

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — OCT. 4, 2022 — except where noted

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DMC Margin declines further: Late last week, the USDA announced the August Dairy Margin Coverage (DMC) margin at \$8.08 per cwt. This represents the third month in a row of margin deterioration and the first DMC margin of the year to drop below the maximum \$9.50 per cwt margin coverage. The August margin fell \$1.84 per cwt compared to July. Like the previous three monthly declines, the August margin was the result of declining U.S. all-milk price that was compounded by record high DMC feed cost. The average milk price across the country dropped \$1.40 compared to July to \$24.30. A record high DMC feed price of \$16.22 per cwt contributed the other 44 cents to the total margin decline compared to July 2022. This is the first time in program history that feed cost surpassed the \$16 mark and only the second time to surpass \$15, which occurred in July 2022 at \$15.78 per cwt.

August's margin triggers indemnities at the Tier 1 \$8.50, \$9.00 and \$9.50 margin coverages. At the maximum \$9.50 margin coverage, this is equal to a payment of \$1.42 per cwt times 1/12 of established production history up to the 5-million-pound, Tier 1 cap. This equates to a payment of \$1,116 per 1 million pounds of enrolled production history after the mandatory sequestration fee (5.7%) is subtracted or about \$5,579 for an operation that maxes out their Tier 1 coverage at 5 million pounds.

The DMC feed cost has set a record high each month of the year except for January, which at \$12.66 per cwt was only one cent less than the previous record high set in August 2021. The corn price was the only DMC feed cost component to post a decline in August. However, the decline was not substantial at one cent less compared to July to \$7.24 per bushel, or \$258.57 per ton. The one-cent drop per bushel in corn amounts to 36 cents less on a tonnage basis. Therefore, alfalfa hay and soybean meal (SBM) prices caused the August record high DMC feed price. At \$343 per ton, the average price for alfalfa hay set a record for the ninth consecutive month, surpassing July's record by \$10 per ton. Dating back to January 2021, the alfalfa hay price has only fell month-over-month twice (March and November 2021). The increase in the hay price contributed 14 cents to the 44 cents per cwt total increase in feed price. The other 30 cents per cwt increase in the DMC margin was caused by a \$43.03 per ton increase in the average SBM price to \$510.90. August was the first month that the average SBM price eclipsed the \$500 per ton threshold.

Current factors used by the online DMC Decision Tool, based on September 28 closing prices, project DMC margins below the maximum \$9.50 margin coverage for September, November, and December at \$7.89, \$9.39, and \$9.27 per cwt, respectively. At \$9.78 per cwt, the October margin is the only month left in 2022 not expected to trigger an indemnity. If the current estimates hold true, the 2022 DMC program will provide a net benefit to enrolled dairy farms, after premiums and fees, of \$2,648 per 1 million pounds of Tier 1 production history. This is equivalent to about 11 cents per cwt. This is after no projected payments during the 2022 enrollment period. Looking further into next year, current projected margins for 2023 are below the maximum \$9.50 per cwt margin coverage each month. Furthermore, the DMC Decision Tool is projecting nearly an 80% probability that the DMC program will provide a net benefit this year.

According to DMC guidelines, premiums and administration fees were to be paid in full no later than September 1, 2022. The USDA approved Farm Service Agency (FSA) offices to begin processing August indemnities on October 4. Indemnity payments for any enrolled dairy operation that has an outstanding balance will be withheld until the balance is paid in full. Unpaid balances can be settled at your local FSA office.

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 — OCT. 4, 2022 AT THE CLOSE

	OCT-22	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	TREND											
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Q-4 2022 contracts \$0.35-0.85 higher; 2023 contracts \$0.10-0.25 higher	22.25	21.80	21.23	20.67	20.55	20.41	20.45	20.45	20.38	20.45	20.55	19.75	↑↑											
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Oct 22-Feb23 steady-\$0.20 up, Mar-Sep23 unevenly 5 cents lower to 20 cents higher	24.50	23.60	22.60	21.89	21.70	21.48	21.51	21.35	21.35	21.27	21.10	20.00	MIXED											
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	22.00	0.18	21.75	0.86	21.25	1.12	20.75	1.24	20.50	1.28	20.50	1.40	20.50	1.49	20.50	1.54	20.50	1.65	20.50	1.54	20.50	1.56	20.25	1.60
MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	PA	0.79	0.60	0.79	1.17	0.62	1.53	2.29	1.82	1.58	0.99	1.03	0.95											
*AVG 0.67 0.74 1.38 0.85 1.67 2.55 2.15 1.66 1.45 1.25 1.31 1.15																								
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	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	↓↓								
	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	*8.08	↓↓								

