

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 30, 2022 — except where noted

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CDE risk management resources: As dairy markets continue to become more volatile and unpredictable, risk management will also become more crucial to managing through milk price downturns. As a teenager, I was old enough to start learning about dairy markets and the dairy economy as I was working alongside my father. Leading up to and through the 1990s, it seemed like there was a four to five-year milk price cycle. During that cycle, there was maybe one good milk price year followed by a breakeven year to year and a half, then a negative margin year before getting back to breakeven. Then, the progression would repeat. By the time I finished college and came back home in 2003 to start working on the dairy full-time, the cycle had shortened to a three-year cycle that encompassed a good milk price year, followed by a negative margin-type milk price year, then a mediocre, breakeven year prior to the cycle starting over. Fast forward to today, and the cycle seems to be less recognizable.

Although they do not claim to be risk management experts, we interviewed multiple Pennsylvania dairy farmers and asked them to explain their risk management philosophies and provide pointers that they think are important to having a successful risk management plan. Videos highlighting their comments are available for online viewing and reference.

Tony Brubaker of Brubaker Farms, one of the producers interviewed, had the following to say about his strategy, "Our goal is to find good, solid prices. If we lose the premiums, that's okay because that means the milk price was better. We look at our coverage as an insurance policy." Brubaker also provided the following advice to those looking to begin using risk management tools: "The starting point has to be knowing your cost of production. It allows you to know when you are and aren't comfortable riding the market."

There are also risk management case studies posted that can be used to see how the different risk management options can be used and what the results were using real-world data. There are currently three DMC case studies posted with more case studies to be posted soon. The upcoming case studies will show examples of Dairy Revenue Protection, traditional forward contracting, and hedging as well as examples of how these programs can be used together to meet your dairy's risk management needs. You can access the revitalized risk management website by visiting www.centerfordairyexcellence.org/risk-management. If you do not have internet access, you can request a risk management resources packet be mailed to you by calling 717-346-0849 and provide your name, mailing address, and a call back number if leaving a message.

There is now less than a week to enroll in 2023 DMC. The deadline to enroll is December 9, 2023. Enrollment must be completed at your local Farm Service Agency (FSA) office. DMC currently sets an average U.S. all-milk price floor of \$23.06 per cwt at the \$9.50 margin coverage. Projections currently show an average benefit of 43 cents per cwt before premiums and fees.

Looking at 2015 through 2021, the average U.S. all-milk price compared to the Margin Protection Program (MPP) margins (2015-2018) and the Dairy Margin Coverage (DMC) margins (2019-2021) show that perhaps a three-year cycle could be argued. However, instead of a combination of good, bad, and breakeven, it may be less discernible. The MPP margins in 2015 through 2017 were \$8.31, \$8.18, and \$9.71 per cwt, respectively. The MPP margin for 2018 and DMC margins for 2019 and 2020 were \$7.53, \$9.61, and \$9.45, respectively. 2021 with a DMC average margin of \$6.92, hopefully, is the low year in the current cycle with an average projected 2022 DMC margin of \$10.61 followed by a projected 2023 margin of \$9.30 per cwt.

Despite all the volatility in dairy markets and milk prices, there are ways to mitigate that risk. Over the last few months, the Center has revamped and improved its online and printed risk management resources to help dairy farmers develop or improve their risk management strategy. Resources include a risk management overview and downloadable/printable risk management strategies that can be used as a reference by dairy farmers or as a handout by dairy advisors to their clients.

