

Class IV price cooling off? Class IV milk price has increased month over month since Aug. 2021, surpassing Class III milk price in November 2021. For the third straight month, the April Class IV price, announced on May 4, set an all-time high at \$25.31 per cwt. Since February, the spread between Class III and IV has been declining. The Feb. Class IV price was \$3.09 per cwt higher than Class III, \$2.37 higher in March and 89 cents per cwt in April. Although all milk prices have softened somewhat over the last few weeks, Class III milk futures have experienced a net increase, whereas Class IV experienced net decrease. Has the Class IV boon ended?

Since last year, reduced world supply of milk powders and butter have created an environment to support the increased Class IV prices we have seen over the last several months. However, domestic demand for butter and international demand for powder have decreased over the last couple months. As the futures market shows, Class IV price is starting to move downwards compared to the beginning of April. Most of the butter made in the U.S. stays in the U.S. and most of the powder (nonfat dry milk/skim milk powder [NDM/SMP]) leaves the country. For example, during 2021, 1.15 bil. pounds of butter was used domestically compared to 98.3 mil. pounds of exports, and 801 mil. pounds of NDM/SMP was used domestically compared to 1.97 bil. pounds exported. Through the first three months of 2022, domestic butter use is down over 7% (-39 mil. pounds) compared to the first three months of 2021, and NDM/SMP exports are down more than 8% (-40 mil. pounds) compared to the same time.

What is causing the current demand issues? Like all things in the dairy industry, there is not a single clear explanation. However, supply and demand are likely culprits. Butterfat across the globe, including the U.S., has been in short supply causing butter prices to inflate. It seems that price points have been reached that are causing consumers and food service establishments here in the U.S. to reduce butter purchases. According to the USDA, average retail butter price for the week ending April 29 was an all-time high at \$4.30 per pound, \$4.11 per pound two weeks ago and \$3.95 per pound the week ending May 13. This is about \$1 more per pound

compared to the same period in 2021. A historically high butter price has people backing off buying as much butter at retail stores, and restaurants are perhaps trying to save money by switching to cheaper plant-based butter alternatives. In addition, restaurant sales, in general, are still less than they were pre-pandemic. Butter futures in May 16 moved higher but are declining month-to-month with currently trading at \$2.70 while dropping close to 40 cents per cwt in January 2023.

According to the U.S. Dairy Export Council (USDEC), through the first quarter (Q1) of 2022, the top three export markets of the U.S. experienced declines of NDM/SMP compared to Q1 2021. NDM/SMP exports to Mexico are down 3%, Southeast Asia down 1%, and China down 1%. Much of China is still on lockdown because of COVID-19. This is hindering the supply chain and keeping residents at home. Higher than normal product prices in China are hindering dairy purchases as well.

Futures markets indicate Class IV prices are moving in the same direction compared to what they had been doing since the start of last year. Class III is trending upwards and may surpass Class IV in the next month or next month. However, if May 16 futures become reality, Class IV will average \$22.94 for the next 12 months. This is still \$7.26 per cwt more than the 5-year average.

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Butter Futures and Class IV Futures Vs. Class III

Month	Class IV 4/8/22	Class IV 5/16/22	Class IV 5-year Avg
Apr	\$25.31	\$24.50	\$14.50
May	\$25.00	\$24.00	\$15.00
Jun	\$25.00	\$24.00	\$15.50
Jul	\$25.00	\$24.00	\$15.50
Aug	\$25.00	\$24.00	\$15.00
Sep	\$25.00	\$24.00	\$15.00
Oct	\$24.50	\$23.50	\$15.50
Nov	\$24.00	\$23.00	\$15.50
Dec	\$23.50	\$22.50	\$16.00
Jan	\$23.00	\$22.00	\$16.50
Feb	\$22.94	\$21.50	\$16.50

Prices change daily. This market information is an example for educational purposes only. All data is below and controlled weekly by EMM & S&S.

	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	APR-23											
*AVG = Average basis for North-East and Mid-East	CLASS III MILK FUTURES (\$/CWT) vs. wk ago: May up \$0.10; Rest of board \$0.40-0.80 higher.										12-Month Avg												
	24.98	24.57	24.40	24.04	23.55	23.30	23.00	22.20	21.32	20.70	20.37	20.08											
	CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: May up \$0.35; Rest of board \$0.40-0.90 higher.										12-Month Avg												
	24.90	24.37	24.47	24.34	24.15	23.70	23.50	22.80	21.80	20.35	21.11	20.80											
MARGIN = Milk Price over Feed Cost per cwt. *YELLOW = payment triggered	----- HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III CONTRACTS OVER LIFE OF CONTRACT & MONTH/DATE OF OCCURRENCE																						
	25.17 04/22 11.12 04/20	25.10 04/22 11.20 05/20	24.90 04/22 11.20 04/20	24.49 04/22 11.12 05/20	24.40 04/22 11.20 05/20	23.95 04/22 11.12 04/20	23.80 03/22 11.31 04/20	23.43 03/22 11.20 05/20	23.43 03/22 11.20 05/20	22.20 03/22 11.20 05/20	22.08 03/22 11.72 05/20	22.08 03/22 11.72 05/20											
	CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																						
	25.00	0.07	24.75	0.57	24.75	1.15	24.50	1.37	24.00	1.51	23.75	1.63	23.00	1.47	22.25	1.58	21.25	1.45	20.75	1.54	20.25	1.58	20.00
	MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CL)																						
	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										
	*AVG	1.66	1.45	1.25	1.31	1.15	0.67	0.74	1.38	0.85	1.67	2.55	2.15										
	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																						
	DMC	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	*MAR-22							
		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	*11							

