

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — APRIL 20, 2022 — except where noted



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BUTTER: The amount of fat in the American diet and its effects on health have been hotly contested since the 1970s with fat from red meats to dairy products considered villains to healthy diets. However, research conducted over the last decade or more has begun to paint a different picture. Current research shows that fat, including the type of fat in dairy products, in moderation, are part of a healthy diet. Milk fat has been shown to improve brain development in children from birth to young adulthood, helps to reduce the risk of Type 2 diabetes, and even encourages weight loss. Scientists are just scratching the surface in terms of what other health benefits there are to consuming full fat or reduced fat dairy products as a healthy part of a diet. Time magazine published an article titled "Ending the War on Fat" on June 23, 2014 that began to publicly dispel the myth that fat, in general, is bad for your health. The picture on the cover of the magazine was a slice of butter that included the caption "Eat Butter."

How has the shifting thought process about milk fat helped to influence butter consumption? According to the USDA, per capita butter consumption from 1975 through 2010 averaged 4.5 pounds per person with a range of 4.2 pounds to an occasional 5 pounds per person. Since 2010, per capita consumption has averaged 5.7 pounds per person with a range of 5.4 pounds in 2011 to 6.3 pounds per person in 2020. This represents a 27% increase in average per capita butter consumption over the past 10 years compared to the previous 36 years. The 2020 consumption total represents the most butter consumption since the USDA began reporting per capita butter consumption in 1975. An increase of 1.2 pounds of butter consumption per person over a year's time does not seem like much, but spread over the entire U.S. population, it represents a large volume of milk needed to supply the additional demand for butter. 2021 per capita consumption will not be reported until September 2022. For perspective, using the USDA butter standard of 80% minimum fat and the whole milk standard of 3.25% fat, one gallon (8.5 pounds) of whole milk yields roughly one-third of a pound of butter. This means that an additional 3.6 gallons of whole milk per person is needed per year to supply enough butter to meet the increased butter demand compared to pre-2011. In 2020, the U.S. population was estimated at 329.5 million people. An additional 1.2 billion gallons of whole milk equivalents are now used for butter than was used prior to 2011.

Whether you are paid for milk based on components like in the Northeast or in one of the milk marketing orders that are still paid on the skim milk price plus butterfat in the Southeast, higher butterfat content milk is more valuable to your milk check compared to lower butterfat milk. As a result, dairy farmers have been successful in increasing butterfat concentration of milk through genetic advancement and better nutrition. Over the same 10-year period (2011-2020), average butterfat composition has risen from 3.71% in 2011 to 3.95% in 2020. 2021 butterfat averaged 4.01% with the first two months of 2022 averaging 4.20%.

Despite U.S. dairy farmers' ability to increase milk production with higher butterfat content, world demand for milk fat is outpacing the current world supply. With milk production down in Oceania and in Europe and somewhat stagnant in the U.S., the world cream supply is short. On April 15, CME cash butter price was \$2.76 per pound, nearly \$1 more per pound than the April 2021 CME cash price of \$1.79. Even at the current high price, U.S. butter is cheap compared to international butter prices (\$3.56 per pound in Europe and \$3.13 in Oceania). As a result, U.S. butterfat exports in recent months have reached their highest totals since 2014 with no sign of slowing. The butter demand and short cream supplies available to international butter churns are getting reflected in the U.S. Class IV milk price that continues to improve month-over-month.

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

Butter Consumption and Avg National Milk Fat Concentration

	Per Capita Consumption, lbs/person	Average Milk Fat, %
2016	5.7	3.78
2017	5.7	3.83
2018	6.0	3.87
2019	6.2	3.92
2020	6.3	3.95

CME DAILY FUTURES & OPTIONS TRADING — APRIL 20, 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: <i>Apr firm, May off \$1; rest of 2022 off \$0.40-0.70; 2023 off \$0.05-0.15</i> 12-Month Avg. 23.34 ↓↓	24.27	24.17	24.44	24.17	24.09	23.84	23.58	23.30	22.84	22.27	21.76	21.33	↓↓											
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: <i>\$0.05-0.30 lower, mainly \$0.15, except Mar. 2023 \$0.05 higher</i> 12-Month Avg. 24.14 ↓↓	25.22	24.87	24.77	24.83	24.80	24.73	24.45	24.20	23.80	23.01	22.65	22.30	↓↓											
HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III CONTRACTS OVER LIFE OF CONTRACT & MONTH/DATE OF OCCURRENCE																								
HIGH	24.26	03/22	25.17	04/22	25.10	04/22	24.90	04/22	24.49	04/22	24.40	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
LOW	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																							
24.25	0.04	24.25	0.62	24.25	0.86	24.00	1.10	24.00	1.28	23.75	1.47	23.40	1.48	23.25	1.56	22.75	1.54	22.25	1.58	21.75	1.60	21.25	1.61
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																							
DMC	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								
	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
PA AVG 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	
8.156	8.100	7.660	7.484	7.506	7.506	7.454	6.954	6.744	6.804	6.822	6.782	↑↑	
WEEK AGO													
7.834	7.780	7.470	7.356	7.380	7.382	7.340	6.830	6.604	6.666	6.684	6.644		

