

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 2, 2022 — except where noted

**ZACH MYERS**  
Risk Education Manager  
336-468-0726  
zmyers@centerfordairyexcellence.org

**DMC 2023 Enrollment:** For the second month in a row and the second time this year, the September Dairy Margin Coverage (DMC) margin triggered an indemnity. Announced earlier this week, the Sept. DMC margin was \$8.62 per cwt. This is a 54 cents per cwt improvement over August but still well below the maximum \$9.50 margin coverage. The U.S. all-milk price increased 10 cents to \$24.30 per cwt while the DMC feed cost fell 44 cents to \$15.78 per cwt. Reduced prices for corn, alfalfa hay, and soybean meal, the three feed commodities used to calculate the DMC feed cost, were responsible for the decline in the total feed cost relative to August. At the maximum \$9.50 margin coverage, the DMC margin triggers an 88 cents per cwt indemnity on 1/12 of enrolled production history up to the 5-million-pound, Tier 1 cap. After the 5.7% sequestration fee is deducted, this reflects a payment of about \$690 dollars per 1 million pounds of covered production history, or about \$3,450 for a dairy at the Tier 1 cap.

This equates to an average margin of \$8.12 per cwt. Current feed costs are expected to decline through next year, but they will remain historically high. Milk price is expected to be less through next year relative to the current price. The net result of historically high feed prices with declining milk price will be tighter margins through next year.

Enrollment for the 2023 DMC program year is open now through December 9, 2022, at local Farm Service Agency (FSA) offices. 2023 is the final year of the 2018 Farm Bill cycle. Although there is significant industry and congressional support across the country to improve the program and keep DMC in the next Farm Bill, there is no guarantee that it will exist past 2023 in its current form or at all. The DMC program has now provided a net benefit, at the maximum \$9.50 margin coverage, each year since its inclusion in the 2018 Farm Bill.

Based on October 25 USDA projections, the 2023 DMC program sets an average U.S. all-milk price floor of \$23.18 per cwt at the \$9.50 margin coverage (\$13.68, average feed cost + \$9.50 = \$23.18). This means that an indemnity will be triggered when the U.S. all-milk price drops below \$23.18 per cwt. Currently, the U.S. all-milk price averages \$1.38 less than the floor price set by DMC. These are projections and are not guaranteed. However, if these margins become reality, it will be the fifth year that DMC has provided a net benefit.

Net benefits for 2019, 2020, and 2021 equaled 36 cents per cwt, 62 cents per cwt, and \$2.29 per cwt, respectively, on covered production history up to the Tier 1 cap. With the Sept. indemnity added to August's, the 2022 DMC program has now provided a net benefit of 3 cents per cwt. Additional benefit is projected by the October 25 updated online DMC Decision Tool for November and December of this year that would result in a net benefit of 14 cents per cwt. During the enrollment periods for 2020 and 2022, the online DMC Decision Tool was not projecting any monthly payments.

According to current projections, DMC will provide a net benefit after premiums and fees of \$1.15 per cwt. This is about \$11,500 per 1 million pounds of covered production history or about \$57,500 for a dairy farm that maximizes the Tier 1 cap.

Current projections for 2023 show forecasted DMC margins below the maximum \$9.50 margin coverage each month of the year. The U.S. all-milk price is projected to average \$21.80 per cwt next year, while the DMC feed cost is expected to average \$13.68 per cwt.

	Projected U.S. All-Milk Price	Projected Feed Cost	Projected DMC Margin	U.S. All-Milk Price Trigger
Jan	\$22.13	\$14.57	\$7.56	\$24.07
Feb	\$22.06	\$14.47	\$7.59	\$23.97
Mar	\$21.98	\$14.09	\$7.89	\$23.59
Apr	\$21.79	\$13.87	\$7.92	\$23.37
May	\$21.58	\$13.83	\$7.75	\$23.33
Jun	\$21.56	\$13.69	\$7.87	\$23.19
Jul	\$21.52	\$13.62	\$7.90	\$23.12
Aug	\$21.62	\$13.49	\$8.13	\$22.99
Sep	\$21.69	\$13.28	\$8.41	\$22.78
Oct	\$21.74	\$13.10	\$8.64	\$22.60
Nov	\$21.93	\$13.14	\$8.79	\$22.64
Dec	\$21.95	\$12.97	\$8.98	\$22.47
<b>Avg</b>	<b>\$21.80</b>	<b>\$13.68</b>	<b>\$8.12</b>	<b>\$23.18</b>

\*Projections taken from the USDA Online Decision Tool dated October 25, 2022

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 — NOV. 2, 2022 AT THE CLOSE

