

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — DEC. 8, 2021 — except where noted



ZACH MYERS
Risk Education Manager
336-468-0726
zmyers@centerfordairyexcellence.org



October DMC Margin Improves: For the second month in a row, the Dairy Margin Coverage (DMC) margin improved. For October, the improved margins were driven by both increased milk price and decreased feed prices. The Oct. DMC margin was announced as \$8.77 per cwt and is the highest margin so far this year. The blended alfalfa hay price increased a marginal \$3.50 compared to September 2021 to reach \$230.00 per ton, while corn and soybean both posted substantial reductions. The corn price fell 43 cents per bushel to \$5.02. This equates to \$179.29 per ton, a \$15.35 drop compared to September. The soybean meal price fell \$18.12 per ton to \$325.43. The net result of the three feed cost changes was a DMC feed cost equal to \$10.93 per cwt. This is 54 cents per cwt less than September and the lowest DMC feed cost since February 2021. The October U.S. all-milk price reached a 2021 high at \$19.70 per cwt and is \$1.30 more than September. With the DMC feed cost dropping 54 cents per cwt and milk price increasing \$1.30 per cwt relative to September, the October margin improved \$1.84 per cwt.

Even though margins have improved for the second month in a row, the current DMC margin triggers indemnities at the \$9.00 and \$9.50 margin coverages. At the \$9.50 per cwt margin coverage, the October DMC margin triggers a 73 cents per cwt indemnity payment. This equates to a payment of \$574 per 1 million pounds of production history enrolled in the DMC program up to the 5-million-pound, Tier 1 cap. The total net payment for 2021 so far is over \$22,000 per 1 million pounds of production history up to the Tier 1 cap. With the additional October payment, the net benefit to those enrolled in the 2021 DMC program rose an additional 6 cents per cwt compared to Sept. and is now \$2.09 per cwt for the year.

According to the USDA DMC Decision Tool on December 6, feed cost is supposed to drop slightly for November and December relative to October. Milk price is expected to continue to increase and surpass \$20 per cwt. If current projections hold true, November and December margins will be around \$8.98 and \$9.35, respectively, still triggering indemnities

at least at the maximum \$9.50 margin coverage.

Looking forward into the 2022, per the DMC Decision Tool, the DMC feed cost is expected to average \$10.97 per cwt for the year. This means that if production history is enrolled in the 2022 DMC program, the U.S. all-milk price would have to average greater than \$20.47 per cwt in order to not trigger indemnities next year.

The current U.S. all-milk price projected by the DMC Decision Tool is \$20.16 with a projected average DMC margin of \$9.19. This indicates that DMC 2022 will provide a net benefit once again. Current projections still include the blended alfalfa hay price. Once this change is made final, the feed cost part of the DMC equation will increase and reduce average projected margins further.

The enrollment period for 2022 DMC and supplemental production history begins December 13, 2021 through February 18, 2022 but not all the details were released in that announcement Dec. 8, which also addressed the alfalfa hay price change. I stay in frequent contact with the Farm Service Agency (FSA) and have been assured that even though final rules for the DMC program have been delayed, the process is progressing.

The enrollment period, though delayed, has not been shortened. Dairy farmers will have adequate time to make their decision and enroll accordingly over the next two months, beginning Dec. 13.

2021 DMC Net Benefit so far	
Total Benefit for the year	\$2.37
Benefit after sequestration	\$2.24
Net Benefit after Premium	\$2.09
Net Benefit for 1 M lbs PH at \$9.50	\$22,380.53
Net Benefit for 5 M lbs PH at \$9.50	\$111,902.67

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 — DEC. 8, 2021 AT THE CLOSE

DEC-21	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	NOV-22	TREND
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Fully \$0.65-1.55 higher; except Oct-Nov up \$0.30-0.40												12-Month Avg. 19.42
18.76	19.78	19.84	19.62	19.52	19.42	19.41	19.51	19.46	19.38	19.27	19.04	↑↑
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: \$0.40 to fully \$1.05 higher with full advance Mar-June.												12-Month Avg. 19.91
19.65	19.68	20.00	20.14	20.14	20.10	20.10	19.96	20.00	19.83	19.77	19.56	↑↑

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

19.29 05/21	19.78 12/21	19.84 12/21	19.62 12/21	19.52 12/21	19.42 12/21	19.41 12/21	19.51 12/21	19.46 12/21	19.38 12/21	19.27 12/21	19.04 12/21
14.19 03/20	14.50 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 03/20	14.92 03/21	15.22 03/21	15.19 03/21

MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)												
PA	0.79	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 hay & Illinois soybean prices, feed for all classes of dairy cattle on the farm)																
DMC	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	*OCT-21	TREND
	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	*8.77	↑↑

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)																
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	*OCT-21	TREND
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	*11.74	↑↑

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)																
DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	*SEP-21	*OCT-21	TREND					
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	*12.47	↑↑

