

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JULY 13, 2022 — except where noted

Dairy Revenue Protection: Class III and IV milk futures prices have been experiencing a slight decline on average for a couple months now. However, current futures prices as of July 12 show a sharper decline over the last couple of weeks compared to one month ago. On June 9, 12-month average Class III price was \$23.41 per cwt and Class IV was \$24.44. When you fast forward to July 12, the Class III 12-month average is \$2.43 per cwt lower at \$20.98 per cwt. Class IV has not declined as rapidly as Class III but is still \$1.91 less than a month ago at \$22.53 per cwt. The June Class III price was announced as \$24.33 per cwt, 91 cents less than May's record of \$25.21. The June Class IV announced price was a record at \$25.87, 88 cents more than May and 52 cents more than the previous record set in April. Based on July 12 closing prices, the futures market indicates that we have seen the peak in the market at least for the next 12 months. Class III and IV prices are down from a month ago across all months through June of next year.

Even though we have perhaps seen the peak in milk price for the foreseeable future, it is not too late to think about risk management. Dairy Revenue Protection (DRP) is a federal Crop Insurance program that is implemented and administered by the USDA's Risk Management Agency. DRP insurance guarantees a minimum quarterly revenue for up to 100% of quarterly milk production without having to give up the top side of the market if milk price starts increasing again.

Another benefit to DRP is that premiums are subsidized by 44% up to 55% depending on the price protection amount chosen by the dairy farmer. Policies are available nearly every day that milk production is traded on the Chicago Mercantile Exchange (CME) with a few exceptions. Policies are available up to 5 months in advance. Currently, policies for fourth quarter 2022 through fourth quarter 2023 are available for purchase. DRP is highly customizable and can be made

to closely match your milk check.

There are two policy options available: 1. Class Option and 2. Component Option.

The class option allows you to purchase 100% Class III policies, 100% Class IV policies or any combination of average Class III and IV in 5% increments. Understand that when buying mixed Class III/IV policies, it is possible for one class price to increase enough to offset the other low class price, preventing an indemnity from being triggered for that policy. This happened at the beginning of the pandemic in 2020 when the spread between Class III and IV was as much as \$10 per cwt. Class III increased to \$20+ when Class IV dropped to less than \$13.

There is tremendous volatility in Class III and IV prices right now, and volatility drives premium rates higher. The premiums right now may seem too expensive to be worth it. However, you should consider the net floor price (protected floor price minus premium cost) to determine the potential value of the policy. For example, on July 12, a 100% Class IV, 95% price protected policy setting a fourth quarter 2022 price floor of \$21.95 per cwt could be purchased for 67 cents per cwt. The net floor equals \$21.51 which is nearly \$5 more than the 5-year average of \$15.54 for that same quarter. In other words, it costs 67 cents per cwt to be guaranteed a minimum Class IV price of \$21.51 on the volume of milk covered by that policy.

DRP policies must be purchased through an authorized insurance provider. For more information, contact me via phone or email. You can also contact your local Crop Insurance agent. Fourth quarter 2022 policies will be available until September 15, 2022. After that, the sales period will move to first quarter 2023 through first quarter 2024.



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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 13, 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>Current month July up \$0.30, rest of board down \$0.35-0.75</i>	22.72	20.95	20.97	21.40	21.35	20.85	20.10	19.77	19.53	19.40	19.41	19.40	12-Month Avg. 20.49 ↓↓		
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: <i>Current month July up \$0.15, Aug. up \$0.60, Sept. steady; rest of board down \$0.50-0.75</i>	25.76	24.80	23.54	22.93	22.45	22.25	21.21	20.67	20.48	20.20	20.39	19.95	12-Month Avg. 22.05 ↓↓		
----- 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	22.75 0.11	21.00 0.63	21.00 1.00	21.50 1.18	21.25 1.20	20.75 1.24	20.00 1.26	19.75 1.37	19.50 1.43	19.50 1.48	19.50 1.51	19.50 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 ↑↑
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)																
	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
	7.400	6.000	5.952	6.022	6.056	6.036	5.736	5.606	5.684	5.720	5.326	5.290	↑↑
	----- WEEK AGO -----												
	7.442	5.996	5.850	5.912	5.950	5.944	5.652	5.536	5.616	5.652	5.644	5.314	

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
	491.5	437.2	412.2	401.8	402.5	401.2	397.1	394.1	392.6	386.5	378.6	369.4	↑↑
	----- WEEK AGO -----												
	462.6	415.6	391.2	379.3	377.8	376.5	376.0	371.5	365.4	357.1	356.9	355.8	

* = NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *MAY 2022				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/13/22										SPOT CASH TREND		
	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JUL	AUG	SEP	OCT	NOV	DEC	JAN23						
	*MAY (estimated) 9.34 ↑↑	*13.47 ↓↓	*20.48 ↑↑	NFDM 1.791	1.730	1.633	1.605	1.584	1.600	1.572						07/13/22
	PREV MO 8.97	13.90	18.80	WHEY 0.560	0.506	0.467	0.460	0.468	0.469	0.470						1.7100 ↓↓
	YR AGO 9.54	7.32	9.76	BUTTER 2.925	2.812	2.728	2.678	2.610	2.550	2.422						0.4600 ↓↓
				CHEESE 2.217	2.071	2.105	2.155	2.160	2.120	2.049						Mixed 2.9400 NC
																↓ See Below
																CME SPOT CHEESE: BARRELS 2.1700 / 40 LB BLOCKS 2.1100 ↑↑ / ↑↑

* = 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										
	25.87 (JUL)	26.65 (JUN)	24.33 (JUN)	25.83 (JUN)	27.30 (MAY) ↑↑	27.30 (MAY)	PRODUCT	VALUE	MAKE ALLOW	NET						JUNE 2022	
					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 13, 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)					
	1560	1690	1680	1360	1400	N/A	585	N/A	N/A	N/A	1020	LTD	1260															
	----- WEEK AGO COMPARISON -----																											
	1760	1685	1635	1300	1525	1275	625	N/A	800	900	1200	1300																
	Avg. of prices reported by USDA Market News for														FED HOLSTEIN STEERS (\$/CWT LIVELINEWEIGHT)		CURRENT		Beef X		WEEK AGO		YR AGO					
	PAAuction Markets July 7-12, 2022														Choice & Prime 1250-1550 lbs light test		131.00		123.85		97.85		↑↑					
	CULL MARKET COWS (\$/CWT LIVELINEWEIGHT)														BULL CALVES: No. 1 & 2, 90-130 lbs		150.00		250.00		169.00		260		95.00		↓	
	Premium White			Breakers			Boners			Lean			70-85 lbs		130.00		230.00		195.00		260		75.00		↑↑			
	94.60 ↓↓			87.35 ↑↑			77.00 ↑↑																					
	----- WEEK AGO -----																											
	N/A			96.85			82.25			60.25																		
	----- YEAR AGO -----																											
	N/A			76.60			66.85			56.35																		

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

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