

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JUNE 28, 2023 — except where noted



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JUNE: The Year-over-year (YOY) growth in the U.S. herd size and milk per cow continues to increase total milk production across the country. Ample domestic milk supply along with increased international competition from the European Union are driving milk prices down. With drought conditions across a large part of the U.S. and geo-political issues in other parts of the world causing uncertainty in feed commodity markets, the additive effect of lower milk price and high feed costs are squeezing margins significantly.

After a sizable drop in the Class III futures prices from April through May, Class III futures prices continued to decline through June. Based on June 26 closing prices it appears that Class III milk price at \$14.93 may close below \$15 per cwt for the first month since it was \$12.14 in May 2020. July Class III bottoms out at \$14.83 before improving to around \$18 per cwt later this year and into Spring 2024. The average 12-month Class III price equals \$17.15 per cwt, 69 cents less than the end of May. The five-year rolling average price of \$18.07 per cwt in June makes this month the second consecutive month that the average futures price was less (-92 cents per cwt) than the five-year average.

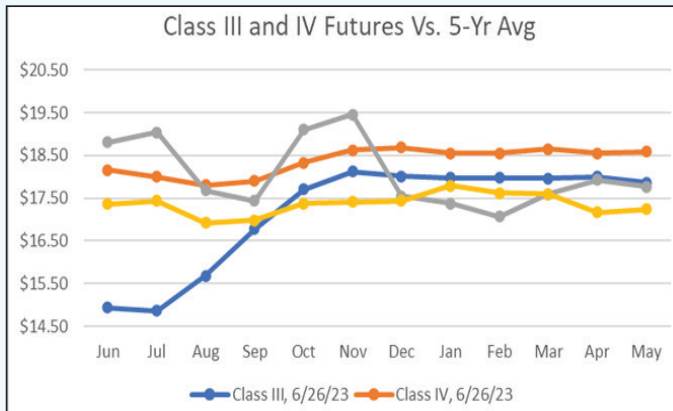
The trend for declining Class IV prices also continued through June. After two months of less than 10 cents per cwt declines month-to-month, the current 12-month average price dropped 45 cents to \$18.37 per cwt. However, unlike Class III, the average futures price is still above the 5-year average price of \$17.36 per cwt by \$1.01. Class IV price hits a low of \$17.80 in August before improving into the \$18.50 to \$18.70 range during November through next spring.

The U.S. herd size has increased by 13,000 (+0.1%) cows since last May reaching 9.430 million head. This is the same herd size as April 2023. Milk cow efficiency improved compared to last May with the average cow producing 2,108 pounds of milk, 10 pounds (+0.5%) more than she did last year. With the same number of cows producing more milk, it makes sense that total milk production would increase YOY. Total milk production reached 19.875 billion pounds, 120 million pounds (+0.6%) more than last May. Michigan, Minnesota, Wisconsin, Idaho, New York, and Texas, 6 out of the top-8 producing dairy states, drove

the production growth as they were all up compared to one year ago ranging from 0.8% to 3.1%. California and Pennsylvania, the other two states, were both down.

Pennsylvania's milk production equaled 878 million pounds, 6 million pounds (-0.6%) less than May 2023. Although Pennsylvania was able to maintain its 466,000-herd size for the fifth month in a row, this is still 1,000 head less than one year ago. In addition to less cows, milk cow efficiency also decreased. At 1,885 pounds per cow, milk production declined by five pounds (-0.3%) compared to last May.

Weaker demand and increased competition sent April U.S. dairy export volume down, YOY, for the second consecutive month. On a milk solids equivalent basis, the U.S. exported 185,476 metric tons (MT) in April. This is 27,626 MT (-13%) less than April 2022. For the third month in a row, dairy export value declined. At an estimated value of \$697.6 million, export value declined by \$148 million (-17%) compared to one year ago. The reduced value of exports is a function of both less volume exported and lower dairy product 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 — JUNE 28, 2023 AT THE CLOSE

*AVG =	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	TREND			
Average basis for North-East and Mid-East	14.91 final	14.35	15.04	16.19	17.14	17.71	17.66	17.70	17.80	17.90	17.91	17.86	↓			
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered	18.26	17.95	17.59	17.58	17.90	18.20	18.22	18.26	18.26	18.55	18.36	18.47	↓			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																
	15.00 CAB	14.25 0.22	15.00 0.60	16.25 0.87	17.25 0.99	17.75 1.01	17.75 1.05	17.75 1.03	17.75 1.05	18.00 1.20	18.00 1.19	17.75 1.14				
MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)																
PA	1.58	0.99	1.03	0.95	0.79	0.60	0.79	1.17	0.62	1.53	2.29	1.82				
*AVG	1.45	1.25	1.31	1.15	0.67	0.74	1.38	0.85	1.67	2.55	2.15	1.66				
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	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	TREND
	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	*5.84	↓

