CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — SEPT. 28, 2022 — except where noted

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SEPTEMBER: At 1.48 billion pounds, cheese inventory was a record high for the month of August. This was 3.6% more than August 2021. July 2022 ending cheese stocks, at 1.52 billion pounds, were an all-time high. The drawdown of 38 billion pounds of inventory from the end of July to the end of August was the largest July to August drawdown since 2018. Although domestic and international cheese sales will not be reported for another couple of weeks, the drawdown indicates strong domestic sales and strong exports. This has helped to further stabilize Class III prices as the 12-month average price experienced a slight increase for the second month in a row. As of September 26 closing prices, the Class III price averages $20.27 per cwt, 22 cents more than it did at the end of August.

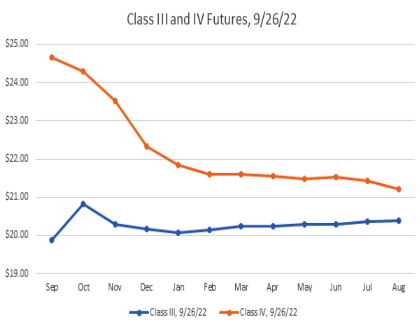
Butter price continued its upward trend through Aug., settling at $3.04 per pound. This represents the first time the monthly butter price has averaged over $3 per pound. At 2.83 million pounds, butter stocks are 22% less than one year ago and 10% less than July 2022. Butter inventories have remained at multi-year lows most of this year. This is primarily because cream remains in short supply. Cream supply is likely low for the near future. Unfortunately, high butter price has started to affect demand as sales data show fewer butter purchases. For now, Class IV price is being bolstered by high butter price. The 12-mo. average Class IV price increased 64 cents through Aug. to $22.25 per cwt. Class IV and Class III price have been inverted since Nov. 2021 and remain inverted for at least the next year.

August U.S. milk production increased by 1.6% year-over-year (YOY) to 19.020 billion pounds of milk. The milk production increase was the result of increased milk production per cow as cow numbers declined. The U.S. herd decreased to 9.427 million cows in Aug., 11,000 cows less than last year. However, for the 3rd month in a row, the herd size grew compared to the previous month. The U.S. herd size increased by 8,000 cows compared to last month. Milk production per cow rose 34 pounds per cow compared to August 2021 to 2,018 pounds. The average U.S. dairy cow produced 74.8 pounds of milk per day in Aug., 1.3 pounds more than she did one year ago.

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

Pennsylvania milk production increased YOY for the first time in at least two years. This was caused by an increase in milk production per cow that offset a further decline in the state's cow numbers. The Keystone State's herd size has been retracting YOY for many years now, and August did not break that trend. The new herd size sits at 468,000 cows, 7,000 less than August 2021. However, for the first time since February of 2020, Pennsylvania's herd was able to show a month-over-month increase. August's herd size has an additional 1,000 cows compared to July. Milk production per cow increased 35 pounds (+2%) per cow per month to 1,785. The average cow produced 66.2 pounds per day during August. This is 1.3 pounds per day more than what she produced last year. As a result, total production across the Commonwealth increased 4 million pounds (+0.5%) to 835 million pounds.

Dairy exports in July represented the 4th straight month to show YOY gains. Dairy export volume increased 5% on a milk solids equivalent basis to 203,322 metric tons (MT). Growth in cheese, whey, and lactose exports offset a 6,967 MT decline (-10%) in nonfat dry milk/skim milk powder (NDM/SMP). Major powder markets China, Middle East/North Africa, and Mexico, all showed declines. Continued supply limitations also contributed to lackluster powder sales in July with NDM/SMP production down 9% YOY. Behind strong dairy product prices, export value increased 25% YOY to $830.8 million. Dairy exports remain on track to eclipse 2021's record volume and value.



CME DAILY FUTURES & OPTIONS TRADING — SEPT. 28, 2022 AT THE CLOSE

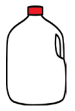
*AVG = Average basis for North-East and Mid-East

*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered

	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: *Sep-Oct stdy-$0.15 higher; Nov22-Jun23 off $0.40-0.60; Jul-Aug23 stdy-$0.10 lower* — *12-Month Avg. 20.49* ↓↓													
	19.89	21.85	20.92	20.74	20.50	20.34	20.28	20.24	20.24	20.32	20.27	20.30	↓↓
CLASS IV MILK FUTURES ($/CWT) vs. wk ago: *Sep off $0.15, Oct up $0.08, Nov off $0.80, Dec22-May23 off $0.20-0.50, Jun-Aug23 steadyish* — *12-Month Avg. 22.24* ↓↓													
	24.55	24.30	23.62	22.55	21.83	21.60	21.55	21.45	21.25	21.52	21.42	21.20	↓↓
CLASS III MILK ($/CWT) **OPTIONS — PUTS** — Daily Strike Price / Premium													
	20.00 0.12	**22.00** 0.24	**21.00** 0.94	**20.75** 1.16	**20.50** 1.56	**20.25** 1.26	**20.25** 1.36	**20.25** 1.41	**20.25** 1.50	**20.25** 1.54	**20.25** 1.54	**20.25** 1.59	
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	
*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, corn, 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*

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	*AUG-22	
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	*308.17	↓↓

U.S. AVG. BRED COWS & HEIFERS (3rd trimester) *per head as reported by USDA Monthly National Dairy Comprehensive Report*

1005	1042	1003	1065	993	1018	1062	1152	1151	1237	1253	1390	1278	1184	1350	*1407 ↑↑

CORN FUTURES ($/BU)

DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	JUL-25	TREND
6.704	6.764	6.772	6.716	6.244	6.136	6.202	6.222	6.190	5.656	5.546	5.604	↓↓
WEEK AGO												
6.854	6.902	6.906	6.844	6.404	6.272	6.342	6.366	6.340	5.792	5.682	5.740	

SOYMEAL FUTURES ($/TON)

OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	JUL-23	AUG-23	SEP-23	OCT-23	DEC-23	JAN-24	MAR-24	TREND
421.8	412.7	409.7	404.4	402.1	402.1	398.0	392.8	386.9	386.5	385.1	381.4	↓↓
WEEK AGO												
454.7	438.8	431.4	422.0	416.8	415.2	409.9	403.3	395.3	394.0	392.0	388.1	

*=NEW

FEED = $/CWT.