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	
471.4	466.3	455.9	442.5	428.1	426.4	421.5	411.1	406.8	406.0	399.4	392.1	↑↑	
WEEK AGO													
458.2	454.3	444.2	432.5	421.9	421.0	416.6	408.1	404.4	403.6	397.1	389.7		

PA MILK MARGIN & IOFC-LATEST PSU VALUES - *JAN. 2022				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 04/20/22										SPOT CASH TEND	
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)		APR	MAY	JUN	JUL	AUG	SEP	OCT			04/20/22		
*JAN (estimated) 7.94 ↓↓	12.74 ↑↑	16.98 ↑↑		NFDM 1.817	1.804	1.786	1.800	1.815	1.815	1.800	↓↓	1.7925 ↓↓			
PREV MO 8.01	11.03	14.70		WHEY 0.746	0.682	0.667	0.647	0.635	0.640	0.620	↓↓	0.6350 NC			
YR AGO 8.74	6.42	8.56		BUTTER 2.776	2.705	2.710	2.686	2.660	2.650	2.631	↓↓	2.7200 ↓↓			
				CHEESE 2.273	2.310	2.363	2.336	2.310	2.327	2.305	↓↓	See Below			
				CME SPOT CHEESE: BARRELS 2.3425 / 40 LB BLOCKS 2.3350 ↓↓ / ↑↑											

*USDA DEC-21 NEW * ALL-MILK BF * MAILBOX								*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)								*CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW			
FL \$24.50	3.68	\$22.40		CL I ADV ↑↑	CL III ↑↑	CL IIII ↑↑	CL IV ↑↑	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK	MAR. 1-26, 2022		*MAR. 2022						
MO N/A	N/A	\$22.07		*25.45 (MAY)	24.76 (MAR)	22.45 (MAR)	24.82 (MAR)	24.70 (FEB)	25.70 (FEB) ↑↑	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS					
NE \$22.70	4.17	\$22.07		MONTH AGO				4.18F	4.11F	CHEESE	2.0548	0.2003	1.8545	↑↑	PROT 2.7182	↑↑			
SE \$23.40	4.05	\$21.78		YEAR AGO				24.38	23.79	BUTTER	2.7260	0.1715	2.5545	↑↑	B.FAT 3.0935	↑↑			
SW \$21.40	4.19	\$21.38		17.10	15.07	16.15	14.18	17.10	17.40	NFDM	1.7954	0.1678	1.6276	↑↑	N.FAT 1.6113	↑↑			
W \$23.05	4.11	\$21.23								DRYWHEY	0.7943	0.1991	0.5952	↑↑	OTHER 0.6131	↑↑			
W* \$22.30	4.11	\$21.23																	
NY \$22.00	4.14	\$21.21																	
MN \$21.70	4.41	\$21.19																	
CA \$22.20	4.20	\$21.08																	
OH \$21.80	4.10	\$21.07																	
IA \$21.50	4.32	\$20.99																	
WA \$21.60	4.17	\$20.92																	
US \$21.80	4.20	\$20.87																	
N \$21.70	4.12	\$20.46																	
TX \$21.80	4.41	\$20.44																	
MI \$20.70	4.07	\$19.87																	
NE \$20.00	4.28	\$19.49																	
NM \$19.90	4.11	\$18.90																	

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. April 13, 2022 sale New Holland, PA)														
COWS: Fresh Bred Springing				HEIFERS: Bred Springing Beef x Open:				300-600 lbs	600-900 lbs	Beef X	900-1100 lbs	BULLS (1000+ lbs)		
1225	1310	1350		1175	1525	N/A	500	N/A	675	N/A	1125	1000		
WEEK AGO COMPARISON														
1450	1285	1475		1275	1400	N/A	850	N/A	860	N/A	910	1375		
FED HOLSTEIN STEERS (\$/CWT LIVELINE)														
Choice & Prime 1250-1550 lbs light test														
BULL CALVES: No. 1 & 2, 90-130 lbs														
70-85 lbs														
CURRENT Beef X WEEK AGO YR AGO														
115.00 115.00 87.75 NC														
185.00 385.00 165.00 300 120.00 ↑↑														
125.00 400.00 165.00 400 90.00 ↓↓														

brought to you by:

Average to high dressing

	Premium White	Breakers	Boners	Lean
	83.75 ↓↓	78.75 ↓↓	69.00 ↓↓	
WEEK AGO	N/A	86.10	80.75	69.35
YEAR AGO	N/A	66.75	64.35	56.35