

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MAY 3, 2023 — except where noted



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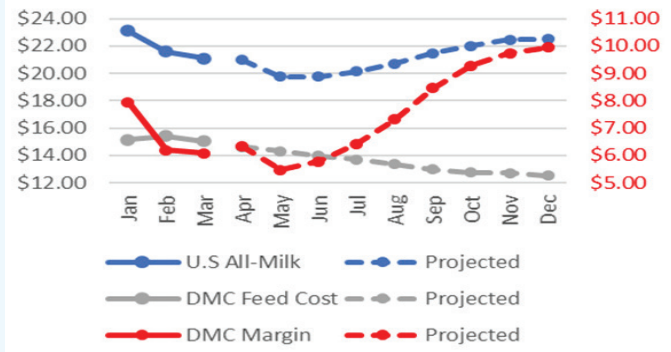
**Feed costs declining:** The Dairy Margin Coverage (DMC) feed cost declined by 39 cents during March compared to February. All three DMC feed cost factors – corn, soybean meal (SBM), and superior alfalfa hay – experienced declines that resulted in a final total DMC feed cost of \$15.02 per cwt. Unfortunately, the U.S. all-milk price declined an additional 50 cents compared to Feb. to average \$21.10 per cwt. The resulting DMC margin was announced as \$6.08 per cwt, triggering indemnities at the \$6.50 per cwt and greater margin coverages. At the maximum \$9.50 margin coverage, the indemnity payment is \$3.42 per cwt on 1/12 of annual production history. This is \$2,688 per 1 million pounds of production history enrolled in the program or \$13,438 for a dairy operation that maximizes the 5-million-pound cap. With February's indemnity covering the rest of the annual premium, the March payment adds an additional 22 cents per cwt to the 2023 net benefit, making it 50 cents per cwt.

Even though the DMC margin deteriorated an additional 11 cents per cwt compared to February, the decreased feed cost started what is projected to be a trend for the rest of the year. Based on the April 27 DMC Decision Tool, feed costs are expected to decline each month through the rest of the year. The DMC feed cost is expected to end the year at \$12.53 in December. The DMC feed cost is expected to average \$13.87 for the year.

All three DMC feed commodities are expected to decrease relative to their current prices. March corn price was \$6.67 per bushel and is projected to drop by \$1.49 to \$5.18/bu. by Dec. Corn price is estimated to average \$6.01 per bushel for the year. Superior alfalfa hay is supposed to drop from its current March price of \$314 per ton to \$281 per ton in Dec. and average \$294.56 for the year. SBM is expected to drop from March's \$484.40 per ton to \$425.44 and average \$460.82 for the year. With milk price projected to increase during the second half of the year, the DMC margin is expected to surpass the maximum \$9.50 margin coverage in Nov. and Dec. The U.S. all-milk price is expected to continue to decline from \$21.10/cwt in March to a low of \$19.74 per cwt in June. July milk price is expected to increase relative to June and reach \$22.48 in Dec. At current market prices, the \$9.50 maximum margin provides a U.S. all-milk price floor of \$23.37/cwt for the year.

There are several factors driving decreased feed costs. On March 31, the USDA released its Prospective Planting report. Through its survey, the USDA reported that a total of 92.0 million acres of corn are expected to be planted this year. This is 3.42 (+4%) million acres more than 2022. Soybean planted acres are marginally more than 2022 at 87.51 million acres, just 55,000 (+0.06%) acres more. More acres planted generally leads to more supply that puts downward pressure on the price.

One factor that could amplify supply provided by additional acreage is the weather. Recently, the National Oceanic and Atmospheric Administration (NOAA) updated its short-term climate update. NOAA now predicts that the El Niño climate phenomenon will begin sometime between May and July. The El Niño climate pattern is caused by warmer Pacific Ocean temperatures that shift the Jetstream, which affects the climate across the globe. While El Niño effects are hard to predict, it generally brings cooler, wetter summers to much of the U.S. The cooler weather reduces heat damaged corn pollination and potentially provides rain when crops need it. This typically creates a growing season conducive to higher-than-average yields that may help further reduce feed commodity prices.



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 — MAY 3, 2023 AT THE CLOSE													
	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	TREND
<b>CLASS III MILK FUTURES (\$/CWT)</b> vs. week ago: <i>May up \$0.15, Jun-Sep23 dn \$0.05-0.15, Oct-Dec23 firm to \$0.10 higher, Jan-Apr24 \$0.15-0.20 lower.</i> <b>12-Month Avg. 18.47</b> ↓↓	16.76	17.18	17.84	18.57	19.15	19.40	19.40	19.05	18.70	18.60	18.50	18.49	MIXED
<b>CLASS IV MILK FUTURES (\$/CWT)</b> vs. week ago: <i>May up \$0.15 Jun-Nov23 up \$0.40-0.50, Dec23-May24 up \$0.15-0.20.</i> <b>12-Month Avg. 19.05</b> ↑↑	17.94	18.40	18.86	19.15	19.50	19.63	19.79	19.55	19.15	19.09	19.00	18.50	↑↑
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>	16.75 0.13	17.25 0.46	17.75 0.60	18.50 0.74	19.25 0.95	19.50 1.03	19.25 1.12	19.00 1.08	18.75 1.14	18.50 1.12	18.50 1.24	18.50 1.27	
<b>MILK BASIS (\$/CWT) — PA BASIS &amp; 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</b>	PA 1.82	1.58	0.99	1.03	0.95	0.79	0.60	0.79	1.17	0.62	1.53	2.29	
<b>*AVG</b>	1.66	1.45	1.25	1.31	1.15	0.67	0.74	1.38	0.85	1.67	2.55	2.15	
<b>DMC OFFICIAL GROSS MARGINS per cwt(USDA All-Milk, com, alfalfa &amp; Ill. soybean, feed for ALL CLASSES of dairy cattle on farm)</b> Updated with NEW prem. alfalfa feed cost	DMC 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
	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 *6.08

