CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — **JULY 12, 2023** — except where noted

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Dairy Product Output Increasing: Although U.S. cow numbers peaked in March at 9.446 million, falling 16,000 head since then to 9.430 million in April and May, cow numbers are still above what they were one year ago. Increased cow numbers and increased milk cow efficiency have led to milk production increasing year-over-year (YOY) for the first 5 months of 2023. Inflationary pressures are still hindering domestic demand, while a growing global supply has caused many major dairy export product prices to invert, with international prices now cheaper than U.S. prices. This is making U.S. dairy products less competitive than other dairy exporting regions like the European Union and Oceania.

Recent dairy export data released by the U.S. Dairy Export Council (USDEC) show a 13% YOY decrease in export volume to 956,050 metric tons of milk solids equivalent dairy products in May. Only two categories, whey protein concentrate 80+ and milk protein concentrate, were able to show growth compared to May 2022. Despite an overall decline in dairy exports, our proximity to Mexico was a positive as exports to Mexico increased for the 10th month in a row, YOY, by 16%. Unfortunately, May domestic dairy product disappearance, a primary demand indicator, will not be released until July 13, which is after this article's deadline. However, May disappearance is expected to be similar to what occurred during April when disappearance in general was positive, but not enough to impress.

Surplus milk supply is keeping dairy product production flat to increasing across the three major product categories including cheese, butter, and nonfat dry milk powder (NDM). Cheese production, the largest volume category, decreased during May to 1.203 billion pounds, but this only represents a 0.2% decrease. Both butter and NDM experienced relatively significant increases. Butter production jumped 14.6 million pounds (+8.1%) to 194.4 million pounds. NDM production increased by 13.5 million pounds (+7.0%) to 206.2 million pounds.

Without May dairy product disappearance, it is difficult to explain May dairy product inventories. However, once exports are considered, some inferences can be made. May dairy product inventories were mixed with butter stocks the only major category that ended the month up YOY. Cheese and NDM inventories both fell. Butter stocks increased by 14%, while cheese was down a marginal 1.9% and NDM down a more modest 5.4%. Most of the butter and cheese made in the U.S. stays in the U.S., while the opposite is true for NDM and skim milk powder (SMP) as a combined group. With butter production up, exports down, and inventory up, it is not clear exactly what domestic usage did. If domestic butter sales improved, it was not enough to offset increased production and reduced exports. Cheese production was slightly negative with exports and inventory more negative. Taking this into account means that domestic usage either increased or was at least not down enough to cause inventories to build. SMP production was up more than 30% in May. Typically, 70% or more of the NDM/SMP powder made in the U.S. is exported. If NDM powder production is up while exports and production are down, there is a pretty good chance that domestic demand for milk powder was relatively strong. In April, domestic usage of NDM/SMP saw a 34% increase over April 2022. Perhaps when it is released later this week, the disappearance data will show something similar.

	Production	Exports	Inventory
Butter	8.1%	-38.0%	-7.9%
Cheese	-0.2%	-4.7%	-1.5%
NDM*	7.0%	-2.0%	7.0%

*Export number includes SMP

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 12, 2023 AT THE CLOSE

*AVG = Average basis for North-East and Mid-East

*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered

	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 ($/CWT)	13.87	14.82	15.76	16.75	17.31	17.53	17.46	17.56	17.61	17.75	17.75	17.78	Mixed
CLASS IV MILK FUTURES ($/CWT)	18.05	17.84	17.61	17.68	17.90	17.93	18.00	18.00	18.19	18.23	18.40	18.45	↑↑

CLASS III MILK FUTURES ($/CWT) vs. wk ago: *Generally steady on average, unevenly $0.10 lower to $0.10 higher, but Aug23 up $0.35* — **12-Month Avg. 16.83** NC

CLASS IV MILK FUTURES ($/CWT) vs. wk ago: *Jul23 through Jan24 $0.10-0.30 higher, Feb-Apr24 down $0.05-0.10, May-Jun24 up $0.05-0.10* — **12-Month Avg. 18.02** ↑↑

CLASS III MILK ($/CWT) **OPTIONS — PUTS — Daily Strike Price** / Premium

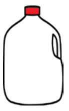
JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24
13.75 0.03	**14.75** 0.39	**15.75** 0.70	**16.75** 0.76	**17.25** 0.80	**17.50** 0.87	**17.50** 0.94	**17.50** 0.94	**17.50** 1.02	**17.75** 1.17	**17.75** 1.13	**17.75** 1.18

MILK BASIS ($/CWT) — **2017-22 PA BASIS AND AVG PA/NY/VT/OH** — ***YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)***

	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
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, corn, 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*

U.S. AVG. BRED COWS & HEIFERS (3rd trimester) *per head as reported by USDA Monthly National Dairy Comprehensive Report*

U.S. AVG. FRESH COWS *per head as reported by USDA Monthly National Dairy Comprehensive Report*

	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	JUN-23	
Alfalfa hay	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	*244.27	↓↓
Bred cows & heifers	1253	1390	1278	1184	1350	1407	1265	1310	1290	1300	1250	1352	1342	1330	1400	*1559	↑↑
Fresh cows	1486	1468	1496	1341	1571	1417	1384	1701	1526	1531	1436	1487	1493	1544	1469	*1792	↑↑

