

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JULY 6, 2022 — except where noted



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Global Milk Supply: I have mentioned for several months now that despite historically high milk prices and increasing value of the dollar, U.S. dairy products have remained competitive on the international market because of a reduced supply of milk in other major milk producing countries. According to U.S. Dairy Export Council (USDEC) data, the U.S. has exported 756,796 metric tons (MT) of milk solid equivalent dairy products through the first four months of the year, down slightly from the 766,409 MT exported during the same time in 2021. However, export values for this year have surpassed the first four months of 2021 by \$535 million to an estimated \$2.983 billion. 2021 ended up being a record year for both volume and value at 2.30 million MT. If dairy product prices and export volumes hold steady, 2022 will set a record value. Exports have remained robust, despite high dairy product prices, because global milk supplies are down in all major dairy countries/regions.

Specifics about the 1.0% May year-over-year (YOY) decline in U.S. milk production were reported last week. Through May, U.S. milk production is down by 1.0% compared to 2021. Amplifying the global milk supply decline, Europe and New Zealand, the other two major dairy product exporters, also have production declines.

Milk supply in the 27 European Union (EU) countries, plus the United Kingdom (UK), has declined YOY most of this year. This is mainly because milk production in the three leading countries, Germany, France, and the United Kingdom (UK), have declined YOY at a rate of around 2% each month. Like the U.S., Europe is experiencing increased energy, feed, and crop production costs that are limiting milk production. As a result of reduced EU milk supply, less milk was available for exported dairy products during April. April EU milk powder and cheese exports declined by 23% and 9%, respectively. Although there is plenty of land in Europe for dairy cows, milk production growth in the future will be hindered mainly by environmental regulations while the EU countries attempt to meet methane reduction targets.

New Zealand's (NZ) milk production is largely seasonal, beginning

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

in May and running through June of the following year. For the 2021-2022 season, NZ milk production was down 4.1% on a milk solids basis, the lowest seasonal output in four years. Because of a lack of supply to manufacture dairy products, Kiwi exports of whole milk powder, a main export staple, during the first five months of 2022 was down 19% compared to the same time 2021. NZ's ability to increase milk production in the future, like Europe, will be hampered not only by environmental regulations, but also land availability. As I heard one speaker say, "New Zealand's dairy industry realized they were on an island and there is no more room for cows."

Although South American dairy leaders, Brazil, Argentina, and Uruguay, are not major exporting countries, milk production in that region has also declined. This has added more competition to an already tight international market. Brazil is South America's largest milk producing country, but it is a net importer of dairy products to meet population demand. Through the first quarter of 2022, Brazilian milk production is down over 10% compared to last year. Because of proximity, Brazil looks to Argentina and Uruguay to help meet its dairy demand. Milk production in Argentina is up a slight 1.8% through April, and Uruguay milk production is down 1.4% through May compared to the same two respective periods last year. These dynamics further burden the milk supply chain by forcing these countries to look further away into the broader dairy market to meet their milk demands.

U.S. Dairy Exports, Source: U.S. Dairy Export Council

	2021		2022	
	Volume, MT	Value, \$Millions	Volume, MT	Value, \$Millions
Jan	160,887	\$505.5	154,448	\$586.0
Feb	178,090	\$565.5	175,602	\$692.1
Mar	215,557	\$688.0	213,553	\$859.6
Apr	211,875	\$690.4	213,193	\$845.6
Totals	766,409	\$2,449.4	756,796	\$2,983.3