CORN FUTURES (\$/BU)											
JUL-22	SEP-22	DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24
7.814	7.532	7.402	7.436	7.434	7.380	6.724	6.452	6.512	6.532	6.496	5.832
7.884	7.520	7.356	7.394	7.390	7.340	6.720	6.462	6.522	6.536	6.504	5.965

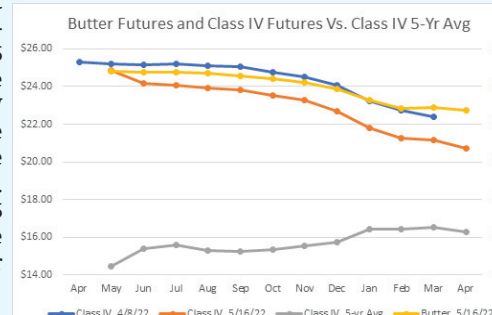
	PA MILK MARGIN & IOFC-LATEST PSU VALUES - *MAR. 2022			CME DAIRY CASH-SETTLED FUTURES (\$/LB)					05/18/22	SPOT		
	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	MAY	JUN	JUL	AUG	SEP	OCT	NOV		
*MAR ^(estimated)	8.59↓	13.76↑	18.35↑	NFDM	1.805	1.787	1.757	1.760	1.755	1.728	1.720	↑↑
PREV MO	8.61	12.82	17.09	WHY	0.657	0.575	0.550	0.532	0.525	0.527	0.510	↓↓
YR AGO	8.66	6.93	9.24	BUTTER	2.728	2.740	2.725	2.702	2.657	2.623	2.573	↑↑
				CHEESE	2.404	2.399	2.400	2.380	2.333	2.320	2.289	↑↑
				CME SPOT CHEESE: BARRELS					2.4500 / 40 LB BLOCKS		2.375	

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. May 11, 2022 sale New Holland, PA)														
COWS: Fresh Bred Springing				HEIFERS: Bred Springing Beef x				Open: 300-600 lbs Beef X 600-900 lbs Beef X 900-1100 lbs						
S.	\$23.60	4.11	\$23.20											
A	\$24.20	4.21	\$23.20											
1	\$24.40	4.19	\$23.17											
2	\$23.60	4.42	\$22.07											
3	\$23.40	4.19	\$23.01											
4	\$23.90	4.35	\$22.76											
5	\$23.20	4.11	\$22.32											
6	\$23.20	4.28	\$22.15											
M	\$22.40	4.03	\$21.43											
1675				1350	1835	1200		1300	1125	400	N/A	875	550	950
Avg. of prices reported by USDA Market News for				FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)				CURRENT		Beef X	WEEK AGO		YR	
Apr. Auction Markets May 12-17, 2022				Choice & Prime 1250-1550 lbs light test				114.85			115.50		9	
CULL MARKET COWS (\$/CWT LIVELWEIGHT)				BULL CALVES: No. 1 & 2, 90-130 lbs				102.00		300.00	113.00		200	
Premium White Breakers Boners Lean				70-85 lbs				95.00		300.00	110.00		280	

		83.10	79.85	70.25
average	WEEK AGO	82.00	75.60	69.10
to high	YEAR AGO	72.10	69.85	51.00
pressing				

According to the U.S. Dairy Export Council (USDEC), through the first quarter (Q1) of 2022, the top three export markets of the U.S. have experienced declines of NDM/SMP compared to Q1 2021. NDM/SMP exports to Mexico are down 3%, Southeast Asia down 1%, and China down 24%. Much of China is still on lockdown because of COVID-19. This is disrupting the supply chain and keeping residents at home. Higher than normal dairy product prices in China are hindering dairy purchases as well.


Futures markets indicate Class IV prices are moving in a net downward direction compared to what they had been doing since the second half of last year. Class III is trending upwards and may surpass Class IV prices this month or next month. However, if May 16 futures become reality, Class IV will average \$22.94 for the next 12 months. This is still \$7.26 per cwt more than the 5-year average.



