

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — AUG. 16, 2023 — except where noted



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Exports through June 2023: The export market has not been as friendly to the U.S. this year as it has been over the last 5. From 2018 to 2022, 4 of the 5 years saw record export volumes (2018, 2020, 2021, and 2022), and 2 of those years, 2021 and 2022, also set record values. Just like in domestic markets, corrections will eventually occur. 2023 looks to be a "market correction" year for dairy exports.

World milk supply improved, and international milk product prices declined enough that in many countries, U.S. dairy products are not as financially attractive as they had been, relative to prices from other countries, especially the European Union (EU). This contributed to year-over-year U.S. dairy export volume reductions since March.

According to the U.S. Dairy Export Council (USDEC), monthly dairy exports in June followed previous months' downward trend with a total milk solids equivalent basis reduction of 13% or -28,260 metric tons (MT). Most of the decrease can be traced to weakened purchases from China. Low-protein whey exports to China dropped by 19,861 MT (-35%). Lower EU prices undercut the U.S. cheese prices, resulting in a 19% decline (-8,368) in cheese exports to China.

Through June, U.S. exports totaled 1,144,290 MT of milk solids equivalent dairy products. This is a year-to-date (YTD) reduction compared to 2022 of 64,184 MT (-5%).

Nonfat dry milk/skim milk powder (NDM/SMP), the nation's largest export category, remained relatively flat and declined by just 1% (-4,840 MT), relative to the first half of 2021, to 424,570 MT total.

Dry whey products are the 2nd largest export category, which declined by a total of 14% (-45,509 MT) to 283,063 MT mainly -- driven mainly by the decrease in low-protein whey (0404.10)'s, off 17% (-50,224 MT), which offset a 15% growth (+4,715 MT) in the high-protein whey product, WPC80+.

Cheese, typically the 3rd largest export category, fell to the 4th largest through June behind a 7% decline (-15,516 MT) to 213,828 MT. Lactose replaced cheese as the 3rd largest export category through June. Lactose exports increased by 8% (+18,389 MT) to 237,114 MT. Butterfat, normally a top-5 category, has been significantly ham-

pered by its high price (and domestic usage) relative to world prices, with exports down 44% (-16,352 MT) to be 6th largest export category at 21,137 MT through June. Milk protein concentrate (MPC) displaced butterfat at No. 5 with a 7% increase (+1,431 MT) to 23,346 MT total.

A bright spot for U.S. exports through the first half of the year has been Mexico, the largest export market for U.S. dairy products, which grew by 25% (+65,490 MT of milk solids equivalents) -- led by NDM/SMP (+39%), cheese (+14%), and lactose (22%).

Just like we cannot expect the milk price to stay high year after year, it is unreasonable to think that exports can achieve record growth every year. For perspective, exports through June 2023 are higher than they were in 2020 which set record growth for the year compared to previous years. At 1,144,290 MT, exports through the first half of this year are 10% higher than the 1,044,244 MT in 2020 and only 3% less than the first half of 2021 at 1,175,166 MT. 2021 also ended up being a record year. Even though current exports are down, if the average export volume through the first half of the year (190,715 MT per month) can be retained, 2023 would still rank as the second highest volume export year behind 2022.

On a personal note, this will be my last Markets and Management Update column. My last day at the Center for Dairy Excellence will be August 16. I have accepted a position at Maryland & Virginia Milk Producers Cooperative Association and will begin working there later this month. Over the last nearly 5 years, I have tried to provide you with informative, relevant information each week. Thank you for taking the time to read my weekly articles. It has been a pleasure working for the Center and serving Pennsylvania dairy farm families during my time here. Jayne Sebright, executive director, will provide the weekly column until my position can be filled.