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
Current	5.496	4.762	4.836	4.952	5.024	5.062	4.946	4.960	5.060	5.110	5.132	4.800	↓↓
WEEK AGO	5.482	4.852	4.934	5.052	5.124	5.156	5.010	4.990	5.084	5.126	5.142	4.800	

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
Current	421.4	410.9	401.7	392.4	390.4	387.7	381.1	376.0	375.1	372.2	368.1	362.5	↓↓
WEEK AGO	417.9	410.1	402.7	394.5	393.2	390.3	382.7	377.2	376.8	374.0	369.7	365.0	

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

*=NEW · FEED = $/CWT. · IOFC = $/COW

	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) 07/12/23

	JUL	AUG	SEP	OCT	NOV	DEC	JAN24	TREND	SPOT CASH 07/12/23
NFDM	1.154	1.126	1.100	1.112	1.128	1.155	1.180	↑↑	1.0825↓↓
WHEY	0.274	0.270	0.280	0.290	0.295	0.309	0.322	Mixed	0.2250↓↓
BUTTER	2.447	2.440	2.437	2.440	2.452	2.405	2.362	↑↑	2.4975↑↑
CHEESE	1.491	1.593	1.688	1.788	1.839	1.850	1.850	Mixed	See Below

CME SPOT CHEESE: BARRELS 1.3900 / 40 LB BLOCKS 1.4750 ↑↑ / ↑↑

USDA MAR-23 NEW *

	ALL-MILK	BF	*MAILBOX
*FL	$24.40	3.78	$23.38
*SE	$24.00	3.83	$22.05
*APP	$24.00	4.01	$21.56
*N.ENG	$22.20	4.23	$21.52
*NY	$21.80	4.18	$21.08
*PAeast	$21.70	4.14	$20.90
*IN	$21.70	4.10	$20.76
*OH	$21.90	4.07	$20.76
*CA	$21.20	4.17	$20.74
*WA/OR	$23.00	4.27	$20.74
*PAwestern PA only			$20.59
*IL	$20.90	4.18	$20.59
*MN	$21.20	4.52	$20.56
*WI	$20.50	4.17	$20.32
*U.S.	$21.10	4.19	$20.32
*MO	N/A	N/A	$19.77
*IA	$20.20	4.36	$19.65
*MI	$20.60	4.11	$19.52
*NE/KS	$20.10	4.32	$19.01
*TX	$20.80	4.26	$18.79
*NM	$18.50	3.96	$17.39

*=NEW ANNOUNCED FEDERAL ORDER PRICES ($/CWT)

	CL I ADV↓↓	CL II↓↓	CL III↓↓	CL IV↑↑	ALL-MILK-U.S	ALL-MILK-PA
Current	17.32(JUL)	18.83(JUN)	14.91(JUN)	18.26(JUN)	19.30(MAY)↓↓ 4.06F	20.60(MAY)↓↓ 4.02F
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

WEIGHTED AVG. 4-WK JUNE 1-25, 2023

PRODUCT	VALUE	MAKE ALLOW	NET	
CHEESE	1.5724	0.2003	1.3721	↓↓
BUTTER	2.4510	0.1715	2.2795	↑↑
NFDM	1.1674	0.1678	0.9996	↑↑
DRYWHEY	0.3220	0.1991	0.1229	↓↓

JUNE 2023 COMPONENTS	
PROT	1.5114↓↓
B.FAT	2.7605↑↑
N.FAT	0.9896↑↑
OTHER	0.1266↓↓

CATTLE - DAIRY PURPOSES($/HD) (Avg July 5, 2023 New Holland PA) *Supply down 27% vs year ago: 65% fresh/milking cows, 20% bred cows, 15% springer cows. *Compared with week ago: Springing Cows fully steady, Milking and Bred Cows down $200/hd, NO HEIFERS offered for a market test.*

	COWS: Fresh	COWS: Bred	COWS: Springing	*HEIFERS: Bred	HEIFERS: Springing	Beef x	Open: 300-600 lbs	Beef X	600-900 lbs	Beef X	900-1100 lbs	BULLS(800-1300lbs)
Current	1500	1475	1750	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
WEEK AGO COMPARISON	1725	1675	1750	1375	1600	1185LTD	N/A	N/A	1075	1075	1250	N/A

Avg. of prices reported by USDA Maket News for PA Auction Markets July 6-11, 2023

CULL MARKET COWS ($/CWT LIVEWEIGHT

Price averages do not include lower-end 'common' · *Average to high dressing*

	Premium White	Breakers	Boners	Lean
Current		104.35↓↓	92.75↓↓	83.25↑↑
WEEK AGO	N/A	108.60	98.25	79.10
YEAR AGO	N/A	94.60	87.35	77.00

	CURRENT	Beef X	WEEK AGO		YR AGO	
FED HOLSTEIN STEERS ($/CWT LIVEWEIGHT) Choice & Prime 1250-1550 lbs light test	140.60LTD		158.10		131.00	↓↓
BULL CALVES: No. 1 & 2, 90-130 lbs	275.00	575.00	285.00	525	150.00	↓↓
70-85 lbs	300.00	600.00	300.00	450	130.00	NC

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