CDE DAIRY MARKETS & MANAGEMENT UPDATE

Understanding your break-evens: Information and data analysis is vast within the dairy industry these days. It can be overwhelming trying to decide which numbers you should be paying attention to and what those numbers even mean sometimes. Whether you're looking at herd health, breeding data, or nutrition information, it's all relative and important to your bottom line. In my opinion, one of the most important numbers-when looking at risk management and protecting your bottom line-is your break-even price. More importantly, you need to understand your Class III/IV break-even price and compare it to Class III/IV futures.

Before determining what your Class III/IV break-evens are, you should first complete a cost of production (COP). Understanding your past year's COP sets the foundation to discover where your farm's break-even price is and determine where your Class III/IV break-evens are. Then, you can forecast those break-evens to compare to the Class III/IV futures to help implement a sound risk management plan.

To do this, you need to understand the difference between cash and accrual. Cash is all income or expenses when money is received or paid. Accrual is when all income or expenses are allocated to the appropriate period or when the product was used. You also need to know your total milk production sold, all dairy related expenses, principal payments, depreciation numbers, other income, and your Class III/IV basis. Once you have these numbers, you can identify your total COP, determine your net break-even milk, and arrive at your Class III/IV break-evens. Together, all of this information can help you to forecast and compare Class III/IV futures.

To get your total COP, you would take your total dairy-related expenses and divide that by total milk hundredweights (cwt) sold. Then, you would add your total accrual adjustments, divided by total milk cwt sold. The formula would be total expense/total milk cwt sold + total accrual adjustments/total milk cwt sold = total COP per cwt.

Total expenses include all operating and overhead expenses, while accrual adjustments would be any feed/nonfeed items. Feed cost is by far the biggest expense on the dairy. Principal payments are any loan payments minus interest paid for that year. If it is a cash-flow-related expense, it is not located on your P&L. However, you need to include the interest paid throughout the year. Depreciation is an accrual rerices change daily. This market information is an example for educational purposes narket data shown below are compiled weekly by Farmshine, via CME & USDA reports.

lated expense not included in determining your COP, but it is a number that can be used to identify the amount that could be used

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to continually reinvest back into the dairy on an annual

basis for its productive viability. The categories may differ, but the goal is to capture all expenses related to the dairy.

To get your net break-even milk, you would subtract other income from your total COP. So, the formula would be total COP per cwt other income per cwt = net break-even milk per cwt. Other income is all non-milk income, such as cull cow and calf sales, or government payments.

Once you have calculated your COP, you can calculate your Class III/IV break-evens. You would simply subtract your Class III/IV basis from your net break-even milk. The formula would be net break-even $milk\ per\ cwt-Class\ III/IV\ milk\ basis\ per\ cwt=Class\ III/IV\ break-evens$ per cwt. Your basis is largely comprised of what your components are, producer price differential (PPD), and any premium adjustments you may have.

Finally, all these numbers are necessary to forecast what your future Class III/IV break-evens are. The formula would be total expenses per cwt - other income per cwt - Class III/IV milk basis per cwt = Forecasted Class III/IV break-evens per cwt. Knowing your forecasted Class III/IV break-evens removes speculation when utilizing risk management products. For example, if you have a total COP of \$26.00, and current Class III is at \$19.05 or Class IV is \$19.48, how are you supposed to protect that? But if you know your forecasted Class III break-even is \$16.75 and forecasted Class IV break-even is \$17.50, you can relate those numbers to the milk futures and determine your estimated margin.

Once you understand how to calculate and determine what your forecasted Class III/IV break-even numbers are, you can more accurately analyze how the milk future prices compare, decide which risk management products are right for you, and when to use them. You can't manage what you don't know, and hoping things get better is not a strategy. To view a more in-depth explanation of calculating your farm's COP and break-evens, visit www.centerfordairyexcellence.org/pyp to watch the recording of May's "Protecting Your Profits" webinar titled, "Know Your Numbers."

