

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 22, 2022 — except where noted



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**NOVEMBER:** October Class III and IV prices were announced earlier this month at \$21.81 per cwt and \$24.96 per cwt, respectively. These prices likely represented the peak prices for the foreseeable future. According to futures prices at market closing on Nov. 21, Class III and IV milk prices will be lower at \$21.02 and \$23.35, respectively, beginning this month and will fall through next spring before marginally improving and leveling out in the low \$20 range for Class III. A steeper decline for Class IV could result in prices in the mid- to upper \$20 range through next summer and early fall.

An improving milk supply in the U.S. and Europe is partially responsible for the current downturn. Although holiday buying is bolstering domestic demand now through part of December, that demand is expected to drop sharply after the holiday season is over. However, bolstered by better-than-expected cheese sales domestically and abroad, the 12-month average Class III milk price was able to show a slight improvement over the end of October. As of Nov. 21, the Class III 12-month average is \$20.33 per cwt, 27 cents more than one month ago. Class IV milk price loses \$1.86 between now and December, falling from \$23.35 to \$21.49 per cwt and then dropping another 69 cents by January before stabilizing. As of Nov. 21, the Class IV 12-month average is \$20.81 cents per cwt, 59 cents less than at the end of October.

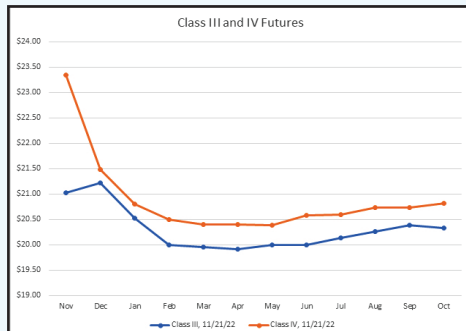
The U.S. dairy cow herd increased by 31,000 head year-over-year (YOY) to 9.418 million. This is also 1,000 cows from October. Total milk production was up YOY for the 4th consecutive month because of increased cow numbers and more milk production per cow. The average cow produced 2,001 pounds during October, 17 pounds more than she did last year. Both factors contributed to a 1.2% increase (+227 million pounds) in total milk production, or 18.850 billion pounds total.

For the 3rd consecutive month, Pennsylvania was able to maintain its herd size of 468,000 cows. This is about 0.4% lower (-2,000 head) YOY. Fortunately, Pennsylvania's dairy cows were more productive this October compared to last. The average cow in the Commonwealth produced 1,765 pounds of October milk. This represents a 1.4% increase (+25 pounds) that was able to overcome the YOY reduction in cow

numbers to keep milk production in the Keystone state positive for the 2nd month this year (Aug. milk production was up 0.5%). Total milk production across the state was up 1.0% to 826 million pounds, which is 8 million pounds more than Oct. 2021.

Despite converging U.S. and international dairy product prices, combined with a very strong dollar compared to international currencies, dairy exports remain on track to set volume and value records in 2022. According to the U.S. Dairy Export Council (USDEC), September exports were up 7% YOY to 199,804 metric tons (MT). Exports of whey, cheese, lactose, and butter continued to offset nonfat dry milk/skim milk powder (NDM/SMP) export declines to keep YOY export growth positive. Sept. NDM/SMP exports posted the 10th consecutive YOY decline. Export value at over \$780 million is up more than 20% YOY.

There are currently two more weeks to enroll in the Dairy Margin Coverage (DMC) program for 2023. Based on the online DMC Decision Tool last updated on Nov. 17, indemnities are expected each month next year. The DMC feed cost is expected to average \$13.62 per cwt while the U.S. all-milk price is expected to be \$22.15. This gives an average DMC margin of \$8.53 -- 97 cents less than the \$9.50 maximum margin coverage allowed. The theoretical net benefit based on these