JUL-22 AUG-22 SEP-22 OCT-22 NOV-22 DEC-22 JAN-23 FEB-23 MAR-23

*AVG = average basis for North-East and Mid-East	CLASS III MILK FUTURES (\$/CWT) vs. wk ago: May up \$0.10; Rest of board \$0.40-0.80 higher.												12-Month Avg 22.71↑↑											
	24.98	24.57	24.40	24.04	23.55	23.30	23.00	22.20	21.32	20.70	20.37	20.08	↑↑											
	CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: May up \$0.35; Rest of board \$0.40-0.90 higher.												12-Month Avg 23.02↑↑											
	24.90	24.37	24.47	24.34	24.15	23.70	23.50	22.80	21.80	20.35	21.11	20.80	↑↑											
MARGIN = Milk Price over Feed Cost per cwt. *ELOW = payment triggered	----- HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III CONTRACTS OVER LIFE OF CONTRACT & MONTH/DATE OF OCCURRENCE -----																							
	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	22.20	03/22	22.08	03/22	22.08	03/22		
	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	11.72	05/20	11.72	05/20		
	CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
	25.00	0.07	24.75	0.57	24.75	1.15	24.50	1.37	24.00	1.51	23.75	1.63	23.00	1.47	22.25	1.58	21.25	1.45	20.75	1.54	20.25	1.58	20.00	1.49
	MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)																							
	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											
	*AVG	1.66	1.45	1.25	1.31	1.15	0.67	0.74	1.38	0.85	1.67	2.55	2.15											
	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	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	*MAR-22								
		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	*11.55	↑↑							

U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg & USDA's All-Milk price, USDA-reported corn & alfalfa hay & Ill. soybean prices (lactating feed only)																
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	*MAR-22	
12.51	11.25	10.51	10.66	11.31	11.63	10.77	10.19	9.79	10.94	12.46	13.41	14.17	16.51	*46.61	*47.12	↑↑
PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA corn & alfalfa hay & Buff., NY soybean prices (lactating feed only)																
12.36	10.53	8.56	9.24	9.37	9.76	10.20	10.04	9.82	11.07	12.26	13.48	13.79	16.38	*47.09	*48.35	↑↑

	CORN FUTURES (\$/BU)												TREND
	JUL-22	SEP-22	DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	
	7.814	7.532	7.402	7.436	7.434	7.380	6.724	6.452	6.512	6.532	6.496	5.832	
	WEEK AGO						6.720	6.462	6.522	6.536	6.504	5.965	
	7.884	7.520	7.356	7.394	7.390	7.340							

SOYMEAL FUTURES (\$/TON)												TREND
JUL-22	AUG-22	SEP-22	OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	JUL-23	AUG-23	SEP-23	OCT-23	
414.0	409.4	404.6	399.2	400.1	399.0	395.7	394.4	394.2	389.9	384.3	375.4	
WEEK AGO												
397.9	393.1	389.6	386.0	383.8	383.5	384.4	381.8	378.2	373.2	374.1	369.6	

= NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - *MAR. 2022				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 05/18/22							SPOT CASH TREN		
	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	MAY	JUN	JUL	AUG	SEP	OCT	NOV	05/18/22		
FEED =				NFDM	1.805	1.787	1.757	1.760	1.755	1.728	1.720	↑↑	1.7450↑↑
\$/CWT.				WHEY	0.657	0.575	0.550	0.532	0.525	0.527	0.510	↓↓	0.5025↓↓
*IOFC =	*MAR.(estimated)	8.59↓	13.76↑	BUTTER	2.728	2.740	2.725	2.702	2.657	2.623	2.573	↑↑	2.7925↑↑
\$/COW	PREV MO	8.61	12.82	CHEESE	2.404	2.399	2.400	2.380	2.333	2.320	2.289	↑↑	See Below
	YR AGO	8.66	6.93										

[illegible]

\$23.60	4.11	\$23.20	CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. May 11, 2022 sale New Holland, PA)												
S.	\$24.20	4.21	\$23.20												
A	\$24.40	4.21	\$23.20												
K	\$24.80	4.42	\$23.17												
L	\$24.60	4.42	\$23.07												
I	\$23.90	4.35	\$22.76												
M	\$23.20	4.11	\$22.32												
JSS	\$23.20	4.28	\$22.15												
M	\$22.40	4.03	\$21.43												
				COWS: Fresh Bred Springing HEIFERS: Bred Springing Beef x Open: 300-600 lbs Beef X 600-900 lbs Beef X 900-1100 lbs BULLS(900+ lbs)											
				1575	1450	1850	1400	1350	800	485	N/A	725	N/A	1025	1100
				----- WEEK AGO COMPARISON -----											
				1675	1350	1835	1200	1300	1125	400	N/A	875	550	950	925
				Avg. of prices reported by USDA Market News for											
				FA Auction Markets May 12-17, 2022											
				FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)											
				Choice & Prime 1250-1550 lbs light test											
				114.85											
				BULL CALVES: No. 1 & 2, 90-130 lbs											
				102.00											
				70-85 lbs											
				95.00											
				300.00											
				110.00											
				280											
				85.00											

Average to high pressing	N/A	WEEK AGO	75.60	69.10
	N/A	YEAR AGO	72.10	69.85



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