CME DAILY FUTURES & OPTIONS TRADING — JULY 6, 2022 AT THE CLOSE

	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	TREND		
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: <i>Futures down \$1.00-\$2.00, except current month July 2022 off 50 cents</i>	22.39	21.44	21.54	22.05	22.01	21.60	20.92	20.48	20.20	19.88	19.80	19.74	12-Month Avg. 21.00 ↓↓		
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: <i>Futures down \$0.75-\$1.00, except current month July 2022 off 10 cents</i>	25.60	24.23	23.55	23.35	23.07	22.58	21.85	21.40	21.10	20.98	20.78	20.65	12-Month Avg. 22.43 ↓↓		
----- HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III CONTRACTS OVER LIFE OF CONTRACT & MONTH/DATE OF OCCURRENCE -----															
	25.01 06/22	24.90 06/22	24.71 06/22	24.37 06/22	24.00 06/22	23.45 06/22	23.43 03/22	22.20 03/22	22.08 03/22	22.08 03/22	22.08 03/22	21.92 03/22			
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered	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	11.72 05/20	12.02 05/20			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	22.50 0.25	21.50 0.77	21.50 0.97	22.00 1.08	22.00 1.08	21.50 1.30	21.00 1.37	20.50 1.40	20.25 1.48	20.00 1.55	19.75 1.52	19.75 1.60			
MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF 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 the farm) Updated with NEW prem. alfalfa feed cost															
DMC	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	*MAY-22
	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	*12.51 ↑↑

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)																
	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	MAY-22
	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	N/A

PA AVG 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)																
	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	17.81	18.80	20.48

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
	7.442	5.996	5.850	5.912	5.950	5.944	5.652	5.536	5.616	5.652	5.644	5.314	↓↓
----- WEEK AGO -----													
	7.702	6.640	6.536	6.592	6.610	6.574	6.212	6.042	6.114	6.134	5.560	5.450	

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
	462.6	415.6	391.2	379.3	377.8	376.5	376.0	371.5	365.4	357.1	356.9	355.8	↓↓
----- WEEK AGO -----													
	463.2	429.3	413.6	405.7	407.0	405.5	399.8	395.7	392.6	385.9	377.3	368.2	

*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - MAY 2022				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/06/22										SPOT CASH TREND	
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JUL	AUG	SEP	OCT	NOV	DEC	JAN23	07/06/22	07/06/22			
IOFC = \$/COW	*MAY (estimated) 9.34 ↑↑	*13.47 ↓↓	*20.48 ↑↑	1.785	1.729	1.653	1.641	1.639	1.635	1.620		1.7400 ↓↓			
	PREV MO 8.97	13.90	18.80	0.563	0.509	0.480	0.475	0.450	0.475	0.470		0.4900 ↑↑			
	YR AGO 9.54	7.32	9.76	2.910	2.795	2.728	2.697	2.627	2.542	2.420		2.9400 ↑↑			
				CHEESE	2.180	2.132	2.174	2.217	2.220	2.180	2.122		See Below		
				CME SPOT CHEESE: BARRELS 2.1675 / 40 LB BLOCKS 2.0850 ↓↓ / ↓↓											

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)										*CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW					
CL I ADV	CL II	CL III	CL IV	*ALL-MILK-U.S.	*ALL-MILK-PA	WEIGHTED AVG. 4-WK MAY 30- JUNE 25, 2022						JUNE 2022			
25.87 (JUL)	26.65 (JUN)	24.33 (JUN)	25.83 (JUN)	*27.30 (MAY) ↑↑	*27.30 (MAY)	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS					
				4.00F	3.92F	CHEESE	2.3498	0.2003	2.1495	↓	PROT	3.4173	↓		
						BUTTER	2.9232	0.1715	2.7517	↑	B.FAT	3.3323	↑		
						NFDM	1.8156	0.1678	1.6478	↑	N.FAT	1.6313	↑		
						DRYWHEY	0.6161	0.1991	0.4170	↓	OTHER	0.4295	↓		

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. July 6, 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 900-1200 lbs		BULLS (900+ lbs)	
1760		1685		1635		1300		1525		1275		625		N/A		800		900		1200		1300			
----- WEEK AGO COMPARISON -----																									
1325		1600		1625 LTD		1305		1285		1075		450		N/A		775		N/A		1125		1200			

FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)														CURRENT Beef X		WEEK AGO		YR AGO							
Choice & Prime 1250-1550 lbs light test														123.85		120.00		91.00							
BULL CALVES: No. 1 & 2, 90-130 lbs														169.00		260.00		177.00							
70-85 lbs														195.00		260.00		185.00							
-----														N/A		N/A		70.00							

Price averages do not include lower-end common

Average to high dressing

premium white 96.85 ↑↑
breakers 82.25 ↓↓
boners 60.25 ↓↓
lean 95.00
week ago 95.00
year ago 79.75

68.85
58.10

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