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium															
DEC-21	MAR-22	JUL-22	Example Daily Strike Price / Premium	DEC-21	MAR-22	MAY-22	Example Daily Strike Price / Premium	DEC-21	MAR-22	MAY-22	Example Daily Strike Price / Premium	DEC-21	MAR-22	MAY-22	Example Daily Strike Price / Premium
18.75 0.14	19.75 0.63	19.75 0.89	19.50 1.01	19.50 1.15	19.50 1.26	19.50 1.30	19.50 1.32	19.50 1.35	19.50 1.42	19.25 1.32	19.00 1.27				

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
5.846	5.872	5.890	5.886	5.656	5.546	5.620	5.642	5.624	5.180	5.092	5.176	↑↑

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
365.6	357.2	356.7	357.4	359.7	359.0	356.9	353.2	353.3	351.3	344.8	341.9	↑↑

PA MILK MARGIN & IOFC-LATEST PSU VALUES - *OCT 2021																
FEED = \$/CWT	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
*OCT (estimated)	*8.52	*9.35	*12.47	1.537	1.570	1.580	1.578	1.573	1.562	1.552	1.570	1.562	1.552	1.570	1.562	1.552

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 12/08/21																
NFDM	1.537	1.570	1.580	1.578	1.573	1.562	1.552	1.570	1.562	1.552	1.570	1.562	1.552	1.570	1.562	1.552
WHEY	0.649	0.665	0.652	0.640	0.638	0.612	0.602	0.612	0.612	0.602	0.612	0.612	0.602	0.612	0.612	0.602
BUTTER	2.040	2.047	2.059	2.075	2.095	2.090	2.100	2.100	2.100	2.100	2.100	2.100	2.100	2.100	2.100	2.100
CHEESE	1.793	1.883	1.895	1.885	1.883	1.871	1.897	1.897	1.897	1.897	1.897	1.897	1.897	1.897	1.897	1.897

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)												
CL I ADV	19.17	CL II	18.40	CL III	18.03	CL IV	18.79	ALL-MILK-U.S.	19.70	ALL-MILK-PA	19.90	TREND
	↑↑		↑↑		↑↑		↑↑		↑↑		↑↑	↑↑

CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW												
PRODUCT	VALUE	MAKE	ALLOW	NET	*NOV. 2021 COMPONENTS							
*CHEESE	1.7588	0.2003	1.5585	↓	*PROT 2.7536 ↓							
*BUTTER	1.9503	0.1715	1.7788	↑	*B.FAT 2.1541 ↑							
*NFDM	1.4769	0.1678	1.3091	↑	*N.FAT 1.2960 ↑							
*DRYWHEY	0.5825	0.1991	0.3834	↑	*OTHER 0.3949 ↑							

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. DEC. 8, 2021 sale New Holland, PA)																	
COWS: Fresh	1050	Bred	1050	Springing	1200	HEIFERS: Bred	N/A	Springing	N/A	Beef x	N/A	Open: 300-600 lbs	Beef X	600-900 lbs	900-1000 lbs	BULLS (1000 lb)	1100
	950	1100	1085		950	800	450		425	660	675	900	N/A	N/A	N/A	N/A	

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)												
Choice & Prime	1250-1550 lbs light test	111.50	WEEK AGO	103.00	YR AGO	83.00	TREND	↑↑				
BULL CALVES:	No. 1 & 2, 90-130 lbs	105.00	200.00	105.00	80.00	Steady						
	70-85 lbs	90.00	210.00	90.00	80.00	Steady						

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. DEC. 8, 2021 sale New Holland, PA)																	
COWS: Fresh	1050	Bred	1050	Springing	1200	HEIFERS: Bred	N/A	Springing	N/A	Beef x	N/A	Open: 300-600 lbs	Beef X	600-900 lbs	900-1000 lbs	BULLS (1000 lb)	1100
	950	1100	1085		950	800	450		425	660	675	900	N/A	N/A	N/A	N/A	

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. DEC. 8, 2021 sale New Holland, PA)																	
COWS: Fresh	1050	Bred	1050	Springing	1200	HEIFERS: Bred	N/A	Springing	N/A	Beef x	N/A	Open: 300-600 lbs	Beef X	600-900 lbs	900-1000 lbs	BULLS (1000 lb)	1100
	950	1100	1085		950	800	450		425	660	675	900	N/A	N/A	N/A	N/A	

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. DEC. 8, 2021 sale New Holland, PA)																	
COWS: Fresh	1050	Bred	1050	Springing	1200	HEIFERS: Bred	N/A	Springing	N/A	Beef x	N/A	Open: 300-600 lbs	Beef X	600-900 lbs	900-1000 lbs	BULLS (1000 lb)	1100
	950	1100	1085		950	800	450		425	660	675	900	N/A	N/A	N/A	N/A	

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. DEC. 8, 2021 sale New Holland, PA)																	
COWS: Fresh	1050	Bred	1050	Springing	1200	HEIFERS: Bred	N/A	Springing	N/A	Beef x	N/A	Open: 300-600 lbs	Beef X	600-900 lbs	900-1000 lbs	BULLS (1000 lb)	1100
	950	1100	1085		950	800	450		425	660	675	900	N/A	N/A	N/A	N/A	