheese price. Giving the same weight to barrel cheese in the protein component formula can artificially devalue the protein component in the Class III price, which results in a lower farmgate milk price.

The NMPF proposal also supports extending the 30-day reporting limit to 45 days on forward priced sales on nonfat dry milk and dry whey. As exports become a larger part of the U.S. dairy portfolio, it becomes more important to make sure there is an accurate representation of milk powder price. Extending the reporting limit allows the USDA to capture more export sales in the product price reporting. NMPF also supports updating the milk component factors for protein, other solids and non fat solids in the Class III and IV skim milk price formulas to more accurately represent current average milk components. The proposal also states that NMPF supports updating the Class I differential price system to reflect changes in the cost of delivering bulk milk to fluid processing plants. All 5 of these proposals are net positive to the nation's dairy farmers as they would theoretically increase milk price.

The last 2 positions that NMPF supports are related to make-allowances. Make-allowances have not been adjusted in over 15 years. NMPF recognizes that inputs to processors have certainly increased since the last adjustments were made. Therefore, they support increasing the make-allowances to better reflect true input costs. However, under the current system, processors are not required to report actual production costs. NMPF supports developing a process to ensure make-allowances are re-evaluated more frequently through the USDA conducting mandatory plant-cost studies every two years. NMPF recognizes that increasing make-allowances reduces farm pay price. However, according to NMPF, the other 5 changes would more than offset the increase to make-allowances, resulting in a net benefit to the nation's dairy farmers. NMPF is in the process of submitting a formal proposal to USDA in hopes of obtaining a favorable ruling by August 2023 on conducting a hearing and its scope.

CME DAILY FUTURES & OPTIONS TRADING — APR. 12, 2023 AT THE CLOSE

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

	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	TREND				
CLASS III MILK FUTURES (\$/CWT) vs. week ago: Apr. steady, May-Dec23 up \$0.03-0.25, Jan-Mar24 down \$0.03-0.05.	18.66	18.24	18.38	18.85	19.25	19.60	19.65	19.59	19.30	18.87	18.72	18.66	12-Month Avg. 18.98↑↑				
CLASS IV MILK FUTURES (\$/CWT) vs. week ago: Apr. firm, May-Nov23 up \$0.15-0.30, Dec23-Mar24 steady to \$0.15 lower.	17.88	17.85	17.98	18.43	18.65	19.00	19.15	19.21	19.15	19.36	19.05	19.00	12-Month Avg. 18.73↑↑				
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	18.75 0.14	18.50 0.55	18.50 0.67	19.00 0.84	19.25 0.88	19.50 0.94	19.75 1.09	19.50 1.05	19.25 1.12	18.75 1.10	18.75 1.21	18.75 1.31					
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 farm) Updated with NEW prem. alfalfa feed cost	DMC	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	*FEB-23	TREND
		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	*6.19	↓↓

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

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report

	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	FEB-23	*MAR-23	TREND
	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	297.25	*277.00	↓↓

U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report

	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	FEB-23	*MAR-23	TREND
	1152	1151	1237	1253	1390	1278	1184	1350	1407	1265	1310	1290	1300	1250	1352	*1342	↓↓

CORN FUTURES (\$/BU)

	MAY-23	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25	JUL-25	TREND
	6.560	6.276	5.624	5.554	5.640	5.692	5.706	5.446	5.352	5.420	5.442	5.442	MIXED
WEEK AGO	6.526	6.274	5.682	5.592	5.606	5.682	5.732	5.746	5.460	5.350	5.416	5.432	

SOYMEAL FUTURES (\$/TON)

	MAY-23	JUL-23	AUG-23	SEP-23	OCT-23	DEC-23	JAN-24	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24	TREND
	460.2	457.4	447.1	432.7	420.2	417.7	413.1	403.6	398.3	397.2	392.5	387.7	↑↑
WEEK AGO	450.6	446.8	438.6	427.0	417.5	415.4	410.9	401.2	395.9	394.6	390.7	386.0	

***NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - *FEB 2023**

FEED = \$/CWT	IOFC (\$/COW)	PA MILK MARGIN @ 75 lbs milk	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 04/12/23	SPOT CASH TEND 04/12/23
*FEB (estimated)	*9.38↓	*9.99↓	*17.03↓	NFDM 1.158	1.1500↑↑
PREV MO	9.61	10.71	17.93	WHEY 0.429	0.3700↓
YR AGO	8.61	12.82	17.09	BUTTER 2.397	2.3750↑↑
				CHEESE 1.900	See Below

Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price

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

CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK MAR 1-31, 2023	*MAR 2023 COMPONENTS
18.85(APR)	*19.52(MAR)	*18.10(MAR)	*18.38(MAR)	*21.60(FEB)↓	*23.90(FEB)↓	PRODUCT VALUE MAKE ALLOW NET	*PROT 2.4085 ↑↑
18.99	20.83	17.78	18.86	23.10 4.23F	23.90 4.14F	*CHEESE 1.8399 0.2003 1.6396 ↑↑	*B.FAT 2.7300 ↑↑
24.38	24.76	22.45	24.82	24.70 4.18F	25.70 4.11F	*BUTTER 2.4258 0.1715 2.2543 ↑↑	*N.FAT 1.0154 ↓↓
						*NFDM 1.1935 0.1678 1.0257 ↓↓	*OTHER 0.2338 ↑↑
						*DRYWHEY 0.4261 0.1991 0.2270 ↑↑	

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. April 5, 2023 sale New Holland, PA)

COWS: Fresh	Bred	Springing	*HEIFERS: Bred	Springing	Beefx	Open:	300-600 lbs	600-900 lbs	900-1100 lbs	BULLS(800-1300lbs)
1550	1650	1475	1350	1015	1000	300	300	625	260	950

FED HOLSTEIN STEERS (\$/CWT LIVELINEWEIGHT)

Choice & Prime	1250-1550 lbs light test	CURRENT	Beef X	WEEK AGO	YR AGO
		134.00	LTD	134.75	115.00 ↓↓
BULL CALVES:	No. 1 & 2, 90-130 lbs	225.00	425.00	275.00	460 165.00 ↓↓
	70-85 lbs	200.00	450.00	325.00	350 165.00 ↓↓

brought to you by:

Price averages do not include lower-end common

Average to high dressing