

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — AUG. 31, 2022 — except where noted



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U.S. Drought Conditions: All life depends on water. Farmers know that better than anyone. Water issues become priority on a dairy farm regardless of the time of year. How many of us have had to fix a bursted water pipe while it is 15 degrees out? I know I have. It is not fun. Milk is over 87% water. It doesn't take cows being out of water for very long for it to reduce milk production, especially in the summer. In the early 2000s, we converted the heat abatement system in our three freestalls from misters on the fans to sprinklers above the feed bunk. We were concerned that our current water supply (two wells supplying a 64,000-gallon water silo) would not be enough to meet our daily water demands during the North Carolina heat. It only took us two days to have our fears realized. We ended up having to dig two more wells, each around 1,000 feet deep, to make sure we had enough water. It took us about two weeks to complete the project. I do not remember the extent of our cows' milk production loss anymore, but it was significant.

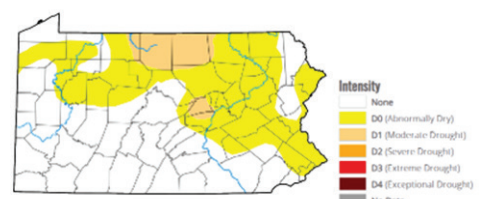
Water, of course, is not only important to dairy cows. Crops need adequate water either from natural rainfall or irrigation to grow and produce the desired quality and quantity. Every summer it seems like we hear that drought in the western part of the country is getting worse as well as in other parts of the world. It is almost daily that I see pictures and articles about the large reservoirs out west reaching historic lows. In many cases water levels are at their lowest since the dam was built that created the reservoir. The eastern part of the U.S. may have localized drought from year-to-year but, in general, we do not worry about prolonged periods of drought.

Prolonged drought in the west is beginning to affect agriculture production. Water restrictions mean less water for livestock and crops that provide food for humankind. According to drought.gov, a government group that tracks drought conditions throughout the country, 47% of the 48 contiguous U.S. states are experiencing drought conditions. As of August 23, 228.9 million acres of crops are experiencing drought conditions, 128.2 million people (more than one third of the U.S. population) are affected by drought, and 40 states are experiencing moderate drought in at least some part of the state. Pennsylvania is included in this number. On average, about 50% of the state

is not experiencing drought, 45% is abnormally dry, and about 5% is experiencing moderate drought. The northern tier of the Keystone State west from Crawford, Washington and Clarion Counties east to Susquehanna, Lackawanna, Monroe, and Pike Counties are abnormally dry. East central Pennsylvania from eastern Centre, Union, and Snyder Counties, southeast through northern Dauphin, Lebanon, Berks, Montgomery, and Philadelphia counties are all abnormally dry as well. Almost all of Potter, Tioga, and Union counties are experiencing moderate drought. Drought scores are based on average conditions across the counties. I know some other parts of the state are experiencing localized drought. I have mowed my yard once in the last month where I live in Cumberland County which is not experiencing drought conditions according to averages. Rain came through on Tuesday of this week and was the first measurable rain in nearly three weeks.

If weather patterns continue to change across the U.S. and the west continues to become drier, water will probably become more and more regulated. Competition for available water resources between agricultural and non-agricultural uses could potentially affect food and fiber supplies negatively. Perhaps water shortages will begin to curb long term milk production growth out west. If this happens, what will become of the western dairy industry? Will it begin to shift back to the eastern part of the U.S. where there is more water? If it does, what does the Pennsylvania dairy industry need to do now to be ready to capitalize on potential future opportunities that may result?

Pennsylvania Drought Conditions, 8/23/22



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. 31, 2022 AT THE CLOSE

	SEP-22	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	TREND			
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: <i>Sep down \$0.30, Oct up \$0.10, Nov-Dec down \$0.60-0.80, 2023 steady to \$0.20 higher, but Aug lower</i>	19.89	20.71	20.86	20.60	20.55	20.50	20.33	20.30	20.37	20.39	20.25	19.75	MIXED			
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: <i>2022 \$0.50-1.00 lower, Q1 2023 \$0.05-0.10 lower, rest of board up \$0.10-0.30, but Aug lower</i>	23.25	22.78	22.20	21.80	21.60	21.29	21.10	21.26	21.22	21.00	20.70	20.00	MIXED			
HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III CONTRACTS OVER LIFE OF CONTRACT & MONTH/DATE OF OCCURRENCE	24.90 06/22	24.71 06/22	06/22	24.37 06/22	24.00 06/22	23.45 06/22	23.43 03/22	22.20 03/22	22.08 03/22	22.08 03/22	22.08 03/22	21.92 03/22				
MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered	11.12 05/20	11.20 05/20	11.12 04/20	11.31 04/20	11.20 05/20	11.20 05/20	11.20 05/20	11.72 05/20	11.72 05/20	11.72 05/20	11.72 05/20	12.02 05/20				
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	19.50 0.24	19.75 0.67	20.75 1.07	20.75 1.22	20.50 1.27	20.50 1.34	20.50 1.46	20.25 1.48	20.25 1.52	20.25 1.57	20.50 1.75	20.25 1.71				
MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	PA 0.95	0.79	0.60	0.79	1.17	0.62	1.53	2.29	1.82	1.58	0.99	1.03				
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 MAY-21	JUN-21	JUL-21	AUG-21	SEP-21	OCT-21	NOV-21	DEC-21	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	*JUL-22	
	6.67	6.03	5.47	5.03	6.69	8.54	9.14	9.53	11.54	10.98	11.55	12.29	12.51	11.92	*9.92	↓

