

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — APR. 19, 2023 — except where noted

Is export growth slowing? The answer to this question is complex, but based on information published by the U.S. Dairy Export Council (USDEC) in its April 6, 2023 "U.S. Dairy Exporter Blog," the short-term answer is: Yes.

You can find and subscribe to the "U.S. Dairy Exporter Blog" at www.usdec.org. The blog mentions several reasons why exports will be challenged this year, but also reasons to support why U.S. dairy export growth will continue, although it will be at a slower rate than 2022 when exports set a volume record for the third consecutive year.

After an unexpected year-over-year (YOY) increase of 16% in January, February exports better reflected the headwinds that dairy economists were saying at the close of 2022 face exports this year in 2023. February 2023 exports were 177,032 milk solids equivalent metric tons (MT), remaining in growth mode but just at a YOY increase of 0.8% (+1,430). The increase was driven primarily by lactose, which jumped 32% (+9,322 MT) over last February. The slight YOY growth was also helped by a 9% increase (+472 MT) in whey protein concentrate 80+ (WPC80+) and a 34% increase (+965 MT) in milk protein concentrate (MPC).

These slight increases were enough to offset export losses in low-protein whey products, which makes up the second largest individual dairy export category after nonfat dry milk/skim milk powder (NDM/SMP), butter, anhydrous milk fat, and whole milk powder. These products fell by 9% (-3,837 MT), 32% (-1,615 MT), 82% (-1,377 MT), and 41% (-1,332 MT), respectively. Also contributing to slower growth were relatively flat, or negative, exports of NDM/SMP and cheese — the first and third largest export categories at -1% and -0.2%, respectively. NDM/SMP exports were down by 342 MT while cheese fell by just 82 MT. Overall, lower dairy product prices — combined with decreased exports of higher value dairy products like butter and cheese — caused YOY export value to decrease for the first time in more than two years. The USDEC blog did not report the value, but according to the USDA, Feb. 2023 export value was \$665.6 million, which is \$22.4 million less (-3%) than February 2022.

With overall lower international prices, our higher domestic price is less competitive and, in some cases, much higher than other major dairy

exporting countries, mainly New Zealand and the European Union (EU). For example, the February U.S. butter price was \$2.39 per pound, 24 cents more expensive than the EU price. This was a primary reason butter and anhydrous milk fat exports suffered during February and will continue to be challenged until the U.S. price better aligns with international prices.

The USDEC blog mentions that New Zealand (NZ) and European milk supplies continue to improve relative to last year. With more supply, and therefore more dairy products on the market, international prices will continue to experience downward pressure. Chinese demand for international dairy is uncertain, and with more regionally local dairy suppliers like NZ having a more competitive price than last year, China may turn to NZ before filling in the gaps with U.S. product. World economic uncertainties are also headwinds that the U.S. may face this year in exporting dairy products. Inflation continues to be a worldwide concern.

However, USDEC also sees demand in Latin America continuing to be robust. Even though U.S. dairy product prices may remain above other international prices, there is still a huge logistical advantage of shipping U.S. dairy into Mexico, Central America and the Caribbean, and South America versus purchasing from competing countries. In February, exports to Mexico grew by 28%, Central America and the Caribbean by 17%, and South America by 8%. The trend of growth in exports to these areas is expected to continue.

The USDEC expects three things to occur during the second half of the year that should put the U.S. in a better position for export growth:

1. European milk production will slow as lower product prices are passed onto farmers,
2. China will continue to recover from post-COVID-lockdown, and
3. Global economic activity will improve.

Accounting for the current issues making U.S. dairy less attractive to international buyers in the short term and future improvements to these issues during the second half of the year, USDEC believes that export volume may be able to increase by around 1.5% during 2023.

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CME DAILY FUTURES & OPTIONS TRADING — APR. 19, 2023 AT THE CLOSE

	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: <i>Apr. up \$0.04, May down \$1, June-Sept down \$0.10-0.50, Oct23-Mar24 steady to strong</i>	18.64	17.35	17.88	18.40	19.00	19.50	19.65	19.60	19.32	18.89	18.75	18.65	MIXED			
CLASS IV MILK FUTURES (\$/CWT) vs. week ago: <i>Apr up \$0.10, May-Jun dn \$0.10-0.15, July up \$0.10, Aug-Sept dn \$0.15, Oct-Dec up \$0.15, Jan-Mar24 steady</i>	17.98	17.71	17.88	18.50	18.61	18.88	19.35	19.45	19.45	19.22	19.05	19.00	MIXED			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	18.75 0.13	17.50 0.36	18.00 0.63	18.50 0.80	19.00 0.86	19.50 0.98	19.75 1.07	19.50 1.04	19.25 1.11	19.00 1.19	18.75 1.17	18.75 1.28				
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	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	↓↓

