

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — AUG. 2, 2023 — except where noted

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DMC hits record low margin: The June Dairy Margin Coverage (DMC) margin was announced earlier this week at \$3.65 per cwt. This sets a record low for the second consecutive month. It is also the first time in program history that triggers an indemnity at every available margin coverage, falling below the \$4.00 per cwt catastrophic margin coverage that is included with the \$100 administrative fee that is paid upon enrollment. The DMC margin is calculated monthly by subtracting the sum of the USDA announced monthly corn, soybean meal (SBM), and superior alfalfa hay prices, on a per cwt basis, from the U.S. all-milk price.

A fourth consecutive month-to-month drop in the DMC total feed price was easily offset by a U.S. all-milk price that has been declining month over month since December 2022. All three DMC feed commodities experienced declines from May. SBM price dropped most significantly, falling \$10.22 per ton compared to May to \$413.36. SBM price is at its lowest price since it was \$399.53 per ton in December 2021. The superior alfalfa hay price fell \$7.00 per ton to \$310.00, the lowest it has been since being \$277 in June 2022. The June corn price dropped a marginal 5 cents per bushel relative to May to \$6.49 per bushel. On a tonnage basis, this represents a drop of \$1.78 to \$231.79 per ton. The June total DMC feed cost for June was \$14.25 per cwt, 22 cents less than May. The U.S. all-milk price has been on a downward trend since November 2022. The June milk price was announced as \$17.90 per cwt. This is a \$1.40 per cwt drop from May which was \$1.40 less than April.

Milk prices in June 2023 are dramatically different than what they were a year earlier. Last year, domestic and international demand for U.S. dairy was very strong. Even though our domestic milk price was historically high through last year, it was still a bargain compared to the international market. Milk price in June 2022 was \$26.90 per cwt, the third highest all-milk price in history, and the DMC feed cost was \$14.98 which represented a program high at the time. The near record high milk price helped to offset the record high feed price to keep the

margin well above the maximum \$9.50 per cwt margin coverage by \$2.42. The June 2022 DMC margin was \$11.92 which is the third highest margin in program history. Fast forward to this past June, milk price is exactly \$9.00 less and the DMC feed cost is 73 cents less. Increased world milk supply has caused the international dairy product prices to decline and in most cases are a discount to U.S. prices, causing the U.S. to lose international market share to other dairy exporting companies like the European Union. Add to that softer domestic demand and the U.S. market is in an oversupply situation here at home. That is being reflected in the milk price. The cumulative effect on the DMC margin has led to an \$8.27 reduction to the margin relative to last June to the record low \$3.65 per cwt margin posted in June 2023.

At maximum \$9.50 margin coverage, June's DMC triggers an indemnity of \$5.85 per cwt on 1/12 of enrolled production history up to the 5-million-pound, Tier 1 cap. This is equivalent to nearly \$4,600 per one million pounds of production history or nearly \$23,000 for an operation that maximizes the Tier 1 cap.

The June DMC payment adds an additional 31 cents per cwt of net benefit to the 2023 DMC program year, bringing the total net benefit of DMC, through June, to \$1.62 per cwt. This is roughly equivalent to \$16,058 per one million pounds of enrolled production history up to the Tier 1 cap, or \$80,700 for an operation that maxes out the Tier 1 production cap.

Total Benefit for the year	\$1.87
Benefit after sequestration	\$1.77
Net Benefit after Premium	\$1.62
Net Benefit for 1 M lbs PH at \$9.50	\$16,057.68
Net Benefit for 5 M lbs PH at \$9.50	\$80,688.38

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 — AUG. 2, 2023 AT THE CLOSE

	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	TREND			
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Aug23 up \$0.10, Sep23-May24 down \$0.30-0.40, Jun-Jul24 down \$0.15.	17.45	17.53	17.97	18.22	18.22	18.11	18.07	18.15	18.20	18.27	18.22	18.32	12-Month Avg. 18.06 ↑↑			
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Aug-Sep23 up \$0.05; Oct-Dec24 down \$0.05, Jan-Feb24 up \$0.05, Mar-Jul24 up \$0.10-0.35.	18.81	18.91	18.95	19.15	18.97	18.95	19.00	19.05	19.00	19.00	18.96	18.57	12-Month Avg. 18.94 ↑↑			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	17.50 0.22	17.50 0.69	18.00 0.90	18.25 0.96	18.25 1.06	18.00 0.99	18.00 1.02	18.25 1.16	18.25 1.18	18.25 1.24	18.25 1.31	18.25 1.16				
MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	PA 1.03	0.95	0.79	0.60	0.79	1.17	0.62	1.53	2.29	1.82	1.58	0.99				
*AVG YELLOW = payment triggered	1.31	1.15	0.67	0.74	1.38	0.85	1.67	2.55	2.15	1.66	1.45	1.25				
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 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	TREND
	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	*3.65	↓↓

