

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MAY 24, 2023 — except where noted



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MAY: Inflation continues to pressure dairy sales at the retail level while cow numbers and milk production continue slight growth compared to last year. The spring flush is expected to peak this month with warmer summer weather expected to begin reducing milk production in the warmer climate states in June. Fluid milk orders are down with the school year rapidly coming to an end. Coupling the spring production surge with declining fluid sales is not a good mix to support strong milk prices. This pressure is reflected in current Class III and IV milk price futures. Class III and IV continued to decline through May.

As of May 22 CME closing prices, Class III and IV milk futures continued their recent trend of month-over-month decreases. For the first time in recent years, the 12-month average Class III price fell below the 5-year average price. Five months out of the next 12 months average \$1.40 below the 5-year average, and the other seven months average 64 cents per cwt over the 5-year average. The net effect is a 12-month average price of \$17.84 per cwt, which is 21 cents per cwt less than the 5-year average of \$18.05 per cwt. Compared to the end of April, the current average futures price is 85 cents per cwt less. Class IV has not declined as rapidly as Class III but did experience a slight 8-cent decline compared to April at \$18.74 per cwt. The 12-month average Class IV price continues to be higher than the 5-year average by \$1.44.

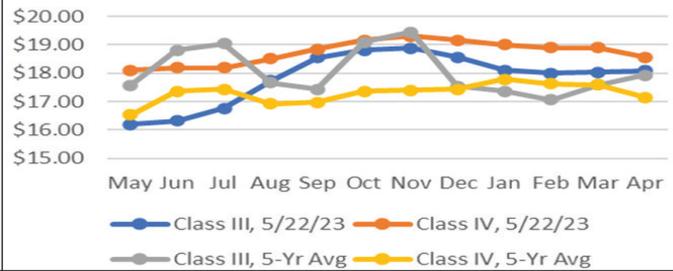
At 9.430 million cows, the U.S. herd size increased year-over-year (YOY) by 26,000 (+0.3%) cows in April. However, the national herd size decreased month-over-month by 16,000 head versus March revised numbers primarily because of the catastrophic fire that decimated a large Texas dairy in April. U.S. milk production increased a slight 0.3% to 19.210 billion pounds. This is 63 million pounds more than April 2022. The increase in milk production came primarily from increased YOY cow numbers with milk production per cow remaining flat at 2,037 (+0.05%) pounds/cow, just one pound/cow more than last year.

The April Pennsylvania dairy herd decreased by 1,000 (-0.2%) cows compared with last year to 466,000 cows. So far, through four months of the year, the Commonwealth has been able to maintain a constant

number of dairy cows. Despite a smaller herd, total milk production remained even with last year at 855 million pounds. This means that milk cow efficiency increased this April compared to a year ago. The average Pennsylvania cow produced 1,869 pounds of milk or 39 (+2.1%) pounds more than she did in April 2022.

For the first time in 12 months, March dairy exports on a milk solids equivalent basis declined YOY, reported at 227,500 metric tons (MT) or about 910 MT less than March 2022. Record exports of nonfat dry milk/skim milk powder to Mexico and record whey protein concentrate 80+ were not enough to offset declines in most other categories. The U.S. Dairy Export Council (USDEC) expects the headwinds of international competition, inflation, economic uncertainty, and reduced Chinese demand to continue to hamper U.S. exports through at least the remainder of the first half of the year. Currently, increased European Union (EU) milk production is driving down dairy product prices and giving EU products a price advantage compared to U.S. dairy products. EU milk production is expected to decline after the first half of the year, which may provide the U.S. with more opportunities for exports. Export value decreased YOY for the second month in a row, valued at \$814.8 million, down 34.5 million (-4%) compared to March 2022.

Class III and IV milk futures vs. 5-year average



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 24, 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			
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: <i>May-Jun firm-up \$0.05, Jul-Aug down \$0.25, Sep-Dec up \$0.10, Jan-Apr24 weak-\$0.05 lower.</i>	16.20	16.37	16.82	17.63	18.48	18.96	19.05	18.70	18.20	18.05	18.03	18.09	MIXED			
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: <i>May-Jun steady, Jul23-Feb24 down \$0.10-0.20, Mar-Apr24 steady.</i>	18.10	18.17	18.25	18.56	18.87	19.17	19.30	19.18	19.00	18.91	18.90	18.56	MIXED			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	16.25 0.07	16.25 0.22	16.75 0.47	17.75 0.71	18.50 0.78	19.00 0.89	19.00 0.92	18.75 1.00	18.25 1.00	18.00 0.98	18.00 1.05	18.00 1.08				
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 YELLOW =	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 farm) 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	TREND
	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	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	*APR-23
	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	*290.00 ↑↑
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report	1151	1237	1253	1390	1278	1184	1350	1407	1265	1310	1290	1300	1250	1352	1342	*1330 ↓↓
U.S. AVG. FRESH COWS per head as reported by USDA Monthly National Dairy Comprehensive Report	1205	1293	1486	1468	1496	1341	1571	1417	1384	1701	1526	1531	1436	1487	1493	*1544 ↑↑

