

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 8, 2023 — except where noted



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Margins improve in September: USDA announced the September 2023 margin under the Dairy Margin Coverage (DMC) Program at \$8.44 per hundredweight (cwt.), up \$1.98 from August and the highest for 2023. While it still resulted in an indemnity payment of \$1.06 per cwt., or about \$830 per each one million pounds covered at the maximum \$9.50 level, the margin is well above the catastrophic lows reported in June and July of below \$4 per cwt.

A higher All-Milk Price, up \$1.30 to \$21 per cwt., coupled with lower feed costs, down 68 cents to \$12.56 per cwt., supported the higher September margins.

Looking ahead, margins continue to rebound in the last three months of the year, according to the projected DMC margins hovering around the \$9.50 level for Oct., Nov. and Dec. If these projected margins come to fruition, those farms covered at the \$9.50 maximum threshold will have received a net benefit of \$2.74 per cwt., or just over \$24,000 for each one million pounds covered under the DMC program for calendar year 2023.

When you look over the life of the program from 2019-23, the DMC Program has yielded a net benefit every year, totaling more than \$57,800 on each one million pounds as a net benefit over the 5-year period.

Part of the 2018 Farm Bill, the DMC program is one of many now under review with discussions around the 2024 Farm Bill. Pennsylvania is fortunate to have Congressman GT Thompson serving as the chair of the House Ag Committee and leading those discussions. So far, it seems that DMC will stay intact in the next Farm Bill, with discussions centered around whether the Tier 1 levels should be increased and whether the feed cost formula should change at all. Still, it's looking like Farm Bill passage will be delayed, which means DMC enrollment for the 2024 Program Year could be delayed until the new Farm Bill is passed or an extension of the current one is approved.

With both milk prices and feed costs expected to moderate into 2024, the net benefit of DMC projected in the New Year may not be as high as in 2023. However, it's important to think about enrolling

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.

in DMC as insurance against dramatic changes in the marketplace, not as a guaranteed payment. In times when DMC is not yielding any indemnity, that means milk margins are higher and farms are more profitable. But when milk prices are low and margins are tight, having that DMC coverage can mean the difference between keeping your bills paid and falling behind.

Along with the Sept. DMC margin, USDA also announced the Class III and Class IV milk prices for October last week. The Oct. Class III milk price was \$16.84 per cwt., down \$1.55 from Sept. and \$4.97 below year-ago levels. Looking ahead, Class III futures prices on the CME average \$17.80 per cwt. for the next six months, staying below \$18 before rebounding in April 2024. The Oct. Class IV milk price was \$21.49 per cwt., up \$2.40 above Sept. but \$3.47 below the price a year ago. CME Class IV futures average \$19.26 per cwt. for the next six months, with prices peaking above \$20 this fall before dipping to around \$19 in the early part of next year.

The \$4.65 spread between Class III and IV prices we saw in October narrows going into the winter months, but Class IV prices are projected to remain above Class III for the foreseeable future. Part of the reason is because of the availability of milk for cheese compared to the availability of milk for butter. Class III milk goes into cheese production, and most of the nation's cheese supply is produced in the Upper Midwest where milk production is growing. A large portion of the nation's butter supply is produced in the Southwest, where milk production is shrinking.

The latest USDA Dairy Products report shows output of most dairy products grew in September, compared to year ago, despite shrinking milk production in some regions of the country. Cheese production was up 0.1% year-over-year to 1.152 billion pounds, while production of American-type cheese was up 4.2% and Cheddar cheese production was up 3.1%. After decreasing in August, September's butter production was up 2.9% from a year ago to 144.566 million pounds.

CME DAILY FUTURES & OPTIONS TRADING — NOV. 8, 2023 AT THE CLOSE

	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	OCT-24	TREND			
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: <i>Down \$0.05-0.25, mainly \$0.10-0.20 lower across the board, except December 2023 fully steady.</i>	12-Month Avg. 17.93 ↓↓															
17.15	17.13	17.22	17.54	17.19	18.18	18.26	18.38	18.42	18.56	18.58	18.62	↓↓				
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: <i>Down \$0.05-0.15, with exceptions of Nov23 firm, Dec23 down \$0.40, and July-Oct24 fully steady.</i>	12-Month Avg. 19.46 ↓↓															
20.75	19.19	18.64	18.82	19.00	19.08	19.25	19.50	19.65	19.80	19.90	19.90	↓↓				
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																
17.25 0.22	17.25 0.61	17.25 0.71	17.50 0.72	18.00 0.91	18.25 1.01	18.25 1.04	18.50 1.15	18.50 1.08	18.50 1.07	18.50 1.10	18.50 1.06					
MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)																
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				
*AVG	0.74	1.38	0.85	1.67	2.55	2.15	1.66	1.45	1.25	1.31	1.15	0.69				
DMC OFFICIAL GROSS MARGINS per cwt(USDA All-Milk, com, alfalfa & Ill. soybean, feed for ALL CLASSES of dairy cattle on farm) <i>Updated with NEW prem. alfalfa feed cost</i>																
DMC	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	AUG-23	*SEP-23	↑↑
	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	6.46	*8.44	