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
	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
<b>U.S. AVG. BRED COWS &amp; HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report</b>	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
	6.452	5.884	5.316	5.304	5.404	5.464	5.500	5.276	5.204	5.274	5.294	5.302	↓↓
<b>WEEK AGO</b>	6.436	6.016	5.464	5.432	5.530	5.590	5.626	5.538	5.280	5.362	5.382	4.964	

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
	427.8	424.9	418.6	408.8	400.1	398.3	396.5	391.7	388.7	388.4	386.0	382.6	↓↓
<b>WEEK AGO</b>	427.2	427.9	421.8	411.9	404.0	402.7	400.3	393.7	390.1	389.7	387.3	383.9	

PA MILK MARGIN & IOFC-LATEST PSU VALUES - *FEB 2023														
FEED COST	IOFC (\$/COW)	PA MILK MARGIN	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 05/03/23											
(\$/CWT milk)	@ 75 lbs milk	(\$/CWT milk)	MAY	JUN	JUL	AUG	SEP	OCT	NOV	SPOT CASH TREND				
*FEB (estimated) *9.38 ↓↓	*9.99 ↓↓	*17.03 ↓↓	NFDM 1.144	1.186	1.226	1.260	1.285	1.305	1.315	↑↑	05/03/23			
PREV MO 9.61	10.71	17.93	WHEY 0.390	0.360	0.345	0.346	0.367	0.365	0.370	Mixed	1.1925 ↑↑			
YR AGO 8.61	12.82	17.09	BUTTER 2.425	2.452	2.478	2.492	2.515	2.510	2.516	↑↑	0.3375 ↓↓			
Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			CHEESE 1.720	1.772	1.854	1.948	2.002	2.012	2.015	↓↓	2.4425 ↑↑			
			CME SPOT CHEESE: BARRELS 1.5850 / 40 LB BLOCKS 1.6900 ↑↑ / ↑↑											

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)													
CL I ADVTT	*CL II ↓↓	*CL III ↑↑	*CL IV ↓↓	*ALL-MILK-U.S.	*ALL-MILK-PA	CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW							
19.57(MAY)	*19.20(APR)	*18.52(APR)	*17.95(APR)	*21.10(MAR)	*21.70(MAR)	WEIGHTED AVG. 4-WK APRIL 1-29, 2023							
				4.19F	4.14F	PRODUCT	VALUE	MAKE ALLOW	NET	*APR 2023 COMPONENTS			
						*CHEESE	1.8775	0.2003	1.6772	↑↑	*PROT	2.5603	↑↑
						*BUTTER	2.4018	0.1715	2.2303	↓↓	*B.FAT	2.7009	↓↓
						*NFDM	1.1151	0.1678	0.9476	↓↓	*N.FAT	0.9774	↓↓
						*DRYWHEY	0.4398	0.1991	0.2407	↑↑	*OTHER	0.2479	↑↑

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. April 26, 2023 sale New Holland, PA)															
COWS: Fresh Bred Springing				*HEIFERS: Bred Springing				Beefx		Open: 300-600 lbs		600-900 lbs		900-1100 lbs	
1825	1550	1625	LTD	1475	1550	N/A	500	N/A	750	N/A	1425	LTD	1300	SINGLE	
							1575	LTD	1500	LTD	1500		1490	1550	N/A
							550		700		850		N/A	1325	1200
															LTD

FED HOLSTEIN STEERS (\$/CWT LIVELINE) CURRENT BeefX WEEK AGO YR AGO													
Choice & Prime 1250-1550 lbs light test				BULL CALVES: No. 1 & 2, 90-130 lbs				70-85 lbs					
141.25 LTD				275.00 450.00				230.00 450.00					
133.00				260.00 500				275.00 485					
118.50				180.00				165.00					
↑↑				↑↑				↓↓					

brought to you by:

Average to high dressing

Premium White	Breakers	Boners	Lean
98.75 ↑↑	96.25 ↑↑	84.00 ↓↓	
<b>WEEK AGO</b>			
N/A	98.60	96.10	84.25
<b>YEAR AGO</b>			
N/A	82.10	75.25	71.10