The Center is still seeking qualified candidates to fill Zach's role. Interested individuals can learn more about the position at centerfordairyexcellence.org/job-opportunities/

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. 16, 2023 AT THE CLOSE

*AVG =	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			
Average basis for North-East and Mid-East	17.33	18.04	18.11	18.17	18.14	18.07	18.17	18.23	18.19	18.24	18.29	18.50	↓			
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered	18.94	18.99	18.89	18.68	18.46	18.37	18.50	18.77	18.77	18.92	18.95	18.90	↓			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																
	17.25	0.03	18.00	0.51	17.75	0.55	18.00	0.74	18.00	0.84	18.00	0.95	18.00	0.95		
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	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	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	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	JUL-23
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	*254.92	↑
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report																
1390	1278	1184	1350	1407	1265	1310	1290	1300	1250	1352	1342	1330	1400	1559	*1502	↓
U.S. AVG. FRESH COWS per head as reported by USDA Monthly National Dairy Comprehensive Report																
1468	1496	1341	1571	1417	1384	1701	1526	1531	1436	1487	1493	1544	1469	1792	*1615	↓

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
	4.640	4.754	4.892	4.980	5.032	4.992	5.036	5.144	5.196	5.204	4.904	4.890	↓
WEEK AGO													
	4.814	4.942	5.082	5.164	5.210	5.126	5.140	5.236	5.286	5.300	5.034	4.940	
SOYMEAL FUTURES (\$/TON)	SEP-23	OCT-23	DEC-23	JAN-24	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24	OCT-24	DEC-24	JAN-25	TREND
	403.8	384.8	380.5	377.1	371.0	367.4	368.1	366.2	363.2	359.6	359.9	358.4	↓
WEEK AGO													
	412.7	396.1	398.3	390.8	385.9	378.4	373.8	373.7	373.7	371.2	367.8	366.7	

*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - *JUNE 2023	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	AUG	SEP	OCT	NOV	DEC	JAN24	FEB24	SPOT CASH	TREND
FEED = \$/CWT. *JUN (estimated)	*9.36	*7.45	*14.48	1.145	1.129	1.120	1.135	1.138	1.175	1.187	↓	1.0850
IOFC = PREV MO	9.65	8.21	15.45	0.257	0.265	0.300	0.319	0.330	0.359	0.362	↓	0.2575
\$/COW YR AGO	9.07	13.98	20.78	2.660	2.742	2.730	2.685	2.580	2.500	2.480	↑	2.6650
Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price												
CME DAIRY CASH-SETTLED FUTURES (\$/LB) 08/16/23												
CME SPOT CHEESE: BARRELS 1.8350 / 40 LB BLOCKS 2.0175 ↑ / ↑												

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	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
MONTH AGO							CHEESE 1.4870 0.2003 1.2867	B.FAT 2.7986
YEAR AGO							BUTTER 2.4825 0.1715 2.3110	N.FAT 0.9746
							NFDM 1.1522 0.1678 0.9844	OTHER 0.0689
							DRYWHEY 0.2660 0.1991 0.0669	
CATTLE - DAIRY PURPOSES (\$/HD) (Avg Aug. 16, 2023 New Holland PA) Supply off 52% vs. yr ago: 38% fresh/milking cows, 27% bred/springer cows, 27% bred/springer heifers. Compared with a week ago: Fresh and Springing \$150 to \$200 higher, limited offering of bred and heifers steady to weak in light test; no open heifers offered.								
COWS: Fresh Bred Springing *HEIFERS: Bred Springing Beef X Open: 300-600 lbs Beef X 600-900 lbs Beef X 900-1100 lbs BULLS(800-1300lbs)								
1750 1500LTD 1745FEW 1625 1755 N/A N/A N/A N/A N/A 1000								
TWO WEEKS AGO COMPARISON								
1750 1500LTD 1745FEW 1625 1755 N/A N/A N/A N/A N/A 1000								

Avg. of prices reported by USDA Market News for PA Auction Markets Aug. 10-15, 2023	FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)	CURRENT	Beef X	WEEK AGO	YR AGO
CATTLE MARKET COWS (\$/CWT LIVELWEIGHT)	Choice & Prime 1250-1550 lbs light test	135.00	FEW	142.00	132.10
Premium White	No. 1 & 2, 90-130 lbs	250.00	530.00	285.00	140.00
Breakers	70-85 lbs	200.00	560.00	272.00	140.00
Boners					
Lean					
WEEK AGO					
110.60					
108.50					
91.85					
78.25					
YEAR AGO					
86.60					
82.75					
72.35					

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