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report	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	AUG-23	SEP-23	*OCT-23	
	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	243.50	238.50	*217.82	↓↓
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report	1350	1407	1265	1310	1290	1300	1250	1352	1342	1330	1400	1559	1502	1540	1500	*1741	↑↑
U.S. AVG. FRESH COWS per head as reported by USDA Monthly National Dairy Comprehensive Report	1571	1417	1384	1701	1526	1531	1436	1487	1493	1544	1469	1792	1615	1634	1643	*1830	↑↑

CORN FUTURES (\$/BU)	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25	JUL-25	SEP-25	DEC-25	JUL-26	TREND
	4.684	4.834	4.932	5.024	5.052	5.100	5.206	5.256	5.254	5.110	5.082	5.246	↓↓
	4.750	4.896	4.984	5.060	5.072	5.112	5.220	5.270	5.264	5.112	5.080	5.246	

SOYMEAL FUTURES (\$/TON)	DEC-23	JAN-24	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24	OCT-24	DEC-24	JAN-25	MAR-25	MAY-25	TREND
	447.4	438.8	431.1	425.6	424.6	420.9	415.7	409.4	410.6	409.3	405.4	403.5	↑↑
	430.4	419.1	409.0	404.4	404.5	401.9	398.5	393.7	395.1	394.4	391.5	390.3	

*NEW ED = CWT. FC = COW	PA MILK MARGIN & IOFC-LATEST PSU VALUES - *AUG. 2023				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/08/23								SPOT CASH TREND
	FEED COST (\$/CWT milk)		IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	NOV23	DEC23	JAN24	FEB24	MAR24	APR24	MAY24	11/08/23	
	*AUG (estimated) *8.84↓		*8.14↑	*14.78↑	NFDM	1.194	1.197	1.215	1.238	1.254	1.264	1.285	↑↑ 1.1800↓
	PREV MO 9.16		6.18	13.05	WHEY	0.371	0.392	0.407	0.420	0.417	0.441	0.455	↑↑ 0.3925↑
	YR AGO 9.38		12.61	219.65	BUTTER	2.970	2.580	2.455	2.460	2.473	2.480	2.480	↓ 2.7975↓
					CHEESE	1.752	1.753	1.759	1.792	1.835	1.851	1.860	↓ See Below
					CME SPOT CHEESE: BARRELS 1.6200 / 40 LB BLOCKS 1.6300 ↓ / ↓								

Covers ONLY lactating herd, based on 75 lb herd avg, Bufr., NY soy price							CME SPOT CHEESE: BARRELS 1.6200 / 40 LB BLOCKS 1.6300 ↑↑ / ↓↓												
SDA JUL-23 NEW * = 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. 1-28, 2023 *OCT 2023					
19.75(NOV) *21.95(OCT) *16.84(OCT) *21.49(OCT) *21.00(SEP)↑↑ *21.50(SEP)↑↑														PRODUCT VALUE MAKE ALLOW NET COMPONENTS					
														*CHEESE 1.7390 0.2003 1.5387 ↓↓ *PROT 1.0468↓↓					
														*BUTTER 3.2387 0.1715 3.0672 ↑↑ *B.FAT 3.7144↑↑					
														*NFDM 1.1558 0.1678 0.9800 ↑↑ *N.FAT 0.9781↑↑					
														*DRYWHEY 0.3198 0.1991 0.1207 ↑↑ *OTHER 0.1243↑↑					

PA Auction Markets Nov. 2-7, 2023	FED HOLSTEIN STEERS (\$/CWT LIVWEIGHT)	CURRENT Beef X	WEEK AGO	YR AGO
CULL MARKET COWS (\$/CWT LIVWEIGHT)	Choice & Prime 1250-1550 lbs light test	148.10(1td)	153.00	105.00
Premium White	BULL CALVES: No. 1 & 2, 90-130 lbs	355.00	315.00	650.00
Breakers	70-85 lbs	375.00	300.00	625.00
Boners		710.00	115.00	
Lean				

Price averages do not include lower-end 'common'	PA Auction Markets Nov. 2-7, 2023	FED HOLSTEIN STEERS (\$/CWT LIVWEIGHT)	CURRENT Beef X	WEEK AGO	YR AGO
Average to high dressing	N/A	99.50	88.60	78.60	
	N/A	69.60	66.75	58.25	



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