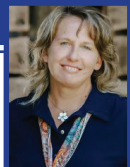


CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — SEPT. 6, 2023 — except where noted



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DMC continues to provide safety net: Last week USDA announced July's margin under the Dairy Margin Coverage (DMC) Program at \$3.52 per hundredweight, the lowest margin on record since the program began in 2019. The margin fell another 13 cents from June's low and is \$6.40 below margins a year ago at this time. The DMC margin is reported each month after USDA publishes its Ag Prices Report. In the latest report, the July all-milk price was announced at \$17.40 per cwt., down 50 cents from June and \$8.30 below year-earlier levels. July's all-milk price is the lowest since March of 2021. The drop in the all-milk price was offset by a 37-cent drop in feed costs from June to July, with corn price falling 27 cents per bushel and alfalfa hay price down \$22 per ton. Soybean meal prices, however, increased \$29.69 per ton from the lowest of the year in June. Overall, feed costs per hundredweight are down \$1.90 from a year ago to \$13.88 in July.

This month's margin will result in an indemnity payment of \$5.98 per cwt., which farmers will receive in the coming weeks. July's payment is the 7th one this year and will be the highest, with margins expected to rebound starting in August. For each one million pounds of coverage, farms can expect a payment of just under \$4,700 after sequestration for their July payment. For those covered at the maximum 5-million-pound cap on Tier 1 milk, the payment will be just under \$23,500.

With the indemnity payments on January and February milk covering the DMC premium cost, farmers enrolled in the program have netted just shy of \$21,000 per one million pounds so far in 2023. Forecasts do project payments to continue in August through November, with another estimated \$5,000 expected on each million pounds of production history. Now in its fifth year, the DMC Program will pay out its largest benefit to producers in 2023 than in any other year since the program began. However, the program has provided a net benefit to dairy farm families enrolled in every year since it was created.

The DMC Program was introduced with the 2018 Farm Bill to provide a safety net to farm families when dealing with the extreme price volatility in the marketplace today. Although the program has been very beneficial to the farms enrolled, it does not represent a huge portion of the Farm Bill costs. USDA estimates the 2018 Farm Bill will cost \$428 billion from 2019 – 2023, with 75 percent of that cost attributed to nutrition programs like Food Stamps. Crop insurance programs including DMC, DRP and general crop insurance programs represent about 9 percent of the total costs. The remaining costs are divided between commodity and conservation programs.

Congress is now in negotiations over the next Farm Bill, and discussions around the DMC Program and any changes to the program going forward will be a part of those negotiations. Changes are being considered around production history, Tier 1 limits, and margin levels. When the program was created in 2018, \$9.50 was thought to be an average breakeven margin over feed cost for dairy farms. However, since then, energy and labor costs have escalated, which means the current margin levels may not translate to the same profitability levels they did five years ago. Also, at the time the program was created, 5 million pounds was considered average for the US. However, currently the average US dairy farm produces about 8 million pounds annually.

These factors as well as the total cost of the program will all be part of the discussion as Congress continues to debate on the next Farm Bill. In the meantime, dairy farmers can expect payments to continue for the remainder of the year as long as margins stay below the \$9.50 level. Right now, they are expected through November. However, with the current Farm Bill expiring at the end of this month, enrollment for DMC in 2024 will not open until a new Farm Bill is negotiated or Congress approves an extension of the current one.

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 — SEPT. 6, 2023 AT THE CLOSE

*AVG =	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24	TREND			
Average basis for North-East and Mid-East	18.51	18.95	18.71	18.57	18.52	18.43	18.49	18.50	18.50	18.58	18.70	18.56	↑↑			
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered	18.64	18.95	19.01	19.00	18.65	18.75	18.89	18.85	18.86	18.95	19.00	19.10	↑↑			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																
	18.50 0.16	19.00 0.60	18.75 0.79	18.50 0.82	18.50 0.93	18.50 1.02	18.50 1.04	18.50 1.07	18.50 1.11	18.50 1.12	18.75 1.15	18.50 1.14				
MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG 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				
*AVG	1.15	0.67	0.74	1.38	0.85	1.67	2.55	2.15	1.66	1.45	1.25	1.31				
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-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	↓↓
	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	*3.52	↓↓

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
	4.714	4.856	5.000	5.082	5.120	5.072	5.110	5.214	5.270	5.276	4.970	4.940	↑↑
WEEK AGO													
	4.616	4.806	4.970	5.054	5.092	5.052	5.100	5.206	5.260	5.266	4.982	4.944	

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
	408.1	400.9	399.2	396.9	391.7	387.7	386.8	384.5	380.5	374.9	374.3	372.4	↓↓
WEEK AGO													
	423.0	411.0	410.2	407.6	402.0	397.8	394.3	389.5	383.0	382.1	380.0	374.9	

* = 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) 09/06/23	SEP	OCT	NOV	DEC	JAN24	FEB24	MAR24	SPOT CASH	TREND
FEED = \$/CWT.	*JUN (estimated) *9.36	*7.45	*14.48	NFDM	1.110	1.110	1.117	1.134	1.146	1.165	1.177	↑↑	1.0900
IOFC = \$/COW	PREV MO 9.65	8.21	15.45	WHEY	0.292	0.330	0.352	0.360	0.375	0.380	0.380	↑↑	0.3200
	YR AGO 9.07	13.98	20.78	BUTTER	2.670	2.730	2.730	2.675	2.585	2.575	2.580	↑↑	2.7200
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			CHEESE	1.994	1.974	1.934	1.920	1.905	1.903	1.904	↓↓	See Below
				CME SPOT CHEESE: BARRELS 1.8675 / 40 LB BLOCKS 1.9625 ↑↑ / ↓↓									

* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	CL I ADV	CL II	CL III	CL IV	*ALL-MILK-U.S.	*ALL-MILK-PA	WEIGHTED AVG. 4-WK	AUG 1-26, 2023	AUGUST 2023 COMPONENTS			
	18.90	19.91	17.19	18.91	*17.40	*18.70	1.8349	0.2003	1.6346	↑↑	PROT	2.0851
	16.62	19.12	13.77	18.26	3.98F	3.92F	2.6668	0.1715	2.4953	↑↑	B.FAT	3.0218
	23.62	26.91	20.10	24.81	17.90	19.30	1.1374	0.1678	0.9696	↓↓	N.FAT	0.9599
					25.50	26.80	0.2620	0.1991	0.0629	↓↓	OTHER	0.0648

CATTLE - DAIRY PURPOSES (\$/HD) (Avg Sept 6, 2023 New Holland PA) Supply up 21% over year ago; however, very few springing, fresh or milking animals; bulk of supply mainly open heifers bringing prices fully \$300 higher than last test two weeks ago.: 8% fresh/milking cows, 4% bred cows, 15% bred heifers, 70% open heifers	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)
	1650	1550	2300	1565	N/A	825	1250	1450	1550				
	1650	1775	1885										1250

PA Auction Markets Sept 1-5, 2023	FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)	CURRENT	Beef X	WEEK AGO	YR AGO
CULL MARKET COWS \$/CWT LIVELWEIGHT	Choice & Prime 1250-1550 lbs light test	138.00	140.00	140.00	125.00
Premium White	Bull Calves: No. 1 & 2, 90-130 lbs	300.00	600.00	275.00	590.00
Breakers	70-85 lbs	315.00	625.00	275.00	635.00
Boners					145.00
Lean					

Price averages do not include lower-end common

Average to high dressing

WEEK AGO: N/A, 109.75, 98.25, 90.25

YEAR AGO: N/A, 85.00, 82.35, 70.10

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