CDE DAIRY MARKET **IANAGEMENT UPDATE**

All prices except where noted

Margins sink further in June: It is never a good thing when milk price falls and feed commodity prices increase. This has been the case for most of 2021. When milk price has managed to increase, feed costs have risen enough to offset it. When feed prices have managed to decrease, the milk price has fallen enough to continue to reduce margins. The June margin above feed costs, as calculated by the Dairy Margin Coverage (DMC) program, decreased for the fourth month in a row and is the fifth month to remain below \$7.00 per cwt.

The June DMC margin was announced last week as \$6.24 per cwt, a \$0.65 drop compared to May. The June U.S. all-milk price fell \$0.80 from May to \$18.40 per cwt and was more than enough to offset a \$0.15 per cwt decline in total DMC feed cost to \$12.61. The DMC feed cost consists of a combination of corn, blended alfalfa, and soybean meal prices. Both corn and the blended alfalfa hay price increased to multiyear highs through June to \$6.00 per bushel and \$214.50 per ton, respectively, while the reduction in total feed cost was the result of a \$42.85 per ton drop in the June soybean meal price. Soybean meal price is the lowest it has been since October 2020 but is still about \$90 per ton more than June 2020.

At the maximum \$9.50 per cwt margin, DMC triggered a \$3.26 per cwt indemnity payment on 1/12th of enrolled DMC production history. This represents a payment of about \$2,400 per 1 million pounds of production history enrolled in DMC up to the 5 million Tier 1 production history cap. The 2020 net benefit to U.S. dairy farmers enrolled in DMC increased \$0.25 per cwt to \$1.19 at the \$9.50 margin coverage. Even if not enrolled in 2020 DMC, dairy farmers still have options to

help mitigate further drops in milk price through the fourth quarter and into next year. In addition to forward contracting through milk marketers or through private brokers, Dairy Revenue Protection (DRP) or Live-

stock Gross Margin for Dairy (LGM) insurance policies are available through the USDA's Risk Management Agency. DRP policies guarantee a certain amount of revenue based on

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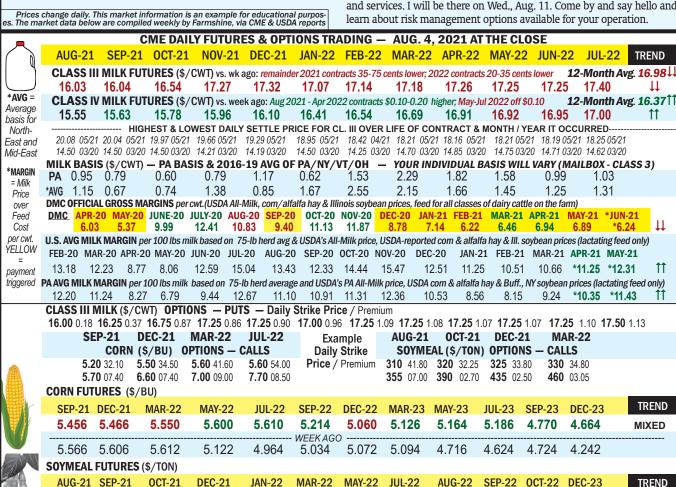
the type of coverage elected by the producer and determined by Class III milk futures, Class IV milk futures, component prices, or a combination of the three. DRP policies are available most days dairy prices and products are traded on the Chicago Mercantile Exchange.

LGM is margin-based insurance that guarantees a certain margin over feed cost where the feed cost part of the equation is a combination of corn and soybean meal only, and the milk price part considers Class III milk futures only. Availability of LGM changed recently to being sold once weekly on Fridays instead of once monthly on the 4th Friday.

Each of these two programs is highly customizable to the individual dairy's situation, and the premium is subsidized up to about 50% making it less expensive than normal milk price futures contracting. There are advantages and disadvantages to both programs and one

program may be more desirable than the other at times. To learn more about DRP and LGM, contact your Crop Insurance provider. You can find a local insurance provider online at rms.usda.gov/informationtools/agentlocator or call your regional RMA office. The regional office for Pennsylvania is in Raleigh, North Carolina (919-875-4915). Penn State's Ag Progress Days will be held next week, Aug. 10-12, at

the Russell E. Larson Agricultural Research Center in Pennsylvania Furnace, PA. The Center for Dairy Excellence will have a booth there each of the three days with staff present to answer questions about our programs and services. I will be there on Wed., Aug. 11. Come by and say hello and learn about risk management options available for your operation.



