

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 9, 2022 — except where noted

World Milk Supply Update: I am sure you have heard this phrase at some point: “We’re in a world economy now.” The dairy industry is not and will not be immune to international influence especially as the U.S. becomes more reliant on the export market to disperse surplus milk supply. Exports lessen the impact of a domestic surplus on dairy product prices, thus the farmgate milk prices that are derived from those product prices. Currently, nearly one out of every five tanker loads of milk leaves the U.S. borders in the form of dairy products. That is 20% of the milk supply. In terms of value, U.S. Dairy Export Council (USDEC) and U.S. Bureau of Census 2021 dairy export data shows that most of that goes to Mexico, Southeast Asia, Canada, and China, in that order. These three countries and one geographic region accounted for 62% of U.S. dairy exports in 2021. Granted, 80% of the milk produced domestically stays here. Domestic shifts in supply and demand have larger and faster impacts on the market than do international changes. However, exports are significant enough that if there are changes to international supply and demand, it will positively or negatively affect the U.S. milk price.

The largest dairy exporter in the world is the European Union (27 countries) plus the United Kingdom (EU+UK), followed by Oceania, then the U.S. So, changes in the milk supply in EU+UK and Oceania, in addition to proximity to potential markets, change the appeal of U.S. dairy products. A large part of the expense of getting dairy products to international markets is the shipping cost. This is a main driver as to why Mexico and Canada are two of the top three markets for the U.S.

Year-to-date, the top three dairy exporters currently are experiencing reduced milk production compared to the same time in 2021. Through August, Australia and New Zealand are down 6.4% and 5.0%, respectively. Also through August, the EU is down a slight 0.5%. Through September, the UK is down 1.5% and the U.S. is basically flat, but down 0.1%. The U.S. is the only country, of the top three exporting countries/regions, that is expected to end 2022 with increased milk production. With cow numbers rising along with better productive efficiency, milk production is expected to be 226.9 billion pounds, up a marginal 0.4% compared to 2021. This trend is expected to continue through 2023. Milk production in the EU, Australia, and New Zealand is expected to continue decreasing despite an expected increase in farmgate

milk price. High inflation, geopolitical and environmental issues are expected to continue to suppress growth opportunity in these countries/regions. 2023 milk production in the EU, Australia, and NZ is expected to decline by 1.2%, 2%, and 0.4%, respectively. 2023 projections for the UK were not found. The international data here were from www.clal.it, an Italian-based website and USDA Foreign Ag Services reports.

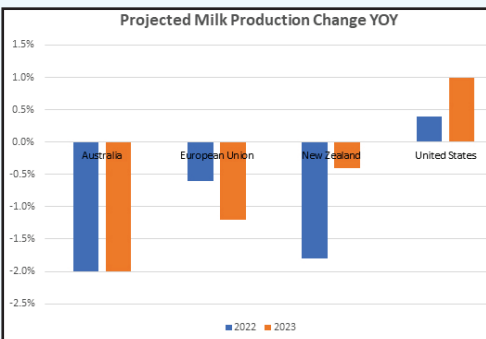
Despite inflationary pressure, 2023 milk production in the U.S. is expected to increase because of estimated higher cow numbers through the first half of the year along with continued increased productivity per cow. The Oct. 18, 2022 USDA Livestock, Dairy, and Poultry Outlook reported that 2023 milk production in the U.S. would reach 229.2 billion pounds. This is 0.4 billion pounds more than estimated in the Sept. report and 1.0% more than 2022’s projected total.

A restriction in milk supply growth, internationally, is expected to help bolster the U.S. milk price in 2023. Less available world supply gives the U.S. dairy industry opportunity to export more dairy products which will aid in offsetting the slight production growth expected. Unfortunately, feed prices are expected to remain high and the U.S. all-milk price is expected to be lower than this year. The 2023 U.S. all-milk price is expected to average \$22.90 per cwt compared to a projected \$25.60 this year. Margins in 2023 will be challenged based

on current market conditions. It may be helpful to have a risk management strategy in place. Contact me if you would like help deciding what program may work best for you.



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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

*AVG = Average basis for North-East and Mid-East
*MARGIN = Milk Price over Feed Cost per cwt.
YELLOW = payment triggered

CME DAILY FUTURES & OPTIONS TRADING — NOV. 9, 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				
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Nov22 up \$0.30, Dec22-Mar23 up fully \$1 to \$2.00, Apr-Oct23 up fully \$0.75-0.85												12-Month Avg. 20.56↓				
21.00	21.58	20.68	20.54	20.48	20.35	20.24	20.34	20.45	20.41	20.44	20.24	↑↑				
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Nov22-May23 up \$0.50 to \$1.25, Jun-Sep23 up \$0.30-0.50, Oct23 firm												12-Month Avg. 20.80↓				
22.82	21.52	20.67	20.41	20.42	20.46	20.65	20.58	20.58	20.48	20.52	20.43	↑↑				
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																
21.00	0.12	21.50	0.68	20.75	0.95	20.50	1.03	20.50	1.21	20.25	1.36	20.25 1.51				
MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF 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	0.67				
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	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	↑↑
	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																
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	*OCT-22	↑↑
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	*300.10	↑↑
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report																
1003	1065	993	1018	1062	1152	1151	1237	1253	1390	1278	1184	1350	1407	1265	*1310	↑↑

