

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JUNE 1, 2022 — except where noted



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Cream supply and butter stocks: With the Spring Flush over in parts of the country and nearing the end in others, cream supplies are tighter than normal for this time of year. Production declines caused by year-over-year (YOY) reductions in cow numbers and stagnating per cow output, coupled with warmer temperatures across the country, have further limited milk production and have amplified the cream shortage. Most of the cream produced as a result of milk processing goes to butter churns. As such, butter production is down, and butter inventory is contracting.

The May USDA Cold Storage report showed that April butter inventory declined 23% to 299 million pounds compared to over 390 million pounds in April 2021, representing the 9th month in a row of YOY declines. Because of historic increased milk production from March to April, butter inventories typically grow by 33.2 million pounds according to the 5-year average. However, reduced milk production, in addition to continued labor shortages at processing plants, has limited butter production.

Logistic issues with a lack of trucks at times has prevented cream in the less tight West from reaching points further East where it could have been utilized. As a result, butter inventories only grew by 6% or 16.8 million pounds during the March to April 2022 period. This represents half the 5-year average. Foodservice demand for butter is relatively steady while retail sales are down possibly because of higher butter prices.

Secondary to butter, cream use is a significant component of Class II dairy products like whipping cream, cream cheese, ice cream and ice cream mix. Typically, some of the cream demand shifts from butter churns to ice cream freezers in early June as demand for ice cream picks up during the summer months. This additional demand for cream is likely to tighten the cream supply

further. This is important to Pennsylvania because Pennsylvania is a top-ranking state for ice cream and ice cream mix production.

Over the last five years, the Northeast Federal Milk Marketing Order, which covers the eastern part of the Commonwealth, has a Class II utilization of over 24%. The Mideast Federal Milk Marketing Order that covers the Western part of the state also has a significant amount of Class II dairy product production with a 5-year average of over 19%. However, the trend since June 2021 is a shift from Class II utilization to Class III. Class II in the Mideast Order has averaged just over 10% this year. This shift in utilization coincides with a large cheese plant in Michigan coming online and getting to capacity during 2021.

As a reminder, June 15 is the last day to purchase Dairy Revenue Protection (DRP) policies for third quarter 2022. Based on May 31 closing prices, a 95% price protected Class III policy set a Class III milk price floor of \$19.55 per cwt for 22 cents per cwt. This floor price is \$2.44 per cwt higher than the 5-year average price for the third quarter. Likewise, a 95% price protected Class IV milk price floor of \$24.46 could be set for 18 cents per cwt. This Class IV milk price floor is \$9.09 cents per cwt higher than the 5-year third quarter average of \$15.37.

DRP is a federal Crop Insurance program that sets a guaranteed quarterly revenue that you can customize to match your operation. The 95% price protected policy is subsidized by the U.S. Government by 44%. Without the subsidy, the price for the Class III and IV policies referenced above would be 40 and 32 cents per cwt, respectively. Policies must be purchased through an authorized insurance provider. Contact me or your Crop Insurance agent for more information.

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 — JUNE 1, 2022 AT THE CLOSE

	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	APR-23	TREND			
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: <i>May-Aug \$0.10-0.35 higher, Rest of board \$0.40-0.60 higher.</i> 12-Month Avg. 23.38 ↑↑	25.20	24.45	24.70	24.45	24.27	24.12	23.88	23.13	22.21	21.74	21.46	20.97	↑↑			
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: <i>May-Nov up \$0.05-0.30, \$0.15-0.30, Dec-Mar fully \$0.40 higher, Apr \$0.60 higher</i> 12-Month Avg. 24.32 ↑↑	25.07	25.58	25.91	25.85	25.61	25.17	24.74	24.00	23.09	22.53	22.38	21.93	↑↑			
----- 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	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	11.20 05/20	11.72 05/20	11.72 05/20				
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	25.25 0.05	24.50 0.22	24.75 0.78	24.50 1.04	24.25 1.16	24.00 1.12	24.00 1.36	23.25 1.44	22.25 1.41	21.75 1.44	21.50 1.49	21.00 1.53				
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 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 *APR-22	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	*12.29	↑↑