	NOV-22	DEC-22	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	TREND			
<b>CLASS III MILK FUTURES (\$/CWT)</b> vs. wk ago: <i>Nov22 up \$0.20, Dec22-Aug23 off \$0.05-0.30 in ascending monthly increments, Sep-Oct23 off \$0.70</i> <b>12-Month Avg. 19.57</b> ↓↓	20.68	19.06	18.90	19.27	19.50	19.51	19.56	19.70	19.63	19.61	19.72	19.70	↓↓			
<b>CLASS IV MILK FUTURES (\$/CWT)</b> vs. wk ago: <i>Nov22-Mar23 down \$1-1.50, Apr-Oct23 down \$0.50-0.70</i> <b>12-Month Avg. 20.25</b> ↓↓	22.35	20.27	19.71	19.78	19.81	19.94	20.01	20.19	20.10	20.15	20.34	20.42	↓↓			
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>	20.75 0.24	19.25 0.74	19.00 0.93	19.25 1.00	19.50 1.16	19.50 1.21	19.50 1.27	19.75 1.46	19.75 1.51	19.50 1.47	19.75 1.65	19.75 1.51				
<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 0.60	0.79	1.17	0.62	1.53	2.29	1.82	1.58	0.99	1.03	0.95	0.79				
<b>*AVG 0.74 1.38 0.85 1.67 2.55 2.15 1.66 1.45 1.25 1.31 1.15 0.67</b>																
<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>																
<b>DMC</b>	<b>JUL-21</b>	<b>AUG-21</b>	<b>SEP-21</b>	<b>OCT-21</b>	<b>NOV-21</b>	<b>DEC-21</b>	<b>JAN-22</b>	<b>FEB-22</b>	<b>MAR-22</b>	<b>APR-22</b>	<b>MAY-22</b>	<b>JUN-22</b>	<b>JUL-22</b>	<b>AUG-22</b>	<b>*SEP-22</b>	
	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	*8.62	↑↑

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report															
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	*SEP-22
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	*290.70 ↓↓
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report															
1042	1003	1065	993	1018	1062	1152	1151	1237	1253	1390	1278	1184	1350	1407	*1265 ↓↓

CORN FUTURES (\$/BU)													TREND
DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	JUL-25		↑↑
6.874	6.926	6.924	6.866	6.390	6.250	6.316	6.336	6.302	5.780	5.656	5.714		
WEEK AGO													
6.850	6.904	6.900	6.834	6.372	6.234	6.302	6.322	6.290	5.780	5.656	5.714		

SOYMEAL FUTURES (\$/TON)													TREND
OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	JUL-23	AUG-23	SEP-23	OCT-23	DEC-23	JAN-24	MAR-24		↑↑
424.5	417.0	408.8	405.2	404.7	400.6	394.7	388.2	387.6	383.5	381.5	381.7		
WEEK AGO													
401.7	408.7	402.0	394.3	390.0	389.7	386.4	382.1	377.0	376.7	375.7	372.7		

*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - *AUG 2022				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/02/22								SPOT CASH	TREND
FEED = \$/CWT	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	NOV	DEC	JAN23	FEB23	MAR23	APR23	MAY23	11/02/22	11/02/22	
	*AUG (estimated) *9.38 ↓↓	*12.61 ↓↓	*19.65 ↓↓	NFDM	1.503	1.420	1.352	1.349	1.360	1.370	1.380	↓↓	1.3700 ↓↓
	*PREV MO *9.81	*12.74	*20.10	WHEY	0.473	0.462	0.435	0.435	0.449	0.450	0.470	↓↓	0.4525 ↑↑
	YR AGO 8.58	7.36	9.82	BUTTER	2.700	2.445	2.370	2.400	2.410	2.435	2.425	↓↓	2.6100 ↑↑
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			CHEESE	2.070	1.923	1.925	1.950	1.975	1.975	1.980	↓↓	See Below
				<b>CME SPOT CHEESE: BARRELS 1.9700 / 40 LB BLOCKS 1.9775 ↓↓ / ↓↓</b>									

*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 OCT 1-29, 2022					*OCT 2022 COMPONENTS			
*24.09(NOV)	*25.73(OCT)	*21.81(OCT)	*24.96(OCT)	*24.40(SEP) ↑↑	*26.10(SEP) ↓↓						*PROT	2.4512 ↑↑		
MONTH AGO											*BUTTER	3.6567 ↑↑		
22.71	26.51	19.82	24.63	24.30 3.93F	26.20 3.83F						*NFDM	1.4000 ↑↑		
YEAR AGO											*DRYWHEY	0.2952 ↓↓		
17.98	17.08	17.83	17.04	18.30 3.95F	19.00 3.90F									

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. Oct. 26, 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)	
1800	1600	1450	1200	1475	500	400	300	585	N/A	800	1050				
TWO WEEKS AGO COMPARISON															
1460	1100	1560	1270	1545	1500	600	N/A	625	N/A	1000	985				

Avg. of prices reported by USDA Market News for PA Auction Markets Oct. 27-Nov. 1, 2022				FED HOLSTEIN STEERS (\$/CWT LIVELINEWEIGHT)				CURRENT Beef X WEEK AGO YR AGO			
<b>PULL MARKET COWS (\$/CWT LIVELINEWEIGHT)</b>				Choice & Prime 1250-1550 lbs light test				122.00 120.25 97.75 ↑↑			
<b>Premium White Breakers Boners Lean</b>				No. 1 & 2, 90-130 lbs				125.00 300.00 110.00 325 75.00 ↑↑			
				70-85 lbs				110.00 320.00 96.00 250 60.00 ↑↑			
WEEK AGO											
YEAR AGO											

Price averages do not include lower-end common

Average to high dressing

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