

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — SEPT. 7, 2022 — except where noted



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**2021 Fluid Milk Sales:** Fluid milk has been the pride of the U.S. Dairy Industry for many decades. I would be willing to say that milk has been the pride of the human civilization for thousands of years. In Exodus 3-8, God promises to bring the Israelites "into a land good and spacious, a land flowing with milk and honey." Milk has been a pillar of nutrition for at least that long.

Unfortunately, over the past 12 years or so fluid milk sales have dropped significantly, according to USDA data. Prior to this -- from 1975 to 1982 -- fluid milk sales declined from about 53.3 billion pounds to 51.9 billion pounds. Then sales grew to 55.2 billion pounds by 1991. Between 1992 and 2009 fluid milk sales oscillated in a range that resulted in a low of 54.3 billion pounds in 2004 to a high of 55.4 billion pounds in 2009 prior to the almost free fall of 54.9 billion pounds in 2010 to 44.5 billion pounds in 2021.

The 2021 sales total represents a reduction of 1.6-billion-pounds (-4%) compared to 2020. Sales data should not be confused with per capita consumption. Even though sales were fairly steady from the early 1980s until 2009, the U.S. population was growing. Unfortunately, intermittent sales increases did not match population growth, resulting in a loss of per capita consumption that has worsened since 2010. The USDA will be releasing 2021 per capita consumption data on September 30. I will report that shortly thereafter.

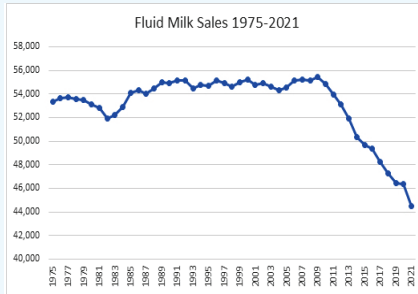
USDA subdivides fluid milk into 9 different categories. Historically, the largest are Whole, Reduced-fat (2%), Low-fat (1%) and Skim. The other 5 are flavored whole, flavored -- other than whole, buttermilk, eggnog and other. Unfortunately, the main 4 categories all suffered year-over-year declines compared to 2020. 2021 whole milk sales fell 5% YOY to 15.8 billion pounds while 2% milk dropped nearly 8% to 14.6 billion pounds. 1% and skim milk sales declined 5% and 13%, respectively, to 5.5 billion and 2.7 billion pounds.

Fortunately, the other 5 categories have experienced growth and helped keep the total fluid milk sales from sinking further. For only the second time, 2021 annual flavored, other than whole milk sales surpassed skim milk sales to become the fourth largest sales category. This first occurred in 2019. Flavored, other than whole milk sales in-

creased 17% YOY to 3.4 billion pounds. The other category climbed 47% YOY to 1.2 billion pounds. The other category includes miscellaneous fluid products not covered by the other categories. Lactose free milks were introduced widely sometime around 2000 and would be categorized as other. Lactose free milk products have been performing very well at retail during the last several years. Buttermilk sales increase 8% YOY to 454 million pounds while eggnog, the smallest volume category, increased 7% YOY to 141 million pounds.

Fluid milk sales through July 2022 are showing a similar overall trend compared to 2021 data. Through July, whole milk sales are up 1.2% compared to the first 7 months of 2021 to 7.3 billion pounds, other fluid milk product sales are up 11% to 625 million pounds, flavored whole milk sales are up 2.1% to 405 million pounds, and flavored other than whole milk sales are up 17% to 1.8 billion pounds. The other categories are down enough to offset these gains. Total fluid milk sales through July are down 2.3% compared to 2021 to 20.2 billion total pounds.

The July Dairy Margin Coverage (DMC) margin was announced at \$9.92/cwt and does not trigger indemnities at any available margin coverage. With feed price continuing high and milk price on a downward trend, the DMC Decision Tool is projecting indemnities for Aug., Sept., and Oct. that would come close to covering premiums for the year. Early projections for 2023 show an average DMC margin of \$9.13/cwt for the year. This would be equivalent to a net benefit of about 22 cents/cwt after premium at the \$9.50 margin coverage.



