

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 29, 2023 — except where noted



JAYNE SEBRIGHT
Executive Director, CDE
717.346.0849
jsebright@centerfordairyexcellence.org



DMC, DRP, and Your Cost of Production: Just before Thanksgiving and just in time, Congress passed a stop-gap funding bill that averted a government shutdown. That bill also included language to extend the current Farm Bill, which was established in 2018, until October 2024. With Farm Bill legislation set to renew every five years, House and Senate Agriculture Committee Chairs Glenn Thompson and Debbie Stabenow began negotiations to draft a new Farm Bill nearly a year ago. However, with upheaval in Congress and other issues taking precedence right now, it became clear earlier this fall that time was running out to get the new bill to the finish line before December 31 when the programs authorized under the Farm Bill would expire.

With the Farm Bill extension, Congress also extended the Dairy Margin Coverage safety net for 2024, incorporating the 2019 production history update, which was previously known as the Supplemental Dairy Margin Coverage, into the underlying DMC Program. Dairy farm families can expect DMC enrollment for the 2024 Program Year to open within the coming weeks. While DMC margins haven't been projected yet for the coming year, the program has netted nearly \$58,000 in indemnity payments for each one million pounds of milk covered during the five-year period from 2019 – 2023.

DMC is just one of several tools dairy farm families have available to protect their operations against margin and price risks in what has become a very volatile marketplace. Another tool available is the Dairy Revenue Protection Program. Dairy Revenue Protection (DRP) is a federal Crop Insurance program that is implemented and administered by the USDA's Risk Management Agency. It guarantees a minimum quarterly revenue for up to 100% of quarterly milk production without giving up any upside.

DRP premiums are subsidized by 44% up to 55% depending on the price protection amount chosen by the dairy farmer. Policies are available nearly every day that milk production is traded on the Chicago Mercantile Exchange (CME) with a few exceptions. Policies are available up to 5 months in advance. Currently, policies for the first quarter of 2024 through the first quarter of 2024 are available for purchase.

DRP is highly customizable and can be made to closely match your milk check. Farms can choose between a Class and a component option. The Class option allows you to purchase 100% Class III policies, 100% Class IV policies, or any combination of average Class III and IV in 5% increments. The component option allows you to protect your milk price based on the level of components you produce.

The DMC Program is margin-based coverage. However, other risk management tools like the DRP Program are market-based programs, which offer different levels of protection based on where the dairy commodity markets close at the end of each day. To use a tool like DRP, farm families should make sure they know their cost of production. If you do not know what your cost of production is, you cannot know what market price you would need to cover your costs. It is that simple.

With 2023 coming to an end, many farm families will begin working with their tax advisor or accountant on year-end financials. This is the perfect time to sit down and calculate your cost of production. Penn State Extension and others in the industry are available to help if you are not sure how to calculate it for your dairy operation. We also have some tools on our Center website that could help. Go to www.centerfordairyexcellence.org/cost-of-production/ to watch a tutorial on calculating your cost of production put together by Dr. Charles Gardner. You'll also find a breakeven cost worksheet you can download and use to calculate your cost of production.

If you want to compare your cost of production against other dairies in Pennsylvania, the Center worked with Horizon Farm Credit and Penn State Extension earlier this fall to release a Pennsylvania Dairy Performance Indicator Summary. Both of these organizations have benchmarking programs, and the Performance Indicator Summary combines that data into one larger, anonymous database. That database is analyzed to show trends for 17 different key performance indicators. Cost of production is one of those key indicators analyzed. You can review the report at www.centerfordairyexcellence.org/performance-indicators/.

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. 29, 2023 AT THE CLOSE

*AVG =	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				
Average basis for North-East and Mid-East	17.13	16.11	16.22	16.75	17.31	17.79	18.03	18.28	18.39	18.51	18.62	18.68	↓				
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered	20.65	19.05	19.25	19.13	19.25	19.25	19.50	19.60	19.70	19.87	19.90	19.91	↑				
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																	
	17.00	0.01	16.25	0.27	16.25	0.45	16.75	0.61	17.25	0.73	17.75	0.90	18.00	1.00			
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) Updated with NEW prem. alfalfa feed cost																	
	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
	4.496	4.756	4.884	4.982	5.010	5.076	5.184	5.234	5.240	5.094	5.076	5.242	↓
WEEK AGO													
	4.694	4.874	4.976	5.060	5.074	5.124	5.226	5.272	5.264	5.100	5.076	5.244	

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
	444.3	427.0	416.9	409.6	407.6	403.4	398.3	392.5	393.9	392.8	388.8	386.9	↓
WEEK AGO													
	460.2	443.3	430.1	420.2	417.3	412.9	406.9	399.7	400.6	399.0	394.5	392.4	

*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - *AUG. 2023	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/29/23	NOV23	DEC23	JAN24	FEB24	MAR24	APR24	MAY24	SPOT CASH	TREND
	*AUG (estimated) *8.84↓	*8.14↑	*14.78↑	NFDM	1.187	1.201	1.220	1.230	1.242	1.262	1.285	Mixed	1.1950↑
	PREV MO 9.16	6.18	13.05	WHEY	0.372	0.400	0.405	0.412	0.420	0.435	0.460	↓	0.3975NC
	YR AGO 9.38	12.61	219.65	BUTTER	2.984	2.610	2.570	2.542	2.545	2.535	2.535	↑	2.6225↑
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			CHEESE	1.746	1.647	1.655	1.705	1.775	1.810	1.836	↓	See Below
				CME SPOT CHEESE: BARRELS	1.4850	40 LB BLOCKS	1.5900	↓	NC				

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	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 COMPONENTS				
	*19.76(DEC)	21.95(OCT)	16.84(OCT)	21.49(OCT)	21.00(SEP)↑	21.50(SEP)↑	PRODUCT VALUE	MAKE ALLOW	NET				
					4.08F	4.01F	CHEESE	1.7390	2.0003	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

CATTLE - DAIRY PURPOSES(\$/HD) NO REPORT SINCE OCT. 25, 2023 New Holland PA Receipts double vs. year ago: 33% Fresh/Milking Cows, 3% Bred Cows, 6% Springer Cows, 13% Bred Heifers, 7% Springers, 38% Open. Fresh and Springing cows \$300 below the high point three weeks prior. Bred cows and all heifer classes generally steady to mixed.	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Beef x	Open:	300-600 lbs	Beef X	600-900 lbs	Beef X	900-1100 lbs	BULLS(800-1300lbs)
	1590	1585	1625	1700	1690			625		750		1375	N/A

PA Auction Markets Nov. 27-28, 2023	FED HOLSTEIN STEERS (\$/CWT LIVWEIGHT)	CURRENT Beef X	WEEK AGO	YR AGO
	Choice & Prime 1250-1550 lbs light test	148.00(1td)	147.00	116.10
	BULL CALVES: No. 1 & 2, 90-130 lbs	400.00	650.00	400.00
		385.00	650.00	385.00

CULL MARKET COWS (\$/CWT LIVWEIGHT)	Premium White	Breakers	Boners	Lean
	98.25↓	89.00↓	80.85↓	

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