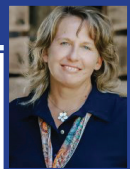


CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — AUG. 23, 2023 — except where noted



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A cost of doing business: We were all sad to see Zach Myers leave our team last week to pursue a new opportunity working in member services with a regional dairy cooperative. Ironically, my first deep dive into milk markets and pricing came when I was working in member communications for another cooperative back in the early 2000s. One of the first articles I wrote back then was to explain to our members how their milk is priced. The complexity of milk pricing, coupled with the unpredictable market swings, was leaving many of our producers at the time frustrated and confused.

Fast forward 20 years, and that hasn't changed much. The all-milk price has fallen \$9 from historic highs in 2022 in the past 12 months to \$17.90 per cwt., which was announced for June. Although the all-milk price was not at historical lows, higher than average feed prices are squeezing the margin down to the lowest level on record at \$3.65 per cwt. That's a difference of more than \$8 per cwt. from a year ago. June was the first month the DMC margin fell below the catastrophic \$4 per cwt. margin coverage in the program's history. Currently, USDA is projecting DMC margins to fall even lower with a projected July margin of \$3.23 per cwt. before starting to rebound in August.

With such dramatic market swings, managing your margin risks should be just a part of doing business on every dairy farm — whether that means having enough in cash reserves to protect your business from an unexpected downturn or leveraging one of the many risk management options available to dairy producers.

On our dairy farm, we use the USDA DMC program, along with Dairy Revenue Protection (DRP), to protect our margin risks. We also try to forward contract the grain we sell and bank the grain we need to feed during the year, so we don't have to buy it back at unpredictable levels. Some farms forward price their milk through their cooperative, and others, particularly larger farms, work with a broker to forward price both their milk and their inputs.

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.

Every farm is a little different, so what makes sense on one farm may not work for another.

The most important thing is to know what your cost of production is and at what levels your business is vulnerable. Unfortunately, almost every dairy farm is vulnerable at the price levels we are experiencing in 2023. Knowing your cost of production will help you determine the risk management strategy that works best for you.

It also helps if you keep informed about market trends and the factors influencing those trends. That is why the Center for Dairy Excellence partnered with Farmshine more than 10 years ago to create this weekly "Markets and Management Update" column. Our goal with this column is to provide an objective review of the latest market reports and pricing information so you can see how those trends could affect your business in the coming weeks and months.

We are working to hire Zach's replacement, and soon that person will take over writing this column. However, until then, I'll be the one sharing these market updates with you each week. If you would like help in understanding your production costs and what your risks are, there are resources that can help. Dr. Brian Reed and Dr. Charlie Gardner are two consultants we work with to help farms evaluate their financials. Penn State Extension staff also often work with farms to calculate their cost of production. If you would like connected to one of these folks, give me a call at 717-346-0849 or email me at jsebright@centerfordairyexcellence.org.

As a reminder, farms that opted to pay their premium for USDA's Dairy Margin Coverage Program at the end of the program year have until September 1 to do so. You should have received a letter stating how much you owe from your local FSA Office. Not paying the premium by September 1st could jeopardize your ability to participate in the program in future years. Contact your local FSA Office with any questions.

CME DAILY FUTURES & OPTIONS TRADING — AUG. 23, 2023 AT THE CLOSE

*AVG = Average basis for North-East and Mid-East	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 Aug off \$0.10, Sep up \$0.25, Oct-Dec23 down \$0.20-0.35, Jan-Jul24 uneven, mostly up \$0.05-0.10. 12-Month Avg. 18.10 ↓↓	17.24	18.39	17.75	17.89	17.99	18.15	18.06	18.25	18.30	18.35	18.35	18.52	↓↓			
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago Aug off \$0.05, Sep up \$0.10, Oct23-Jul24 generally steady, spots \$0.05 lower, spots \$0.10 higher. 12-Month Avg. 18.83 ↑↑	18.91	19.07	18.98	19.00	18.72	18.45	18.45	18.70	18.85	18.90	19.00	19.00	↑↑			
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered																
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	17.25 0.05	18.50 0.41	17.75 0.65	18.00 0.83	18.00 0.88	18.25 1.01	18.00 0.97	18.25 1.07	18.25 1.05	18.25 1.06	18.25 1.14	18.50 1.13				
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	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	↓↓
	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
	4.762	4.904	5.036	5.112	5.146	5.070	5.076	5.176	5.224	5.234	4.956	4.920	↑↑
WEEK AGO													
	4.640	4.754	4.892	4.980	5.032	4.992	5.036	5.144	5.196	5.204	4.904	4.890	
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
	413.0	404.5	401.0	397.2	390.2	385.2	384.4	381.6	378.0	373.1	372.5	370.5	↑↑
WEEK AGO													
	403.8	384.8	380.5	377.1	371.0	367.4	368.1	366.2	363.2	359.6	359.9	358.4	

