

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JULY 19, 2023 — except where noted

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Corn and soybean supply and demand: The Dairy Margin Coverage (DMC) feed cost has increased year-over-year since 2020. The DMC feed cost is calculated by summing the USDA announced average corn, soybean meal (SBM), and superior alfalfa hay prices, all on a hundredweight basis. The DMC program began in 2019, and the DMC feed price that year averaged \$8.99 per cwt and fell slightly to \$8.87 per cwt for the year in 2020. Since 2020, however, the DMC feed costs have been on an upwards trajectory with an average DMC feed cost of \$11.77 per cwt in 2021 and \$14.83 per cwt in 2022. The beginning of 2023 has seen an average DMC feed cost of \$14.99 per cwt through May. The DMC Decision Tool dated July 14, 2023, is projecting the DMC feed cost to average \$13.85 for the year. Corn, SBM, and alfalfa hay are all expected to decline through the rest of the year and drive the average price down.

However, weather and other factors dictate the direction of the feed markets. For the most part, spring planting went well across the country with corn and soybean planting staying generally ahead of the five-year average. However, for several states in the corn belt and the Northeast, May and the first part of June were very dry. I heard several stories and talked to several farmers that had quit planting any crops because they were waiting for moisture in the ground for the seeds to germinate. Rain has returned to much of the Midwest and Northeast, improving crop conditions, raising yield, and increasing total production estimates for both corn and soybeans compared to 2022. This is positive from the perspective of the buyer. Increased supply generally means reduced price. According to the World Agriculture Supply and Demand (WASDE) report dated July 12, 86.3 million acres of corn are expected to be harvested yielding 177.5 bushels per acre for a total production estimate of 15.32 billion bushels. All three statistics are higher than one year ago.

A total of 82.7 million acres of soybeans are projected to be harvested at a yield of 52.0 bushels per acre. This is expected to

produce a total of 4.3 billion bushels of soybeans. 3.6 million acres less of soybeans are expected to be harvested this year, meaning that increased yield per acre is driving the increase in total production compared to last year (2.5 bushel per acre more). Soybean meal is dependent on soybean oil production as it is a byproduct of extruding the oil from the beans. Soybean oil demand is expected to remain strong which will keep soybean crush moving. This will increase the supply of SBM and hopefully keep downward pressure on SBM price.

Of course, a lot can happen between now and harvest. With draught impeding early corn, the latest USDA Crop Production report released on July 17, compared to last year's corn condition, is not as good with a lower percentage of corn classified as "good" or "excellent." It is important to note that the July WASDE report reduced the June projected corn yield down 4 bushels per acre to its current projected 177.5 bushels per acre. That is a difference of 345.2 million bushels of reduced total supply in yield alone. A lot of the corn belt is still dry in places which could decrease yields in those areas if rain does not come soon.

Lastly, geopolitical issues can also hinder the grain and oilseed market. As of July 17, Russia has terminated the Ukraine Black Sea agreement that allowed the Ukraine to continue to export grain products to other parts of the world. Russia will block shipping lanes to cutoff grain shipments from the Ukraine. This will not reduce Ukraine export to zero, but it will make it more difficult for the Ukraine to help balance the world market for grain. Shipping will have to move over land via truck or rail, which is less efficient and more expensive than by sea. If the Black Sea deal is not renegotiated, there will most likely be short- and long-term implications here in the U.S. that are likely to show as higher commodity 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 — JULY 19, 2023 AT THE CLOSE

*AVG =	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			
Average basis for North-East and Mid-East	13.84	15.74	16.41	17.24	17.78	17.79	17.84	17.85	17.93	17.92	17.90	17.90	↑↑			
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered	18.28	18.25	17.97	18.09	18.35	17.21	18.30	18.34	18.44	18.47	18.50	18.55	↑↑			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																
	13.75	0.03	15.50	0.25	16.25	0.64	17.25	0.82	17.75	0.87	17.75	0.93	17.75	0.90		
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	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	
	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	↓↓
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report																	
	1253	1390	1278	1184	1350	1407	1265	1310	1290	1300	1250	1352	1342	1330	1400	*1559	↑↑
U.S. AVG. FRESH COWS per head as reported by USDA Monthly National Dairy Comprehensive Report																	
	1486	1468	1496	1341	1571	1417	1384	1701	1526	1531	1436	1487	1493	1544	1469	*1792	↑↑

CORN FUTURES (\$/BU)	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25	JUL-25	SEP-25	DEC-25	TREND
	5.454	5.530	5.632	5.690	5.702	5.450	5.410	5.500	5.544	5.554	5.200	5.054	↑↑
-----WEEK AGO-----													
	4.762	4.836	4.952	5.024	5.062	4.946	4.960	5.060	5.110	5.132	4.800	4.792	

SOYMEAL FUTURES (\$/TON)	AUG-23	SEP-23	OCT-23	DEC-23	JAN-24	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24	OCT-24	DEC-24	TREND
	443.8	429.3	417.4	414.9	411.0	402.7	397.1	395.2	390.5	384.9	377.9	376.6	↑↑
-----WEEK AGO-----													
	410.9	401.7	392.4	390.4	387.7	381.1	376.0	375.1	372.2	368.1	362.5	361.1	

*NEW PA MILK MARGIN & IOFC - LATEST PSU VALUES - *MAY 2023	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/19/23	SPOT CASH TREND 07/19/23
FEED = \$/CWT	*MAY (estimated) *9.65↑↑	*8.21↓↓	*15.45↓↓	NFDM 1.157	1.100↑↑
IOFC = \$/COW	PREV MO 9.28	8.87	15.86	WHEY 0.271	0.240↑↑
	YR AGO 9.34	13.47	20.48	BUTTER 2.492	2.560↑↑
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			CHEESE 1.490	See Below
				CME SPOT CHEESE: BARRELS 1.4650 / 40 LB BLOCKS 1.5850 ↑↑ / ↑↑	

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	*CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW
CL I ADV ↓↓	WEIGHTED AVG. 2-WK JULY 1-15, 2023
CL II ↓↓	PRODUCT VALUE MAKE ALLOW NET
CL III ↓↓	CHEESE 1.5724
CL IV ↑↑	BUTTER 2.4510
ALL-MILK-U.S. 19.30(MAY) ↓↓	NFDM 1.1674
ALL-MILK-PA 20.60(MAY) ↓↓	DRYWHEY 0.3220
4.06F	
4.02F	

CATTLE - DAIRY PURPOSES (\$/HD) (Avg July 12, 2023 New Holland PA) *Supply dn 28% vs year ago: 27% fresh/milking cows, 25% bred/springer cows, 34% bred/springer heifers	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)
Compared with week ago: Fresh/Milking Cows higher, Bred/Springer Cows lower. (Bred heifers generally steady with two weeks ago.)	1550	1350	LTD 1560	1400	1400	975	N/A	N/A	1030	950	1225	N/A	
-----WEEK AGO COMPARISON-----													
	1500	1475	1750	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

PAU Auction Markets July 13-18, 2023	FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)	CURRENT	Beef X	WEEK AGO	YR AGO
PULL MARKET COWS (\$/CWT LIVELWEIGHT)	Choice & Prime 1250-1550 lbs light test	132.00		140.60	126.35
Premium White	No. 1 & 2, 90-130 lbs	275.00	500.00	275.00	575
Breakers	70-85 lbs	275.00	450.00	300.00	600
Boners					100.00
Lean					100.00

brought to you by:

Average to high dressing

Price averages do not include lower-end common