IOFC = $/COW

PA MILK MARGIN & IOFC–LATEST PSU VALUES – *JULY 2022

	FEED COST ($/CWT milk)	IOFC ($/COW @ 75 lbs milk)	PA MILK MARGIN ($/CWT milk)
*JULY *(estimated)*	*9.85 ↑↑	*12.71 ↓↓	*20.10 ↓↓
PREV MO	9.07	13.98	20.78
YR AGO	8.46	7.53	10.04

Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price

CME DAIRY CASH-SETTLED FUTURES ($/LB) 09/28/22

	SEP	OCT	NOV	DEC	JAN23	FEB23	MAR23		SPOT CASH TREND 09/21/22
NFDM	1.586	1.580	1.560	1.540	1.540	1.540	1.550	↓↓	1.5625 ↑↑
WHEY	0.489	0.470	0.485	0.482	0.480	0.480	0.512	↓↓	0.4450 ↓↓
BUTTER	3.100	3.075	2.920	2.685	2.580	2.510	2.500	↓↓	3.1650 ↑↑
CHEESE	1.957	2.160	2.059	2.053	2.035	2.027	2.050	↓↓	*See Below*

CME SPOT CHEESE: BARRELS 2.2000 / 40 LB BLOCKS 1.9900 ↑↑ / ↓↓

**USDA JUN-22 NEW *

	ALL-MILK	BF	*MAILBOX
*FL	$31.00	3.60	$27.91
*SE	$29.90	3.66	$27.41
*APP	$28.90	3.82	$27.41
*MO	N/A	N/A	$27.03
*WA/OR	$28.40	4.10	$26.88
*IL	$26.30	3.91	$26.63
*CA	$27.50	3.94	$26.40
*PAwestern PA only			$26.21
*NY	$27.30	3.91	$26.17
*N.ENG	$27.90	3.97	$26.09
*IA	$25.90	4.05	$26.07
*PAeast	$27.70	3.86	$26.00
*IN	$26.50	3.84	$25.90
*U.S.	$26.90	3.94	$25.87
*OH	$26.00	3.84	$25.67
*WI	$26.20	3.92	$25.54
*MN	$26.00	4.15	$25.33
*MI	$26.30	3.82	$25.22
*TX	$26.60	4.12	$25.00
*NE/KS	$25.60	4.00	$24.51
*NM	$24.70	3.74	$23.66

*=NEW **ANNOUNCED FEDERAL ORDER PRICES** ($/CWT)

CL I ADV ↓↓	CL II ↑↑	CL III ↓↓	CL IV ↓↓	ALL-MILK-U.S	ALL-MILK-PA
22.71 (OCT)	26.91 (AUG)	20.10 (AUG)	24.81 (AUG)	25.70 (JUL) ↓↓ 3.91F	26.80 (JUL) ↓↓ 3.85F
MONTH AGO					
23.62	26.66	22.52	25.79	26.90 4.08F	27.70 4.01F
YEAR AGO					
17.08	16.51	15.95	15.92	17.80 3.94F	18.50 3.92F

***CURRENT FEDERAL ORDER VALUES** ($/LB) * = *NEW

WEIGHTED AVG. 4-WK JUL 30-AUG 27, 2022

PRODUCT	VALUE	MAKE ALLOW	NET	
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	↓↓

AUG 2022 COMPONENTS		
PROT	2.1417	↓↓
B.FAT	3.4001	↑↑
N.FAT	1.4862	↓↓
OTHER	0.3146	↓↓

CATTLE - DAIRY PURPOSES($/HD) **NORTHEAST** (Avg. Sept. 28, 2022 sale New Holland, PA)

	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)
Current	1325	1230	1400	N/A	1400	N/A	465	N/A	750	N/A	N/A	N/A
TWO WEEKS AGO COMPARISON	1400	1200	1400	1260	1470	1200	425	N/A	660	N/A	N/A	N/A

Avg. of prices reported by USDA Market News for PA Auction Markets Sept. 22-27, 2022

CULL MARKET COWS ($/CWT LIVEWEIGHT

Price averages do not include lower-end 'common'

Average to high dressing

	Premium White	Breakers	Boners	Lean
Current		86.60 ↓↓	79.85 ↓↓	69.25 ↓↓
WEEK AGO	N/A	85.85	80.50	69.35
YEAR AGO	N/A	73.35	65.60	56.85

FED HOLSTEIN STEERS ($/CWT LIVEWEIGHT)

	CURRENT	Beef X	WEEK AGO		YR AGO	
Choice & Prime 1250-1550 lbs light test	110.35		118.35		108.50	↓↓
BULL CALVES: No. 1 & 2, 90-130 lbs	145.00	275.00	120.00	300	105.00	↑↑
70-85 lbs	140.00	250.00	120.00	385	100.00	↑↑

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