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
6.672	6.704	6.704	6.660	6.266	6.142	6.212	6.234	6.204	5.756	5.654	5.714	↘
WEEK AGO												
6.874	6.926	6.924	6.866	6.390	6.250	6.316	6.336	6.302	5.780	5.656	5.714	

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
417.6	414.2	405.6	402.0	400.9	396.5	390.4	383.5	382.5	381.5	378.3	376.8	↓↓
WEEK AGO												
424.5	417.0	408.8	405.2	404.7	400.6	394.7	388.2	387.6	383.5	381.5	381.7	

*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - AUG 2022			
FEED =	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT MILK)
\$/CWT	AUG (estimated)	9.38↓	12.61↓
IOFC =	PREV MO	9.81	12.74
\$/COW	YR AGO	8.58	7.36
			9.82
Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/09/22										SPOT CASH TREND
NOV	DEC	JAN23	FEB23	MAR23	APR23	MAY23				11/09/22
NFDM	1.527	1.465	1.400	1.394	1.395	1.405	↑↑	1.3850	↑↑	
WHEY	0.477	0.475	0.456	0.459	0.455	0.475	↑↑	0.4525	↑↑	
BUTTER	2.879	2.647	2.547	2.515	2.530	2.520	2.525	↑↑	2.9025	↑↑
CHEESE	2.090	2.164	2.077	2.076	2.053	2.064	2.046	↑↑	See Below	
CME SPOT CHEESE: BARRELS 2.0100 / 40 LB BLOCKS 2.0650										↑↑ / ↑↑

*USDA JULY-22 NEW
ALL-MILK BF MAILBOX
FL \$30.90 3.65 \$27.63
SE \$29.70 3.65 \$27.36
APP \$28.80 3.80 \$27.15
NENG \$27.20 3.96 \$26.42
NY \$26.70 3.89 \$25.90
MO N/A N/A \$25.71
WGOR \$27.30 4.08 \$25.71
PAESI \$26.80 3.85 \$25.42
IL \$25.10 3.87 \$25.27
CA \$26.60 3.91 \$25.21
PAWestern PA only \$25.03
IN \$25.60 3.81 \$24.94
IN \$25.60 3.82 \$24.91
US \$25.70 3.91 \$24.80
MI \$25.30 3.81 \$24.03
TX \$26.00 4.09 \$24.01
WI \$24.30 3.89 \$23.81
MN \$23.80 4.09 \$23.62
NE \$24.50 3.95 \$23.42
IA \$23.60 3.96 \$23.28
NM \$23.70 3.73 \$22.62

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)					
*CL I ADV↑↑	*CL II ↓↓	*CL III↑↑	*CL IV↑↑	*ALL-MILK-U.S	*ALL-MILK-PA
*24.09(NOV)	*25.73(OCT)	*21.81(OCT)	*24.96(OCT)	*24.40(SEP)↑↑	*26.10(SEP)↓↓
MONTH AGO					
22.71	26.51	19.82	24.63	24.30 3.93F	26.20 3.83F
YEAR AGO					
17.98	17.08	17.83	17.04	18.30 3.95F	19.00 3.90F

*CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW										*OCT 2022 COMPONENTS
WEIGHTED AVG. 4-WK OCT 1-29, 2022										
PRODUCT	VALUE	MAKE ALLOW	NET							
*CHEESE	2.1560	0.2003	1.9557	↑↑	*PROT	2.4512	↑↑			
*BUTTER	3.1911	0.1715	3.0196	↑↑	*B.FAT	3.6567	↑↑			
*NFDM	1.5819	0.1678	1.4141	↑↑	*N.FAT	1.4000	↑↑			
*DRYWHEY	0.4857	0.1991	0.2866	↓↓	*OTHER	0.2952	↓↓			

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. Nov. 2, 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)
1400	1450	1300	1200	1275	500	475	300	N/A	N/A
WEEK AGO COMPARISON									
1800	1600	1450	1200	1475	500	400	300	585	N/A
FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)									
Choice & Prime	1250-1550 lbs light test						105.00	122.00	97.75 ↓↓
BULL CALVES: No. 1 & 2, 90-130 lbs									
	70-85 lbs						130.00	300.00	125.00 300 ↑↑
							115.00	N/A	110.00 320 ↑↑

Avg. of prices reported by USDA Market News for PA Auction Markets Nov. 3-8, 2022			
CULL MARKET COWS (\$/CWT LIVELWEIGHT)			
Premium White	Breakers	Boners	Lean
69.60↓	66.75↓	58.25↓	
WEEK AGO			
N/A	73.10	69.60	60.00
YEAR AGO			
N/A	70.35	60.00	47.00



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