*=NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - *JUNE 2023	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 08/23/23	AUG	SEP	OCT	NOV	DEC	JAN24	FEB24	SPOT CASH	TREND
FEED = \$/CWT.	*JUN (estimated) *9.36	*7.45	*14.48	NFDM	1.140	1.120	1.116	1.124	1.132	1.150	1.187	↓	1.0950
IOFC = \$/COW	PREV MO 9.65	8.21	15.45	WHEY	0.257	0.273	0.298	0.315	0.317	0.355	0.362	↑	0.2600
	YR AGO 9.07	13.98	20.78	BUTTER	2.660	2.722	2.717	2.700	2.600	2.505	2.495	↑	2.7050
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			CHEESE	1.841	1.949	1.865	1.876	1.880	1.880	1.882	↓	See Below
				CME SPOT CHEESE: BARRELS 1.8050 / 40 LB BLOCKS 1.8900		↓		↓					

**USDA APR-23 NEW ALL-MILK BF MAILBOX	*=NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	*CURRENT FEDERAL ORDER VALUES (\$/LB) *= *NEW
FL \$24.10 3.77 \$23.02	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
APP \$23.40 3.81 \$21.47	*16.62(SEP) 19.12(JUL) 13.77(JUN) 18.26(JUN) 17.90(JUN) 19.30(JUN) ↓↓	PRODUCT VALUE MAKEALLOW NET
OH \$21.70 4.17 \$21.12		CHEESE 1.4870 0.2003 1.2867 ↓ PROT 1.1991 ↓↓
NEH \$21.70 4.01 \$20.76		BUTTER 2.4825 0.1715 2.3110 ↑ B.FAT 2.7986 ↑↑
NY \$21.10 4.12 \$20.60		NFDM 1.1522 0.1678 0.9844 ↓ N.FAT 0.9746 ↓↓
IN \$21.40 4.04 \$20.55		DRYWHEY 0.2660 0.1991 0.0669 ↓ OTHER 0.0689 ↓↓
PAast\$21.10 4.07 \$20.43		
IL \$20.80 4.12 \$20.33		
WAOR \$22.60 4.21 \$20.29		
WI \$20.40 4.14 \$20.20		
PAwestern PA only \$19.98		
CA \$20.70 4.05 \$19.93		
US \$20.70 4.12 \$19.91		
MN \$20.60 4.48 \$19.58		
MI \$20.40 4.06 \$19.38		
MO N/A N/A \$18.98		
IA \$19.30 4.35 \$18.88		
NEKS\$20.10 4.32 \$18.35		
TX \$20.70 4.17 \$18.29		
NM \$18.40 3.86 \$17.35		

CATTLE - DAIRY PURPOSES (\$/HD) (Avg Aug. 23, 2023 New Holland PA) Supply off 35% vs yr ago: 48% fresh/milking cows, 17% bred/springer cows, 24% bred/springer heifers, 10% open.	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)
	2100	2421	2250FEW	1475LTD	1715LTD	N/A	550IND	N/A	950	N/A	1275	1600IND	
	1750	1500LTD	1745FEW	1625	1755	N/A	N/A	N/A	N/A	N/A	N/A	1000	

Avg. of prices reported by USDA Market News for PA Auction Markets Aug. 17-22, 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		135.00	116.00
Premium White	BULL CALVES: No. 1 & 2, 90-130 lbs	275.00	530.00	250.00	530.00
Breakers	70-85 lbs	325.00	600.00	200.00	560.00
Boners					85.00
Lean					85.00

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