IOFC

Price

353.1 351.5 350.6 354.0 354.9 355.5 EEK AGC 356.1 355.5 354.6 358.1 358.6 358.1 \$/CW

=W	PA WILL WA	KUIN & IUFU-	-LAIESI PSU VALU	JES - JAINT SOST
	F	EED COST	IOFC (\$/COW	PA MILK MARGIN
=	(\$/	/CWT milk)	@ 75 lbs milk)	(\$/CWT milk)
T.	*MAY (estimate	ed) *8.72 11	*8.57↑↑	*11.43 11
=	*PREV MO	8.74	7.77	*10.35
W	YR AGO	7.21	5.40	6.79
	R-21 NEW* *	VEW ANNO	IINCED EEDED	VI UDDED DDIO

66.25

67.75

72.10

68.25

YEAR AGO

55.85

58.35

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CME D	AIRY CA	SH-SETT	LED FU	TURES	(\$/LB)	08/04	/21	SPOT C	ASH TR	END
	AUG	SEP	OCT	NOV	DEC	JAN	FEB		08/04/2	21
NFDM	1.247	1.252	1.270	1.285	1.291	1.300	1.320	† †	1.2525	11
WHEY	0.530	0.472	0.450	0.444	0.454	0.458	0.455	11	0.4750	11
BUTTER	1.640	1.635	1.649	1.675	1.680	1.695	1.705	11	1.6050	11
CHEESE	1.596	1.634	1.699	1.784	1.786	1.760	1.758	11	See Belo	ow .
	CME SP	OT CHEE	SE: BAR	RELS	1.3150	40 LB	BLOC	KS 1.63	50 11 /	NC
S (\$/CWT) CURRENT FEDERAL ORDER VALUES (\$/LB) * = *NEW										

354.6

353 N

348.8

3/16 0

348.3

low / NC CL I ADV↓↓ *CL III↓↓ *CL IV11 *ALL-MILK-U.S WEIGHTED AVG. 4-WK JULY 1-31, 2021 *JULY 2021 *CL II11 *ALL-MILK-PA *16.83(JUL) *16.49(JUL) *16.00(JUL) *18.40(JUN) 11 **PRODUCT** VALUE MAKE ALLOW **COMPONENTS** 16.90(AUG) *19.10(JUN)↓↓ *CHEESE 1.5956 0.2003 1.3953 **MONTH AGO** *BUTTER 1.7401 0.1715 1.5686 🔱 1.8996 *B.FAT 17.42 16.66 17.21 16.35 19.20 19.30 *NFDM 1.2552 0.1678 1.0874 $\downarrow\downarrow$ *N.FAT YEAR AGO 0.4181 *DRYWHEY 0.6050 0.1991 0.4059 *OTHER 13.79 24.54 16.30 CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg., AUG. 3, 2021 sale New Holland, PA) Open: 300-600 lbs Beef X 600-900 lbs 900-1000 lbs BULLS(1100-1300 lb) COWS: Fresh Bred Springing HEIFERS: Bred Beef x Springing 900 925 725 1075 N/A 700 1100 1050 N/A N/A N/A AGO COMPARISON

356.5

358 5

359.1

360.6

357.9

358 3

1150 1015 930 875 N/A 960 Itd 340 N/A 600 910 1150 CURRENT Beef X Avg. of prices reported by USDA Market News for FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT) WFFK AGO YR AGO PA Auction Markets July 29-Aug. 3, 2021
CULL MARKET COWS (\$/CWT LIVEWEIGHT Choice & Prime 1250-1550 lbs light test 97.10 90.00 87 00 **BULL CALVES:** No. 1 & 2, 90-130 lbs 85.00 200.00 100 00 75 00 **Breakers Premium White Boners** Lean 70-85 lbs 55.00 180.00 65.00 50.00 73.3511 68.0011 61.0011 N/A Average to high dressing brought to you by: **WEEK AGO**

Dairy EXCELLENCE





TREND

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