CORN FUTURES (\$/BU)	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25	JUL-25	SEP-25	TREND
	5.872	5.152	5.200	5.294	5.350	5.366	5.082	5.052	5.136	5.166	5.172	4.800	↑↑
<i>WEEK AGO</i>	5.812	5.064	5.052	5.156	5.220	5.254	5.042	4.990	5.066	5.092	5.102	4.690	

SOYMEAL FUTURES (\$/TON)	JUL-23	AUG-23	SEP-23	OCT-23	DEC-23	JAN-24	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24	OCT-24	TREND
	402.2	398.7	390.4	381.3	378.9	376.8	371.0	367.0	366.2	363.9	361.1	357.1	↓↓
<i>WEEK AGO</i>	426.9	419.6	407.7	395.0	391.0	388.4	382.1	378.6	377.7	375.4	372.3	367.3	

*NEW FEED = \$/CWT. IOFC = \$/COW	PA MILK MARGIN & IOFC-LATEST PSU VALUES - *MAR 2023			CME DAIRY CASH-SETTLED FUTURES (\$/LB) 05/24/23												
	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	TREND
*MAR (estimated)	9.67↑↑	9.02↓↓	16.28↑↑	1.151	1.170	1.183	1.210	1.239	1.269	1.282	1.282	1.282	1.282	1.282	1.282	↑↑ 1.1575↓↓
PREV MO	9.38	9.99	17.03	0.380	0.346	0.335	0.338	0.350	0.370	0.365	0.365	0.365	0.365	0.365	0.365	↓↓ 0.2775↓↓
YR AYO	8.59	13.76	17.81	2.438	2.408	2.422	2.450	2.475	2.483	2.500	2.500	2.500	2.500	2.500	2.500	↓↓ 2.4375↓↓
Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price				1.669	1.710	1.763	1.846	1.923	1.976	1.974	1.974	1.974	1.974	1.974	1.974	Mixed See Below

*USDA JAN-23 NEW ALL-MILK BF MAILBOX	*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						*CURRENT FEDERAL ORDER VALUES (\$/LB) * = *NEW							
FL \$27.10 3.82 \$25.79	CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK APRIL 1-29, 2023							
SE \$26.80 3.92 \$24.76	*18.01(JUN)	19.20(APR)	18.52(APR)	17.95(APR)	21.10(MAR)↓	21.70(MAR)↓	*APR 2023 COMPONENTS							
APP \$26.70 4.09 \$24.23	MONTH AGO						PRODUCT	VALUE	MAKE ALLOW	NET				
INGO \$24.10 4.18 \$23.47	YEAR AGO						CHEESE	1.8775	0.2003	1.6772	↑↑	PROT	2.5603	↑↑
NY \$23.70 4.16 \$23.05	19.57	19.52	18.10	18.38	21.60 4.21F	22.70 4.14F	BUTTER	2.4018	0.1715	2.2303	↓↓	B.FAT	2.7009	↓↓
PA \$23.90 4.13 \$22.91	25.87	24.76	22.45	24.82	25.60 4.15F	26.40 4.06F	NFDM	1.1151	0.1678	0.9476	↓↓	N.FAT	0.9774	↓↓
IN \$23.90 4.13 \$22.84							DRYWHEY	0.4398	0.1991	0.2407	↑↑	OTHER	0.2479	↑↑
OH \$23.90 4.26 \$22.83														
IL \$23.90 4.26 \$22.83														
WV \$24.80 4.35 \$22.69														
CA \$23.90 4.23 \$22.55														
PA Western PA only \$22.31														
US \$23.10 4.23 \$22.26														
MI \$22.00 4.19 \$21.90														
MN \$22.30 4.53 \$21.81														
MI \$22.60 4.09 \$21.54														
TX \$23.00 4.36 \$21.36														
IA \$21.20 4.39 \$21.18														
NE \$21.80 4.35 \$21.08														
NM \$20.80 4.06 \$19.69														

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg May 17, 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)							
	1450	1450	1475	1315	1550	1000	N/A	N/A	N/A	N/A	1150	900	LTD	
<i>WEEK AGO COMPARISON</i>	1625	1510	LTD 1250	LTD	1400	1650	1000	600	N/A	925	LTD	N/A	1300	1350
FED HOLSTEIN STEERS (\$/CWT LIVELINE)	Choice & Prime 1250-1550 lbs light test		CURRENT Beef X		WEEK AGO		YR AYO							
	140.00 LTD		370.00 500.00		325.00 575		105.00		↑↑					
BULL CALVES:	No. 1 & 2, 90-130 lbs		325.00 500.00		375.00 550		103.00		↑↑					
	70-85 lbs		325.00 500.00		375.00 550		103.00		↑↑					

Price averages do not include lower-end common

Average to high dressing

Premium White	Breakers	Boners	Lean
103.85↑↑	98.85↑↑	93.10↑↑	
<i>WEEK AGO</i>			
N/A	95.85	88.85	79.50
<i>YEAR AGO</i>			
N/A	102.10	91.35	77.85

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