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report																
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	*MAY-23	TREND
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	*292.86	↑
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report																
1237	1253	1390	1278	1184	1350	1407	1265	1310	1290	1300	1250	1352	1342	1330	*1400	↑
U.S. AVG. FRESH COWS per head as reported by USDA Monthly National Dairy Comprehensive Report																
1293	1486	1468	1496	1341	1571	1417	1384	1701	1526	1531	1436	1487	1493	1544	*1469	↓

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	
5.900	5.312	5.366	5.466	5.466	5.516	5.524	5.200	5.140	5.214	5.242	5.250	↓	
WEEK AGO													
6.710	6.234	6.286	6.356	6.370	6.344	5.776	5.644	5.714	5.372	5.746	5.244		

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	
401.8	393.7	386.2	379.5	378.0	376.2	370.6	368.3	366.4	363.9	360.8	361.8	↓	
WEEK AGO													
439.2	437.3	435.2	432.2	432.6	430.5	421.8	415.5	414.6	410.1	402.6	394.0		

PA MILK MARGIN & IOFC-LATEST PSU VALUES - *APR 2023				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/28/23										SPOT CASH TREND	
FEED = \$/CWT	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JUN	JUL	AUG	SEP	OCT	NOV	DEC	06/28/23	06/28/23			
*APR (estimated)	*9.28 ↓	*8.87 ↓	*15.86 ↓	1.167	1.150	1.122	1.115	1.129	1.160	1.185	1.175	1.175	↓		
IOFC = \$/COW	PREV MO	YR AGO		0.322	0.287	0.270	0.280	0.296	0.311	0.315	0.315	0.315	↓		
	9.67	8.27		2.451	2.410	2.408	2.404	2.433	2.460	2.425	2.425	2.425	↓		
	16.28	13.90		1.572	1.537	1.622	1.735	1.826	1.875	1.875	1.875	1.875	↓		
	18.80			CME SPOT CHEESE: BARRELS 1.3825 / 40 LB BLOCKS 1.3300 ↓ / ↓											

USDA MAR-23 NEW * ALL-MILK BF MAILBOX										ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW					
*FL	*SE	*APP	*NBY	*NENG	*NFEAS	*OH	*CA	*WACR	*P	*CL I ADV	*CL II	*CL III	*CL IV	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK JUNE 1-25, 2023	*JUNE 2023 COMPONENTS				
\$24.40	\$24.00	\$24.00	\$22.20	\$22.00	\$21.70	\$21.70	\$21.70	\$23.00	\$20.59	*17.32	*18.83	*14.91	*18.26	20.70	21.10	1.5724	0.2003	1.3721	*PROT	1.5114	
4.19	4.19	4.01	4.23	4.23	4.14	4.10	4.10	4.27	4.18	18.01	19.11	16.11	18.10	21.10	21.70	2.4510	0.1715	2.2795	*B.FAT	2.7605	
\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	25.87	26.65	24.33	25.83	27.00	27.50	1.1674	0.1678	0.9996	*N.FAT	0.9896	
\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	CATTLE - DAIRY PURPOSES (\$/HD) (Avg June 21, 2023 New Holland PA) *Supply double yr ago, 33% fresh cows, 46% bred heifers: Prices down \$100-\$300 f/wk ago, up \$100-\$300 f/year ago.											
\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	COWS: Fresh Bred Springing *HEIFERS: Bred Springing Beef x Open: 300-600 lbs Beef X 600-900 lbs Beef X 900-1100 lbs			BULLS (800-1300 lbs)								
\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	1700	1685	1985	1475	1400	950	N/A	375	875	N/A	1360	N/A
\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	WEEK AGO COMPARISON											
\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	\$20.59	2075	1985	1985	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Avg. of prices reported by USDA Market News for PA Auction Markets June 22-27, 2023				FED HOLSTEIN STEERS (\$/CWT LIVELINEWEIGHT)				CURRENT Beef X WEEK AGO YR AGO			
Premium White	Breakers	Boners	Lean	Choice & Prime	1250-1550 lbs light test	140.25		135.00	120.00	↑	
				BULL CALVES: No. 1 & 2, 90-130 lbs	70-85 lbs	305.00	475.00	305.00	475	↑	
						285.00	510.00	285.00	510	NC	