

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JULY 5, 2023 — except where noted



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May DMC Margins and 2023 Projections: Further degradation of the Dairy Margin Coverage (DMC) margin continued through May. On June 30, the May DMC margin was announced as \$4.83 per cwt. This represents a record low, falling 20 cents below the previous low of \$5.03 per cwt set in August of 2021. Based on June 30 DMC projections, feed costs are expected to continue to decline while milk price is also expected to continue to decline enough to offset feed prices to keep the DMC margin on a downward trajectory at least through July, before improving through the rest of the year. Unfortunately, feed prices do not decline enough, or milk price does not improve enough, to get the DMC margin above the maximum \$9.50 margin through the rest of the year.

in June and July continues to offset declining feed price to reduce the DMC margin further. At \$4.11 and \$4.07, respectively, the margins for June and July approach the \$4.00 per cwt catastrophic coverage. After July, the DMC feed price continues to decline while milk price reverses and starts increasing again. The net effect is improved margins, but they do not improve enough through the rest of the year to rise above the maximum \$9.50 margin coverage.

For the third month in a row, total DMC feed cost declined while the U.S. all-milk price has been declining since November 2022. Compared to April, the May U.S. all-milk price declined \$1.40 to \$19.30 per cwt. Corn and soybean meal (SBM) prices declined, and alfalfa hay increased slightly. Corn dropped 16 cents to \$6.54 per bushel. This represents a \$5.71 drop per ton to \$233.57. SBM dropped \$33.67 compared to April to settle at \$423.58 per ton. Superior alfalfa hay price increased a slight \$2 to settle at \$317.00 per ton for the month of May. The drops in corn and SBM prices easily offset the slight alfalfa hay price increase, dropping the total DMC feed cost by 39 cents to \$14.47 per cwt.

Current projections show that the U.S. all-milk price is expected to average \$20.04 in 2023 with the DMC feed cost averaging \$13.87. This produces an average DMC margin of \$6.17 per cwt. At the \$9.50 margin coverage, an average feed cost of \$13.87 per cwt provides a U.S. all-milk trigger price of \$23.37 per cwt. If current projections become reality, the DMC program will provide enrolled dairy farmers with \$29,818 per 1 million pounds of production history or a total of \$149,488 for an operation that maximizes the Tier 1, 5-million-pound cap. This equates to a theoretical net benefit for 2023 of \$2.99 per cwt.

Unfortunately, the U.S. all-milk price dropped more than the DMC feed commodities to drop the DMC margin for the sixth consecutive month. At the maximum \$9.50 margin coverage, the May \$4.83 margin triggers a \$4.67 per cwt indemnity on 1/12 of established production history. After deducting the sequestration fee (5.7%), this is a payment of \$3,670 per 1 million pounds of production history enrolled in the program, or \$18,349 for operations that maximize the Tier 1, 5-million-pound cap. Through May, every month has triggered indemnities. At the \$9.50 margin coverage, the May indemnity adds an additional 37 cents per cwt to the net benefit through April, bringing the current net benefit to \$1.16 per cwt.

Source: <https://dmc.dairymarkets.org/#/price-forecasts>

MONTH	ALL MILK PRICE FORECAST (\$/CWT)	CORN PRICE FORECAST (\$/BU)	PREMIUM/SUPERIOR ALFALFA HAY PRICE FORECAST (\$/TON)	SUPPLEMENTAL FEED PRICE FORECAST (\$/CWT)	FEED COST FORECAST (\$/CWT)	DMC MARGIN FORECAST (\$/CWT)
Jan	\$21.10	\$8.84	\$320	\$482.40	\$15.16	\$7.94
Feb	\$21.60	\$8.80	\$324	\$500.53	\$15.41	\$6.19
Mar	\$21.10	\$8.87	\$314	\$484.40	\$15.02	\$6.08
Apr	\$20.70	\$8.70	\$315	\$467.25	\$14.86	\$5.84
May	\$19.30	\$8.54	\$317	\$423.58	\$14.47	\$4.83
Jun	\$18.45	\$8.30	\$319	\$430.82	\$14.34	\$4.11
Jul	\$17.82	\$8.05	\$312	\$421.10	\$13.75	\$4.07
Aug	\$18.02	\$8.94	\$307	\$419.39	\$13.28	\$4.74
Sep	\$18.88	\$8.35	\$302	\$401.73	\$12.83	\$6.05
Oct	\$19.77	\$8.17	\$308	\$380.81	\$12.53	\$7.24
Nov	\$20.73	\$8.07	\$309	\$391.41	\$12.52	\$8.21
Dec	\$21.04	\$8.91	\$308	\$390.22	\$12.32	\$8.72
2023	\$20.04	\$8.99	\$311.76	\$432.82	\$13.87	\$6.17

DMC projections through the rest of the year are not very encouraging. As of the June 30 online DMC Decision Tool, declining milk price

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 — JULY 5, 2023 AT THE CLOSE

JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	TREND				
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Jul-Dec23 down fully \$0.25-0.50, Jan-Jun24 down \$0.10-0.30. 12-Month Avg. 16.83																
14.01	14.46	15.80	16.76	17.40	17.49	17.59	17.60	17.61	17.61	17.80	17.78	↓				
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Jul-Aug23 firm, Sep-Oct23 dn \$0.15-0.30, Nov23-Jan24 dn \$0.30-0.50, Feb-Jun24 dn \$0.05-0.20. 12-Month Avg. 17.96																
17.98	17.66	17.43	17.64	17.71	17.83	17.92	18.10	18.23	18.35	18.35	18.35	↓				
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium 14.00 0.14 14.50 0.51 15.75 0.70 16.75 0.79 17.50 0.91 17.50 0.92 17.50 0.92 17.50 0.97 17.50 1.03 17.50 0.96 17.75 1.06 17.75 1.11																
MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3) PA 0.99 1.03 0.95 0.79 0.60 0.79 1.17 0.62 1.53 2.29 1.82 1.58 *AVG 1.25 1.31 1.15 0.67 0.74 1.38 0.85 1.67 2.55 2.15 1.66 1.45																
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	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	↓
	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	*4.83	↓

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
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
5.482	4.852	4.934	5.052	5.124	5.156	5.010	4.990	5.084	5.126	5.142	4.800	↓
WEEK AGO												
5.900	5.312	5.366	5.466	5.466	5.516	5.524	5.200	5.140	5.214	5.242	5.250	

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
417.9	410.1	402.7	394.5	393.2	390.3	382.7	377.2	376.8	374.0	369.7	365.0	↑
WEEK AGO												
401.8	393.7	386.2	379.5	378.0	376.2	370.6	368.3	366.4	363.9	360.8	361.8	

***NEW PA MILK MARGIN & IOFC - LATEST PSU VALUES - *MAY 2023**

FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)
*MAY (estimated) *9.65 ↑	*8.21 ↓	*15.45 ↓
*PREV MO 9.28	8.87	15.86
*YR AGO 9.34	13.47	20.48

Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/05/23

	JUL	AUG	SEP	OCT	NOV	DEC	JAN24	SPOT CASH	TREND
NFDM	1.150	1.117	1.083	1.093	1.115	1.140	1.167	↓	1.1100
WHEY	0.281	0.262	0.265	0.277	0.298	0.305	0.335	↓	0.2400
BUTTER	2.430	2.400	2.415	2.425	2.447	2.400	2.348	Mixed	2.4650
CHEESE	1.506	1.569	1.698	1.795	1.853	1.861	1.868	Mixed	See Below

CME SPOT CHEESE: BARRELS 1.3425 / 40 LB BLOCKS 1.3525 ↓ / ↑

****USDA MAR-23 NEW *NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)**

CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA
17.32(JUL)	*18.83(JUN)	*14.91(JUN)	*18.26(JUN)	*19.30(MAY)	↓ *20.60(MAY)
MONTH AGO					
18.01	19.11	16.11	18.10	20.70 4.12F	21.10 4.07F
YEAR AGO					
25.87	26.65	24.33	25.83	27.20 4.00F	27.30 3.92F

***CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW**

PRODUCT	VALUE	MAKE ALLOW	NET	*JUNE 2023 COMPONENTS
*CHEESE	1.5724	0.2003	1.3721	↓ *PROT 1.5114
*BUTTER	2.4510	0.1715	2.2795	↑ *B.FAT 2.7605
*NFDM	1.1674	0.1678	0.9996	↑ *N.FAT 0.9896
*DRYWHEY	0.3220	0.1991	0.1229	↓ *OTHER 0.1266

CATTLE - DAIRY PURPOSES (\$/HD) (Avg June 28, 2023 New Holland PA) *Supply down 46% vs year ago; 30% fresh cows, 47% bred heifers, 11% open heifers. Compared with week ago: Prices steady to \$100 lower, except springer heifers \$200 higher; Compared with a year ago, prices remain \$300 to \$400 higher overall.

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)
1725	1675	1750	1375	1600	1185	N/A	N/A	1075	1075
WEEK AGO COMPARISON									
1700	1685	1985	1475	1400	950	N/A	375	875	N/A
YEAR AGO									
1700	1685	1985	1475	1400	950	N/A	375	875	N/A

FED HOLSTEIN STEERS (\$/CWT LIVELINEWEIGHT)

Choice & Prime 1250-1550 lbs light test	CURRENT	Beef X	WEEK AGO	YR AGO
	158.10	158.10	140.25	123.85
BULL CALVES: No. 1 & 2, 90-130 lbs	285.00	525.00	305.00	475
70-85 lbs	300.00	450.00	285.00	510

brought to you by:

Price averages do not include lower-end common

Average to high dressing

Premium White	Breakers	Boners	Lean
108.60	98.25	79.10	↓
WEEK AGO			
N/A	106.60	94.75	85.25
YEAR AGO			
N/A	96.85	82.25	60.25