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	TREND
	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
	4.970	5.072	5.196	5.267	5.306	5.172	5.152	5.240	5.284	5.304	4.924	4.900	↓↓
-----WEEK AGO-----													
	5.574	5.652	5.754	5.804	5.806	5.492	5.414	5.500	5.540	5.556	5.174	5.030	

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
	456.1	428.1	403.8	398.3	393.4	385.2	379.3	378.0	373.9	368.8	362.1	360.9	↓↓
-----WEEK AGO-----													
	453.8	436.3	419.9	416.1	410.5	400.8	393.9	391.3	386.5	380.6	373.5	372.2	

* = NEW FEED = \$/CWT. IOFC = \$/COW	PA MILK MARGIN & IOFC - LATEST PSU VALUES - *MAY 2023			CME DAIRY CASH-SETTLED FUTURES (\$/LB) 08/02/23 SPOT CASH TREND											
	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	AUG	SEP	OCT	NOV	DEC	JAN24	FEB24	08/02/23	08/02/23	TREND		
	*MAY (estimated) *9.65↑↑	*8.21↓↓	*15.45↓↓	NFDM 1.147	1.150	1.165	1.179	1.204	1.230	1.240	↓	1.1225	↓↓		
	PREV MO 9.28	8.87	15.86	WHEY 0.260	0.288	0.318	0.325	0.350	0.342	0.350	Mixed	0.2600	↑↑		
	YR AGO 9.34	13.47	20.48	BUTTER 2.600	2.610	2.595	2.590	2.519	2.480	2.450	↑	2.6300	↑↑		
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			CHEESE 1.869	1.852	1.883	1.912	1.906	1.895	1.895	↑	See Below			
				CME SPOT CHEESE: BARRELS 1.8700 / 40 LB BLOCKS 1.9600 ↑↑ / ↑↑											

* = NEW	ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW						
	CL I ADV	CL II	CL III	CL IV NC	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK JULY 1-29, 2023			* JULY 2023 COMPONENTS			
	16.62(AUG)	*19.12(JUL)	*13.77(JUN)	*18.26(JUN)	*17.90(JUN)↓	*19.30(JUN)↓	PRODUCT VALUE MAKEALLOW NET			*PROT 1.1991↓			
	17.32	18.83	14.91	18.26	19.30 4.06F	20.60 4.02F	*CHEESE 1.4870 0.2003 1.2867 ↓			*B.FAT 2.7986↑			
	25.13	26.66	22.52	25.79	26.90 3.94F	27.70 3.86F	*BUTTER 2.4825 0.1715 2.3110 ↑			*N.FAT 0.9746↓			
	CATTLE - DAIRY PURPOSES (\$/HD) (Avg Aug 2, 2023 New Holland PA) Supply off 20% vs. yr ago: 49% fresh/milking cows, 16% bred/springer cows, 32% bred/springer heifers.						*NFDM 1.1522 0.1678 0.9844 ↓			*OTHER 0.0689 ↓			
	Increased offerings after insufficient volume for market test a week ago. Compared with 2 weeks ago: Fresh/milking \$100 lower, bred/springer \$100 higher, no open heifers offered.						*DRYWHEY 0.2660 0.1991 0.0669 ↓						
	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)												
	1550	1650LTD	1675CPL	1625	1600	N/A	N/A	N/A	N/A	N/A	N/A	1250	
	-----TWO WEEKS AGO COMPARISON-----												
	1650	1550IND	1500CPL	1500	1600	950	535LTD	N/A	800LTD	N/A	1125	1100	

Price averages do not include lower-end common	Avg. of prices reported by USDA Market News for PA Auction Markets July 27-Aug. 1, 2023				FED HOLSTEIN STEERS (\$/CWT LIVELINEWEIGHT)				
	Premium White	Breakers	Boners	Lean	Choice & Prime 1250-1550 lbs light test	CURRENT Beef X	WEEK AGO	YR AGO	
	110.25↑↑	95.35↑↑	86.25↑↑		143.50LTD	142.00	132.50	↑↑	
	-----WEEK AGO-----				BULL CALVES: No. 1 & 2, 90-130 lbs	285.00	575.00	275.00	500
	N/A	106.10	93.00	83.25	70-85 lbs	300.00	600.00	275.00	450
	-----YEAR AGO-----							70.00	↑↑
	N/A	83.25	77.85	70.10					

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