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
6.830	6.900	6.910	6.846	6.322	6.192	6.260	6.280	6.240	5.732	5.614	5.672		↑↑
WEEK AGO													
6.704	6.764	6.772	6.716	6.244	6.136	6.202	6.222	6.190	5.656	5.546	5.604		

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
403.0	401.5	399.1	395.8	395.2	396.5	394.3	391.0	386.6	386.7	385.6	382.2		↓↓
WEEK AGO													
421.8	412.7	409.7	404.4	402.1	402.1	398.0	392.8	386.9	386.5	385.1	381.4		

*NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *JULY 2022				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 10/04/22										SPOT CASH TREND		
FEED =	FEED COST	IOFC	PA MILK MARGIN	OCT	NOV	DEC	JAN23	FEB23	MAR23	APR23						
\$/CWT.	(\$/CWT milk)	@ 75 lbs milk	(\$/CWT milk)	NFDM	1.562	1.545	1.531	1.540	1.540	1.540	1.540	1.540	1.540	1.540	1.540	1.540
IOFC =	*JULY (estimated)	*9.85↑↑	*12.71↓↓	*20.10↓↓	WHEY	0.470	0.475	0.494	0.490	0.505	0.503	0.480	0.480	0.480	0.480	0.480
\$/COW	PREV MO	9.07	13.98	20.78	BUTTER	3.140	2.951	2.710	2.550	2.500	2.480	2.482	2.482	2.482	2.482	2.482
	YR AGO	8.46	7.53	10.04	CHEESE	2.223	2.172	2.120	2.067	2.052	2.051	2.066	2.066	2.066	2.066	2.066
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			CME SPOT CHEESE: BARRELS 2.2275 / 40 LB BLOCKS 2.0000 ↑↑ / ↑↑												

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)										*CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW					
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			
22.71	26.91	20.10	24.81	*24.30	*26.20	PRODUCT	VALUE	MAKE ALLOW	NET		COMPONENTS				
				3.93F	3.83F	CHEESE	1.9761	0.2003	1.7758	↓↓	PROT	2.1417	↓↓		
						BUTTER	2.9792	0.1715	2.8077	↑↑	B.FAT	3.4001	↑↑		
						NFDM	1.6690	0.1678	1.5012	↓↓	N.FAT	1.4862	↓↓		
						DRYWHEY	0.5045	0.1991	0.3054	↓↓	OTHER	0.3146	↓↓		

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. Sept. 28, 2022 sale New Holland, PA)													
COWS: Fresh Bred Springing *HEIFERS: Bred Springing Beefx Open: 300-600 lbs Beef X 600-900 lbs Beef X 900-1300 lbs BULLS(900+ lbs)													
1325	1230	1400	N/A	1400	N/A	465	N/A	750	N/A	N/A	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. 29 - Oct. 4, 2022				FED HOLSTEIN STEERS (\$/CWT LIVELINEWEIGHT)				CURRENT Beef X WEEK AGO YR AGO			
CULL MARKET COWS (\$/CWT LIVELINEWEIGHT)				Choice & Prime 1250-1550 lbs light test				110.35 110.35 108.50 ↓↓			
Premium White	Breakers	Boners	Lean	BULL CALVES: No. 1 & 2, 90-130 lbs				120.00 225.00 145.00 275 105.00 ↓↓			
	86.00	77.85	69.10	70-85 lbs				82.00 200.00 140.00 250 100.00 ↓↓			
WEEK AGO											
	N/A	86.60	79.85								
YEAR AGO											
	N/A	73.35	65.60								

Price averages do not include lower-end common

Average to high dressing

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