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. 7, 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											
<b>CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Sep down \$0.05, Oct down \$0.40, Nov Steady, Dec 22-Aug23 up \$0.05-0.55</b>												12-Month Avg. 20.51 ↑↑											
19.84	20.34	20.85	20.95	20.87	20.68	20.58	20.51	20.45	20.39	20.39	20.30	↑↑											
<b>CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: 2022 \$1.00-1.50 higher, Q1 2023 up \$0.50-0.75, rest of board up \$0.10-0.30, with Aug23 up \$0.70</b>												12-Month Avg. 22.19 ↑↑											
24.12	24.14	23.45	22.85	22.36	21.97	21.69	21.45	21.30	21.30	20.95	20.70	↑↑											
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>																							
19.75	0.08	20.25	0.60	21.00	1.07	21.00	1.16	21.00	1.31	20.75	1.33	20.75	1.48	20.50	1.42	20.50	1.53	20.50	1.59	20.50	1.62	20.25	1.61
<b>MILK BASIS (\$/CWT) — PA BASIS &amp; 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</b>																							
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											
<b>DMC OFFICIAL GROSS MARGINS per cwt(USDA All-Milk, com, alfalfa &amp; Ill. soybean, feed for ALL CLASSES of dairy cattle on farm) Updated with NEW prem. alfalfa feed cost</b>																							
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	↓↓							

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 ↓↓
<b>U.S. AVG. BRED COWS &amp; HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report</b>															
1012	1005	1042	1003	1065	993	1018	1062	1152	1151	1237	1253	1390	1278	1184	*1350 ↑↑

SEP-22	DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	TREND
6.766	6.710	6.756	6.766	6.722	6.344	6.200	6.270	6.294	6.262	5.754	5.642	MIXED
WEEK AGO												
6.736	6.704	6.764	6.782	6.742	6.320	6.202	6.274	6.302	6.284	5.726	5.614	

AUG-22	SEP-22	OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	JUL-23	AUG-23	SEP-23	OCT-23	DEC-23	TREND
436.1	415.0	411.5	408.9	403.7	401.4	401.3	398.2	393.2	386.8	386.3	383.8	MIXED
WEEK AGO												
458.9	420.7	415.1	409.9	401.6	398.1	397.6	394.4	389.7	383.2	382.7	380.2	

FEED = \$/CWT	*JULY (estimated)	PREV MO	YR AGO	IOFC (\$/COW)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	SEP	OCT	NOV	DEC	JAN23	FEB23	MAR23	SPOT CASH	TREND
	*9.85↑↑	9.07	8.46		*12.71↓↓	*20.10↓↓	1.560	1.560	1.562	1.565	1.557	1.565	1.565	↑↑	1.5300↓↓
		9.07	8.46		13.98	20.78	0.492	0.480	0.479	0.485	0.480	0.477	0.470	MIXED	0.4450↓↓
		9.07	8.46		7.53	10.04	3.100	3.060	2.900	2.729	2.640	2.540	2.482	↑↑	3.1475↑↑
		9.07	8.46		10.04		1.945	2.004	2.085	2.092	2.071	2.057	2.058	MIXED	See Below
CME SPOT CHEESE: BARRELS 1.9350 / 40 LB BLOCKS 1.8500 ↑↑ / ↑↑															

CL I ADV	CL II	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(AUG)	20.10(AUG)	24.81(AUG)	25.70(JUL)↓	26.80(JUL)↓		PRODUCT VALUE MAKE ALLOW NET
				3.91F	3.85F		CHEESE 1.9761 0.2003 1.7758 ↓↓
							BUTTER 2.9792 0.1715 2.8077 ↑↑
							NFDM 1.6690 0.1678 1.5012 ↓↓
							DRYWHEY 0.5045 0.1991 0.3054 ↓↓
							OTHER 0.3146 ↓↓

COWS: Fresh	Bred	Springing	*HEIFERS: Bred	Springing	Beef X	Open: 300-600 lbs	Beef X	600-900 lbs	Beef X	900-1300 lbs	BULLS(900+ lbs)
1300	1285	1590	1180	1350	N/A	450	300	700	N/A	1075	1550
TWO WEEKS AGO COMPARISON											
1550	1525	1633	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Premium White	Breakers	Boners	Lean	FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)	CURRENT	Beef X	WEEK AGO	YR AGO
85.00↓	82.35↑	70.10↓		Choice & Prime 1250-1550 lbs light test	125.00		132.00	107.50 ↓↓
				BULL CALVES: No. 1 & 2, 90-130 lbs	150.00	300.00	125.00	96.00 ↑↑
				70-85 lbs	145.00	29000	90.00	77.00 ↑↑

brought to you by:

Average to high dressing

Price averages do not include lower-end common