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)																
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	*APR-22	TREND
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	16.61	17.12	*17.69	↑↑
PAAVG 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)																
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	*APR-22	TREND
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	17.09	18.35	*18.52	↑↑

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		TREND
7.722	7.396	7.232	7.270	7.264	7.206	6.616	6.370	6.430	6.450	6.412	5.746		↓↓
----- WEEK AGO -----													
7.722	7.396	7.232	7.270	7.264	7.206	6.616	6.370	6.430	6.450	6.412	5.746		

SOYMEAL FUTURES (\$/TON)													
JUL-22	AUG-22	SEP-22	OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	JUL-23	AUG-23	SEP-23	OCT-23		TREND
424.2	418.9	412.9	406.3	407.3	406.1	402.8	401.5	401.4	397.1	390.8	381.3		↑↑
----- WEEK AGO -----													
424.2	418.9	412.9	406.3	407.3	406.1	402.8	401.5	401.4	397.1	390.8	381.3		

* = NEW PA MILK MARGIN & IOFC - LATEST PSU VALUES - *APR. 2022					CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/01/22										SPOT CASH TREND	
	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)		MAY	JUN	JUL	AUG	SEP	OCT	NOV			06/01/22		
	*APR (estimated) *8.70	*13.89	*18.52		NFDM 1.817	1.815	1.850	1.860	1.863	1.838	1.814			↑↑	1.8675	
	PREV MO 8.59	13.76	18.35		WHEY 0.676	0.628	0.601	0.570	0.570	0.560	0.550			↑↑	0.5500	
	YR AGO 9.03	6.77	9.24		BUTTER 2.730	2.900	2.895	2.852	2.809	2.759	2.690			↑↑	2.8900	
					CHEESE 2.412	2.360	2.393	2.382	2.380	2.365	2.350			↑↑	See Below	
					CME SPOT CHEESE: BARRELS 2.3025 / 40 LB BLOCKS 2.2475										↑↑ / ↓↓	

* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)														* CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW				
CL I ADV	CL III	CL III	CL IV	*ALL-MILK-U.S.	*ALL-MILK-PA	WEIGHTED AVG. 4-WK		APR. 1-30, 2022			APR. 2022							
25.87 (JUN)	25.71 (APR)	24.42 (APR)	25.31 (APR)	*27.10 (APR)	*27.50 (APR)	PRODUCT	VALUE	MAKE ALLOW	NET		COMPONENTS							
				4.08F	4.01F	CHEESE	2.2910	0.2003	2.0907	↑↑	PROT		3.4239					
						BUTTER	2.7694	0.1715	2.5979	↑↑	B.FAT		3.1461					
						NFDM	1.8314	0.1678	1.6636	↑↑	N.FAT		1.6470					
						DRYWHEY	0.7394	0.1991	0.5403	↓↓	OTHER		0.5565					
													↓↓					

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. May 25, 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				BULLS (900+ lbs)											
1475				1435				1425				1150				1300				1200				435				375				800				N/A				1175				1050			
----- WEEK AGO COMPARISON -----																																															
1535				1485				N/A				1200				1325				800				535				N/A				700				N/A				N/A				1300			

Avg. of prices reported by USDA Market News for PA Auction Markets May 19-24, 2022					FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)					CURRENT Beef X WEEK AGO YR AGO									
CATTLE MARKET COWS (\$/CWT LIVELWEIGHT)					Choice & Prime 1250-1550 lbs light test					118.00 light test 128.10 88.00									
Premium White					Breakers					Boners					Lean				
86.85					81.50					70.60									
----- WEEK AGO -----					102.10					91.35					77.85				
----- YEAR AGO -----					71.50					67.50					51.25				

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Average to high dressing

Price averages do not include lower-end common