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. 30, 2022 AT THE CLOSE

	DEC-22	JAN-23	FEB-23	MAR-23	APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	TREND											
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: <i>Dec22-Feb23 down \$1-1.15; Mar-Nov23 steady to \$0.25 lower</i>	19.83	19.42	19.43	19.65	19.80	19.95	20.10	20.11	20.20	20.19	20.21	20.10	12-Month Avg. 19.92 ↓↓											
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: <i>Mostly \$0.15-0.25 lower across the board, spot off \$0.35, May23 steady</i>	21.55	20.51	20.10	20.13	20.22	20.21	20.29	20.46	20.54	20.50	20.60	20.55	12-Month Avg. 20.47 ↓↓											
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	20.00	0.36	19.50	0.76	19.50	0.93	19.75	1.11	19.75	1.14	20.00	1.27	20.00	1.28	20.00	1.35	20.25	1.52	20.25	1.61	20.25	1.58	20.25	1.49
MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	PA	0.79	1.17	0.62	1.53	2.29	1.82	1.58	0.99	1.03	0.95	0.79	0.60											
AVG	1.38	0.85	1.67	2.55	2.15	1.66	1.45	1.25	1.31	1.15	0.67	0.74												
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	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	TREND								
DMC	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		
6.620	6.670	6.652	6.596	6.182	6.064	6.134	6.164	6.150	5.772	5.646	5.702	↑↑	
WEEK AGO													
6.656	6.592	6.586	6.536	6.160	6.052	6.120	6.150	6.136	5.742	5.650	5.704		

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		
417.7	417.8	416.0	413.3	411.9	401.3	394.1	393.4	392.0	389.0	387.2	386.0	↑↑	
WEEK AGO													
408.6	405.0	401.6	398.4	397.3	393.8	388.9	383.4	382.9	382.0	379.0	377.4		

PA MILK MARGIN & IOFC-LATEST PSU VALUES - *SEP 2022				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/30/22								SPOT CASH TREND	
FEED =	FEED COST	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUN23		11/30/22
\$/CWT	*SEP (estimated)	*9.25 ↓↓	*12.63 ↑↑	NFDM	1.370	1.360	1.360	1.374	1.387	1.400	1.412	↓↓	1.3600 ↓↓
IOFC =	PREV MO	9.38	12.61	WHEY	0.425	0.442	0.450	0.450	0.455	0.455	0.462	↑↑	0.4500 ↑↑
\$/COW	YR AGO	7.93	8.30	BUTTER	2.710	2.544	2.487	2.486	2.475	2.470	2.470	↑↑	2.9250 ↑↑
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price		11.07	CHEESE	1.994	1.962	1.976	2.009	2.012	2.018	2.034	↓↓	See Below
				CME SPOT CHEESE: BARRELS 1.8175 / 40 LB BLOCKS 2.0650 ↑↑ / ↓↓									

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 NOV 1-26, 2022				*NOV 2022				
*22.58(DEC)	*24.67(NOV)	*21.01(NOV)	*23.30(NOV)	*25.90(OCT) ↑↑	*26.90(OCT) ↑↑	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS				
MONTH AGO						*CHEESE	2.0897	0.2003	1.8894 ↓↓	*PROT	2.5374 ↑↑			
24.09	25.73	21.81	24.96	24.40	26.10	*BUTTER	2.9560	0.1715	2.7845 ↓↓	*B.FAT	3.3720 ↓↓			
YEAR AGO						*NFDM	1.5045	0.1678	1.3367 ↓↓	*N.FAT	1.3233 ↓↓			
19.17	18.40	18.03	18.79	19.70	19.90	*DRYWHEY	0.4745	0.1991	0.2754 ↓↓	*OTHER	0.2837 ↓↓			

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. Nov. 23, 2022 sale New Holland, PA)											
COWS: Fresh Bred Springing *HEIFERS: Bred Springing Beefx 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

FED HOLSTEIN STEERS (\$/CWT LIVELINEWEIGHT)				CURRENT Beef X WEEK AGO YR AGO		
Choice & Prime 1250-1550 lbs light test				116.10	116.00	103.00 ↓↓
BULL CALVES: No. 1 & 2, 90-130 lbs				140.00	350.00	140.00 350 105.00 NC
70-85 lbs				135.00	300.00	135.00 300 90.00 ↑↑

brought to you by:

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



* = NEW
FEED = \$/CWT
IOFC = \$/COW

Price averages do not include lower-end common
Average to high dressing

Avg. of prices reported by USDA Market News for PA Auction Markets Nov. 28-29, 2022			
CULL MARKET COWS (\$/CWT LIVELINEWEIGHT)			
Premium White	Breakers	Boners	Lean
82.35 ↑↑	72.75 ↑↑	68.50 ↑↑	
WEEK AGO			
N/A	82.35	72.75	68.50
YEAR AGO			
N/A	62.25	59.10	53.50