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report																
APR-21	MAY-21	JUN-21	JUL-21	AUG-21	SEP-21	OCT-21	NOV-21	DEC-21	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	*JUL-22	
207.41	217.53	214.32	232.31	235.20	246.10	256.09	262.84	242.90	270.34	253.80	278.02	280.00	322.00	321.17	*312.50	↓
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report																
1012	1005	1042	1003	1065	993	1018	1062	1152	1151	1237	1253	1390	1278	1184	*1350	↑

CORN FUTURES (\$/BU)													TREND
SEP-22	DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24		
6.736	6.704	6.764	6.782	6.742	6.320	6.202	6.274	6.302	6.284	5.726	5.614	↑	
WEEK AGO													
6.656	6.572	6.626	6.630	6.584	6.194	6.100	6.172	6.202	6.186	5.684	5.574		

SOYMEAL FUTURES (\$/TON)													TREND
AUG-22	SEP-22	OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	JUL-23	AUG-23	SEP-23	OCT-23	DEC-23		
458.9	420.7	415.1	409.9	401.6	398.1	397.6	394.4	389.7	383.2	382.7	380.2	↓	
WEEK AGO													
467.7	432.8	429.3	424.9	415.7	411.2	409.8	405.2	398.5	390.0	389.2	387.0		

PA MILK MARGIN & IOFC—LATEST PSU VALUES — JUNE 2022					CME DAIRY CASH-SETTLED FUTURES (\$/LB) 08/31/22					SPOT CASH TREND			
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)		SEP	OCT	NOV	DEC	JAN23	FEB23	MAR23	08/31/22	08/31/22
JUNE (estimated)	9.07	13.98	20.78		1.528	1.510	1.515	1.522	1.545	1.547	1.541	MIXED	1.5500
IOFC = PREV MO	9.34	13.47	20.48		0.510	0.494	0.500	0.476	0.470	0.470	0.480	↑	0.4750
YR AGO	8.90	7.65	10.20		2.930	2.790	2.670	2.560	2.480	2.470	2.442	↑	3.0500
					1.952	2.050	2.075	2.060	2.052	2.052	2.062	↓	See Below
					CME SPOT CHEESE: BARRELS 1.8500 / 40 LB BLOCKS 1.7250					↓	↓		

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)										CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW				
CL I ADV	CL I IT	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK JUL 30-AUG 27, 2022					AUG 2022 COMPONENTS			
23.62	26.91	20.10	24.81	25.70	26.80	PRODUCT	VALUE	MAKE ALLOW	NET		COMPONENTS			
				3.91F	3.85F	*CHEESE	1.9761	0.2003	1.7758	↓	*PROT	2.1417		
						*BUTTER	2.9792	0.1715	2.8077	↑	*B.FAT	3.4001		
						*NFD	1.6690	0.1678	1.5012	↓	*N.FAT	1.4862		
						*DRY	0.5045	0.1991	0.3054	↓	*OTHER	0.3146		

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. Aug. 24, 2022 sale New Holland, PA)										
COWS: Fresh	Bred	Springing	*HEIFERS: Bred	Springing	Beef x	Open:	300-600 lbs	600-900 lbs	900-1300 lbs	BULLS (900+ lbs)
1550	1525	1633	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
WEEK AGO COMPARISON										
1645	1720	1800	1385	1495	1525	575	500	775	775	950
FED HOLSTEIN STEERS (\$/CWT LIVELINE)										
Choice & Prime	1250-1550 lbs	light test	132.00				116.00			108.35
BULL CALVES: No. 1 & 2, 90-130 lbs										
70-85 lbs	125.00	300.00				95.00	280			92.00
	90.00	N/A				85.00	N/A			75.00

brought to you by:

Average to high dressing

Premium White	Breakers	Boners	Lean
88.00	80.85	73.00	
WEEK AGO			
91.00	83.85	73.85	
YEAR AGO			
71.10	72.50	62.25	