

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 17, 2021 — except where noted



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2022 Dairy Production and Price Projections: Each month the USDA publishes its World Agricultural Supply and Demand Estimate (WASDE). This report covers all major U.S. commodities including cereal grains, rice, and even sugar. Of course, dairy product production and prices are included as well. In the earlier months of the year, it finalizes and summarizes the previous year's data and makes projections for the remainder of the current year. Beginning in May, once previous year data is finalized, the report includes projections for the following year in addition to updates on current year projections. Although May is much too early to put much faith in the accuracy of the projections, monitoring it over the course of the year can help you identify trends and can help you in your risk management planning.

Even though a higher level of confidence can be put into the projections the closer it gets to 2022, as volatile as dairy markets can be, November projections may not be accurate either. As we learned at the end of 2019 into early 2020, a lot can happen in a short period of time to turn projections around. At the end of 2019, 2020 was projected to be a much better year, and then in March, COVID-19 created havoc in dairy markets that drastically reduced those projections. However, projections still provide a resource for risk management planning.

The November 9, 2021 WASDE report increased projected Class III, IV, and U.S. all-milk prices. Class III is estimated to reach \$17.75 next year, 65 cents per cwt more than last month's estimate, 80 cents more than the projected 2021 average price, but 41 cents less than 2020's actual price.

Demand for Class IV products is expected to remain strong through next year internationally and domestically. Based on current projections, Class IV price is estimated to average \$18.70 per cwt in 2022. This is \$1.55 more than the average price projected last month, \$2.70 more than the 2021 projected price, and \$5.21 more than 2020's average price of \$13.49 per cwt.

It also indicates that Class III and IV prices will be inverted during the coming year with Class IV projected 95 cents per cwt higher than Class III.

The U.S. all-milk price estimate was increased to \$20.25 per cwt, \$1.05 more than last month's projection, \$1.75 more than 2021's projected price, and \$2.01 greater than 2020's actual price.

Milk production growth is expected to be lower in 2022 than this year. Feed prices are expected to remain high through 2022, keeping on-farm margins narrow and limiting milk production growth. 2021 production is projected at 226.4 billion pounds. This is 1.4% more than the 223.2 billion pounds of milk produced in 2020. At 228.1 billion pounds of milk projected by the November WASDE report, 2022 estimated production is only 0.8% greater than projected 2021 production.

How can this information be used to make risk management decisions? Let us consider 2022 Dairy Margin Coverage (DMC) enrollment which should be opening soon. When we look at corn and soybean meal futures for 2022 as of November 12, corn price averages \$5.75 per bushel and soybean meal averages \$363 per ton. Alfalfa is not traded on the futures market, but the DMC blended alfalfa hay price has averaged \$207 through September of this year.

Using average 2022 futures prices for corn and soybean along with the average 2021 blended alfalfa hay price through September gives an average 2022 DMC feed cost of \$11.67 cwt. If a dairy farmer enrolls in the DMC for 2022, he/she will be setting a U.S. all-milk price floor of around \$21.17 per cwt at the \$9.50 margin coverage. As previously mentioned, the current forecasted 2022 U.S. all-milk price is \$20.25 per cwt. Although these are all estimates and assumptions with nothing guaranteed, it looks like DMC will likely provide benefit in 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. 17, 2021 AT THE CLOSE

	NOV-21	DEC-21	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	TREND
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: <i>Nov-Feb \$0.10 to \$0.90 lower; rest of board \$0.05 to \$0.15 higher.</i> 12-Month Avg. 18.51 ↓↓	17.98	17.15	17.75	18.40	18.73	18.80	18.90	18.95	18.91	18.90	18.87	18.78	Mixed
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: <i>\$0.05-0.35 lower, except Nov steady and July-Oct mostly steady to \$0.10 higher.</i> 12-Month Avg. 18.90 ↓↓	18.68	19.06	18.80	18.83	18.86	18.80	18.90	18.95	19.00	19.00	18.99	18.90	Mixed

HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED

19.66 05/21	19.29 05/21	18.95 05/21	18.54 11/21	18.73 11/21	18.80 11/21	18.90 11/21	18.91 11/21	18.90 11/21	18.87 11/21	18.78 11/21	18.78 11/21	18.78 11/21
14.21 03/20	14.19 03/20	14.00 03/20	14.25 03/20	14.70 03/20	14.85 03/20	14.75 03/20	14.71 03/20	14.62 03/20	14.69 03/21	14.92 03/21	15.22 03/21	15.22 03/21