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. 22, 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</b> (\$/CWT) vs. wk ago: <i>Nov up \$0.05; Dec down \$0.90; Jan-Apr23 down \$0.30-0.50; May-Oct23 weak to \$0.25 lower.</i>	21.03	21.00	20.44	19.97	19.97	19.95	20.01	20.10	20.20	20.25	20.25	20.25	12-Month Avg. 20.29 ↓				
<b>CLASS IV MILK FUTURES</b> (\$/CWT) vs. wk ago: <i>Nov steady; Dec22-Jun23 down \$0.40-0.70; Jul-Oct23 down \$0.10-0.15.</i>	23.35	21.69	20.90	20.60	20.49	20.40	20.25	20.51	20.60	20.71	20.64	20.75	12-Month Avg. 20.91 ↓				
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>	21.00 0.03	21.00 0.42	20.25 0.78	20.00 0.97	20.00 1.12	20.00 1.12	20.00 1.25	20.00 1.29	20.25 1.43	20.25 1.49	20.25 1.55	20.25 1.48					
<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</b>	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>DMC OFFICIAL GROSS MARGINS</b> 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	<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															
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)													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		↓
6.656	6.592	6.586	6.536	6.160	6.052	6.120	6.150	6.136	5.742	5.650	5.704		↓
WEEK AGO													
6.652	6.674	6.662	6.606	6.252	6.144	6.212	6.234	6.212	5.814	5.692	5.750		

SOYMEAL FUTURES (\$/TON)													TREND
DEC-22	JAN-23	MAR-23	MAY-23	JUL-23	AUG-23	SEP-23	OCT-23	DEC-23	JAN-24	MAR-24	MAY-24		MIXED
408.6	405.0	401.6	398.4	397.3	393.8	388.9	383.4	382.9	382.0	379.0	377.4		
WEEK AGO													
406.6	404.0	399.9	397.7	397.6	394.5	390.0	384.8	385.2	384.3	381.0	379.1		

*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - *SEP 2022				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/22/22							SPOT CASH TREND		
FEED =	FEED COST	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	NOV	DEC	JAN23	FEB23	MAR23	APR23	MAY23			11/22/22
\$/CWT	*/SEP (estimated)	*9.25 ↓	*12.63 ↑	*19.58 ↓	1.509	1.440	1.402	1.389	1.394	1.405	1.410	↓	1.4175 ↓
IOFC =	PREV MO	9.38	12.61	*19.65	0.475	0.451	0.450	0.450	0.456	0.462	0.451	↓	0.4400 NC
\$/COW	YR AGO	7.93	8.30	11.07	2.967	2.688	2.575	2.531	2.484	2.470	2.462	↓	2.9300 ↓
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price				2.090	2.115	2.065	2.021	2.021	2.020	2.013	↓	See Below
					CME SPOT CHEESE: BARRELS 1.8050 / 40 LB BLOCKS 2.200 ↓ / ↓								

*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							
24.09(NOV)	25.73(OCT)	21.81(OCT)	24.96(OCT)	24.40(SEP)↑	26.10(SEP)↓		PRODUCT	VALUE	MAKE ALLOW	NET	OCT 2022 COMPONENTS			
				4.02F	3.97F		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. 16, 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)	
1475	1350	1400	1350	1475	N/A	550	500	785	N/A	1000	1150											
WEEK AGO COMPARISON																						
1475	1350	1400	1350	1475	N/A	550	500	785	N/A	1000	1150											

Avg. of prices reported by USDA Market News for PA Auction Markets Nov. 17-21, 2022				FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)				CURRENT Beef X WEEK AGO YR AGO			
<b>CULL MARKET COWS</b> (\$/CWT LIVELWEIGHT)				Choice & Prime 1250-1550 lbs light test				116.10 118.00 94.85 ↓			
Premium White	Breakers	Boners	Lean	BULL CALVES: No. 1 & 2, 90-130 lbs				140.00 350.00 140.00 375 80.00 NC			
				70-85 lbs				135.00 300.00 120.00 300 90.00 ↑			

brought to you by:

Price averages do not include lower-end common

Average to high dressing			
N/A	N/A	N/A	N/A