SEP-26

2.1682↓↓

NOV-25 DEC-25 JAN-26 FEB-26 MAR-26 APR-26 JUN-25 AUG-25 CLASS III MILK FUTURES (\$/CWI) vs. wk ago: May25 up \$0.10; Jun-Jul25 up \$0.60-0.80; Aug-Dec25 up \$0.20-0.30; Jan-Apr26 generally steady. 12-Month Avg. 18.80 19.57 19.37 19.36 19.26 18.90 18.75 18.18 18.02

MAY-26 JUL-26

CLASS IV MILK FUTURES (\$/CWT) vs. wk ago; 2025 generally steady, spots up \$0.05, spots down \$0.05; 2026 firm to \$0.10 higher. 12-Month Avg. 18.99 🏗 18.10 17.70 18.22 18.60 19.05 19.32 19.48 19.62 19.41 19.33

CME DAILY FUTURES & OPTIONS TRADING — MAY 21, 2025 AT THE CLOSE

MILK BASIS (MAILBOX minus CLASS 3 \$/CWT) 2018-23 AVG FOR NORTHEAST & MIDEAST STATES OF PA, NY, NEW ENGL., OH vs. NAT'L AVERAGE - YOUR INDIVIDUAL BASIS WILL VARY 18.52 18.15 18.68 18.38 18.65 18.35 18.62 18.41 19.27 18.75 20.20 19.76 20.58 20.17 20.25 19.64 19.22 18.75 18.82 18.25 18.96 18.48 18.64 18.27 Mailbox 17.31 17.31 Class III 17.33 17.33 18.16 18.16 18.16 18.16 17.59 17.59 17.60 17.60 18.72 18.72 19.07 19.07 17.30 17.30 16.81 16.81 16.03 16.03 16.98 16.98

0.52 0.22 0.49 0.19 1.03 0.82` 1.67 1.15 1.48 1.04 2.95 2.34 2.41 1.94 2.79 2.22 CORN FUTURES (\$/BU)

SEP-26 JUL-25 SEP-25 DEC-25 MAR-26 MAY-26 JUL-26 DEC-26 MAR-27 **MAY-27** JUL-27 SEP-27 DEC-27 4.590 4.402 4.792 SOYMEAL FUTURES (\$/TON)

296.0 299.5 304.1 308.6 311.2 314.3 317.1 320.1 320.1 318.9 U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report JAN-24 FEB-24 MAR-24 APR-24 MAY-24 JUN-24 JUL-24 AUG-24 SEP-24 OCT-24 NOV-24 DEC-24 JAN-25 FEB-25 MAR-25

205.02 220.17 206.63 11 224.50 175.00 211.69 185.21 196.44 199.57 192.20 184.82 184.49 189.60 195.30

DMC OFFICIAL GROSS MARGINS per cwt(USDA All-Milk, com, alfalfa & III. soybean, feed for ALL CLASSES of dairy cattle on farm) DMC NOV-23 DEC-23 JAN-24 FEB-24 MAR-24 APR-24 MAY-24 JUN-24 JUL-24 AUG-24 SEP-24 OCT-24 NOV-24 **DEC-24 JAN-25** FFR-25

8.44 8.48 *11.55 9.58 9.44 9.65 9.60 10.52 12.33 13.72 15.57 15.17 14.29 13.38 13.85 13.12 11.66 20.70 20.50 22.00 24.10 22.80 25.50 11.05 10.90 11.48 11.14 10.47 9.88 9.93 10.03 9.91 9.92 10.25 10.48 *10.45

DAIRY COMMODITIES - GLOBAL BIWEEKLY Internet Auction (\$/LB) 05/20/25 U.S. CME SPOT DAILY (\$/LB) 05/21/25 U.S. WEEKLY USDA NDPSR (\$/LB) WK ENDING 05/17/25 Weighted Avg. 1 to 6 mo. FORWARD CONTRACTS per metric ton converted to \$\(\)\(\)LB
NEXT GDT AUCTION 06/03/25 SKIM POWDER (\$MP) 1.2781↓↓ 0.7% Spot price 1.2250↑↑ NFDM 17.5 1.1953 11 used in FMMO formulas.