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 hay & Illinois soybean prices, feed for all classes of dairy cattle on the farm)	DMC JULY-20	AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	*SEP-21
	12.41	10.83	9.40	11.13	11.87	8.78	7.14	6.22	6.46	6.94	6.89	6.24	5.68	5.25	*6.93

U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg & USDA's All-Milk price, USDA-reported com & alfalfa hay & Ill. soybean prices (lactating feed only)	JUN-20	JUL-20	AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	*JUL-21	*AUG-21	*SEP-21
	12.59	15.04	13.43	12.33	14.44	15.47	12.51	11.25	10.51	10.66	11.31	11.53	10.77	*10.19	*9.79	*10.05

PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA com & alfalfa hay & Buff., NY soybean prices (lactating feed only)	JUN-20	JUL-20	AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	*JUL-21	*AUG-21	*SEP-21
	9.44	12.67	11.10	10.91	11.31	12.36	10.53	8.56	8.15	9.24	9.37	9.76	10.20	*10.04	*9.82	*10.68

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	18.00 0.07	17.25 0.51	17.75 0.70	18.50 0.90	18.75 0.98	18.75 1.01	19.00 1.01	19.00 1.13	19.00 1.18	19.00 1.18	18.75 1.10	18.75 1.18
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CORN (\$/BU) OPTIONS — CALLS	5.40 35.50	5.70 32.70	6.00 41.50
SOYMEAL (\$/TON) OPTIONS — CALLS	340 35.00	335 35.80	340 35.40

CORN FUTURES (\$/BU)	DEC-21	MAR-22	MAY-22	JUL-22	SEP-22	DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	JUL-24	TREND
	5.752	5.814	5.856	5.866	5.630	5.530	5.594	5.610	5.596	5.204	5.116	5.202	↑↑

SOYMEAL FUTURES (\$/TON)	DEC-21	JAN-22	MAR-22	MAY-22	JUL-22	AUG-22	SEP-22	OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	TREND
	374.8	368.5	364.7	364.3	365.1	362.7	359.6	360.3	358.2	348.3	343.9	344.1	↑↑

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *OCT 2021	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)
	*OCT (estimated) *8.52 ↓↓	*9.35 ↑↑	*12.47 ↑↑

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/17/21	NOV	DEC	JAN	FEB	MAR	APR	MAY	SPOT CASH	TREND
NFDM	1.460	1.500	1.491	1.487	1.479	1.463	1.467	↓↓	1.5300 ↓↓

USDA JULY-21 NEW ALL-MILK BF MAILBOX	*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW							
*CL I ADV↑↑	CL I↑↑	CL II↑↑	CL III↑↑	CL IV↑↑	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK	OCT. 1-30, 2021	OCT. 2021 COMPONENTS

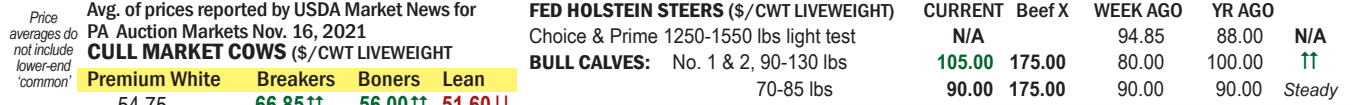
CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. NOV. 17, 2021 sale New Holland, PA)	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Beef x	Open: 300-600 lbs	Beef X	600-900 lbs	900-1000 lbs	BULLS (1000 lb)
	1250	1000	1050	850	1100	975	300	N/A	625	925	700 (1)

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)	Choice & Prime	1250-1550 lbs light test	N/A	94.85	88.00	N/A
BULL CALVES:	No. 1 & 2, 90-130 lbs	105.00	175.00	80.00	100.00	↑↑

Premium White	54.75	66.85 ↑↑	56.00 ↑↑	51.60 ↓↓
Breakers	N/A	66.10	55.75	53.35

PAUCTION MARKETS NOV. 16, 2021	Two Weeks Ago	Year Ago	
	59.25	59.35	50.10

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Price averages do not include lower-end common

Average to high dressing