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																
1152	1151	1237	1253	1390	1278	1184	1350	1407	1265	1310	1290	1300	1250	1352	*1342	↓↓

CORN FUTURES (\$/BU)													TREND
MAY-23	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25	JUL-25		↑↑
6.722	6.364	5.684	5.630	5.712	5.762	5.780	5.532	5.442	5.514	5.534	5.516		
WEEK AGO													
6.560	6.276	5.624	5.554	5.640	5.692	5.706	5.446	5.352	5.420	5.442	5.442		

SOYMEAL FUTURES (\$/TON)													TREND
MAY-23	JUL-23	AUG-23	SEP-23	OCT-23	DEC-23	JAN-24	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24		MIXED
454.4	452.0	442.2	428.5	418.6	416.4	413.2	404.0	398.4	396.5	392.9	388.5		
WEEK AGO													
460.2	457.4	447.1	432.7	420.2	417.7	413.1	403.6	398.3	397.2	392.5	387.7		

PA MILK MARGIN & IOFC-LATEST PSU VALUES - *FEB 2023				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 04/19/23								SPOT CASH	TREND
FEED COST	IOFC (\$/COW)	PA MILK MARGIN	PA MILK MARGIN	APR	MAY	JUN	JUL	AUG	SEP	OCT		04/19/23	
(\$/CWT milk)	(\$/CWT milk)	@ 75 lbs milk	(\$/CWT milk)	NFDM	1.165	1.160	1.175	1.210	1.230	1.259	1.275	↑↑	1.1600↑↑
*FEB (estimated)	*9.38↓	*9.99↓	*17.03↓	WHEY	0.435	0.397	0.371	0.361	0.367	0.390	0.407	↑↑	0.3825↑↑
PREV MO	9.61	10.71	17.93	BUTTER	2.397	2.399	2.395	2.440	2.457	2.490	2.490	↑↑	2.7000↑↑
YR AGO	8.61	12.82	17.09	CHEESE	1.886	1.783	1.846	1.917	1.973	2.017	2.022	↓↓	See Below
Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price				CME SPOT CHEESE: BARRELS 1.5300 / 40 LB BLOCKS 1.7600 ↓↓ / ↓↓									

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 1-31, 2023							*MAR 2023
*19.57(MAY)	19.52(MAR)	18.10(MAR)	18.38(MAR)	21.60(FEB)↓	23.90(FEB)↓		PRODUCT	VALUE	MAKE ALLOW	NET		COMPONENTS		
				4.21F	4.14F		CHEESE	1.8399	0.2003	1.6396	↑↑	PROT	2.4085	↑↑
							BUTTER	2.4258	0.1715	2.2543	↑↑	B.FAT	2.7300	↑↑
							NFDM	1.1935	0.1678	1.0257	↓↓	N.FAT	1.0154	↓↓
							DRYWHEY	0.4261	0.1991	0.2270	↑↑	OTHER	0.2338	↑↑

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. April 12, 2023 sale New Holland, PA)																
COWS: Fresh Bred Springing				*HEIFERS: Bred Springing				Beefx	Open:	300-600 lbs	Beef X	600-900 lbs	Beef X	900-1100 lbs	BULLS (800-1300 lbs)	
1650	1725	1450		1425	1500	1000	LTD	430	N/A	875	600	LTD	1095	800	LTD	
WEEK AGO COMPARISON																
1550	1650	1475		1350	1015	LTD	1000	LTD	300	300	625	260	LTD	775	950	LTD

FED HOLSTEIN STEERS (\$/CWT LIVELINE)				BULL CALVES:			
Choice & Prime	1250-1550 lbs light test	130.00	LTD	No. 1 & 2,	90-130 lbs	260.00	475.00
				70-85 lbs	250.00	475.00	

Price averages do not include lower-end common

Premium White	Breakers	Boners	Lean
95.35↑↑	88.35↑↑	80.10↑↑	
WEEK AGO			
N/A	91.75	81.25	69.75
YEAR AGO			
N/A	82.10	75.25	71.10

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