3.5485↓↓ 1.5% 2.2717↓↓ 9.2% RUTTER BUTTER 13 2.3425NC 2.3425NC BUTTER 3.3 2.350511 1.9350 1 1.9108 11 CHEDDAR(BULK) MII KFAT (AMF) 3.299911 0.9% MOZZARELLA (BULK) 2.1724 11 0.7% CHEDDAR-500 1.8625 1 1.8508 11 CHEESE-500 13.8 1.8053 11 43 ↓ 13.2% WHOLE POWDER (WMP) 1.9655 ↓ 1.09 0.535011

+ = *NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT) NASS ALL-MILK **CURRENT FEDERAL ORDER VALUES (\$/LB)** APRIL 2025 *WEIGHTED AVG. 4-WK APR 1-26, 2025 CLIADVII CLISKIMII CLIII CL III↓↓ CL IV↓↓ ALL-MILK-U.S ALL-MILK-PA VALUE **PRODUCT** MAKE ALLOW COMPONENTS 19.22(APR) 17.48(APR) 17.92(APR) 22.00(MAR) ↓↓ 22.90(MAR) ↓↓ 8.55(JUN) CHEESE 1.7361 0.2003 1.5358 PROT Adj. +1.38 BUTTER 2 3520 0 1715 2.1805 11 B.FAT

YEAR AGO

129.175

120.10

2.640611 18.62 0.1678 NFDM 1 1773 1.0095 N.FAT 0.9994 15.50 8.29 21.23 0.1991 0.3087 DRYWHEY 0.4988 0.2997
 U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report MAR-24

 MAR-24
 APR-24
 MAY-24
 JUN-24
 JUL-24
 AUG-24
 SEP-24
 OCT-24
 NOV-24
 DEC-24
 JAN-25
 FEB-25
 MA

 N/A
 N/A
 2115
 2016
 N/A
 N/A
 2800
 N/A
 2250
 N/A
 N/A
 \$2921(ltd)
 N/A

U.S. AVG. MILKING COWS per head as reported by USDA Monthly National Dairy Comprehensive Report N/A N/A 2120 2254 1624 N/A N/A 2800 2489 N/Å

ATTLE - DAIRY PURPOSES(\$/HD) USDA and other East and Midwest auction reports combined 4-week rolling average as of MAY 9, 2025 MILK COWS (NASS) U.S. Avg. HEIFERS: Springing Beef x **OPEN:** 300-600 lbs 600-900 lbs BULLS(800 Bred Beef X \$2870 MAR-25 11 \$2660 JAN-25 3400 2900 3000 1600 1900 2200 3100 N/A 1800 ZEAR AGC 2600 1950 \$2120 MAR-24 \$1890 JAN-24 2550 800 1000 N/A 1500 1200

PA Auction Markets May 15-20, 2025 CULL MARKET COWS (\$/CWT LIVEWEIGHT FED STEERS (\$/CWT LIVEWEIGHT) Holstein Beef-X-Dairy WK AGO YR AGO Choice & Prime 1250-1550 lb 193.00 214.00 157.25LTD177.10 'common **Premium White** Breakers Boners Lean 610.00 1000.00 BULL CALVES: No. 1 & 2, 90-130 lbs 885 00 11 1225.00↓↓ 945.00 1265.00 141.60 JJ 156.2511 148.501J Average to high N/A 70-85 lbs 1075.00↓↓ 1625.0011 1100.00 1620.00 LTD 620.00 1080.00 (\$/cwt liveweight) **WEEK AGO** dressing N/A 159.75 156.50 148.75

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