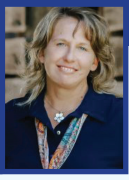
CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — DEC. 20, 2023 — except where noted



JAYNE SEBRIGHT
Executive Director, CDE
717.346.0849
jsebright@centerfordairy excellence.org

School Milk, Milk Production: Last week was a great week for both our dairy industry and for school children across the country. That's because the U.S. House of Representatives passed the "Whole Milk for Healthy Kids Act" with a resonating 330-99 bipartisan margin. This measure, which was led by Reps. GT Thompson and Kim Schrier, will increase the varieties of milk options schools could make available, adding whole milk and 2% milk back on the menu. The bill has now been sent to the Senate, which already has a companion bill with bipartisan support.

Over the past couple of months, I have had the opportunity to see first-hand how much school foodservice directors value the nutritional package dairy provides by participating in an ad hoc school milk committee organized by the Pennsylvania Department of Agriculture. This committee was organized after both the Department of Education and the Department of Agriculture began hearing concerns expressed by school foodservice directors about a shortage of milk carton packaging. The shortage arose because a major provider of the carton packaging was adjusting their processing infrastructure, causing delays in fulfillment of carton order requests from processors nationwide. While cartons are not used as often in retail outlets and grocery stores as they once were, the carton is still the primary delivery method for milk served in schools. At one point, there were concerns that there would not be enough milk cartons available to fill school orders the next couple of months.

The committee included school foodservice directors from several major school districts (including ones within the Philadelphia area) across Pennsylvania, dietitians and other nutrition experts from the Pa. Department of Education, along with dairy processors and staff from the Pa. Department of Agriculture, Pa. Milk Marketing Board and Dairy Checkoff. We met several times to brainstorm ideas and take inventory of the resources available. A lot of creative suggestions were discussed, and in the end, it does look like solutions were identified to make sure school milk supply needs were met despite the short-term challenges on the packaging side.

While I was impressed with the committee's willingness to find solutions, what I found most enlightening was how much the school foodservice directors and nutritionists on the call recognized the need to keep milk in the schools.

Earlier this fall, USDA did approve a short-term waiver that allowed schools to replace milk on the school lunch tray with juice or alternative beverages, due to the packaging shortages. However, none of the school foodservice directors on the call wanted to do that because they knew how much more nutrition was available in milk than in juice or any other alternative beverage. They all agreed that we needed to do whatever it took to keep milk on that lunch tray.

Often in dairy, we become cynical and don't think that those outside our industry recognize the nutritional value that milk and dairy products provide. But being on that committee helped me realize how much those in the nutritional community and those making nutritional decisions on behalf of our children value what our products provide. It was both refreshing and encouraging to hear. With the "Whole Milk for Healthy Kids Act" now passed through the U.S. House, it seems there is even more support and recognition for the nutritional value that milk and dairy products provide.

The latest U.S. Milk Production Report came out this week, showing production continues to be down year over year. Total milk production was down 0.6% to 18.08 billion pounds in November. The nation's dairy herd lost 44,000 cows since last November, dropping 10,000 from October's revised number, now at 9.36 million head. The supply shift east continues, with western states losing 56,000 head while the Midwest and East were up a collective 32,000 head. Pennsylvania's milk production was down 1.4%, with 1,000 fewer cows from a year ago. The biggest impact on Pennsylvania's production, though, came from milk production per cow, down 20 pounds for the month compared with a year ago.

With schools closing for the holiday season, this upcoming week can be very busy for milk balancing plants that take in significantly more milk due to less milk moving into Class I, and other dairy plants closing for an extended holiday. As we celebrate our blessings this holiday season, remember to celebrate all we have to be thankful for in this industry, including those who work long hours at the balancing plants to take in the extra milk over the holidays. As of last week, we can add the U.S. House's decision to recognize the importance of whole milk in schools to the list too.

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.

*AVG = *Average basis for North-East and Mid-East*

*MARGIN = *Milk Price over Feed Cost per cwt. YELLOW = payment triggered*

CME DAILY FUTURES & OPTIONS TRADING — DEC. 20, 2023 AT THE CLOSE

CLASS III MILK FUTURES ($/CWT) vs. wk ago: *Dec23 dn $0.10, Jan-Mar24 dn $0.75, Apr dn $0.35, May-Sep dn $0.03-0.10, Oct-Nov up $0.05-0.20.* ***12-Month Avg. 17.51*** ⇊

CLASS IV MILK FUTURES ($/CWT) vs. wk ago: *Dec23-Mar24 up $0.10-0.30, Apr dn $0.07, May-Aug firm to $0.15 higher, Sep-Nov24 steady to $0.05 higher* ***12-Month Avg. 19.44*** ⇈

	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	OCT-24	NOV-24	TREND
Class III	16.13	15.60	15.74	16.44	17.35	17.94	18.20	18.39	18.47	18.55	18.67	18.63	⇊
Class IV	19.14	18.80	18.73	18.93	19.13	19.50	19.62	19.74	19.80	20.00	20.02	19.94	⇈

CLASS III MILK ($/CWT) **OPTIONS — PUTS — Daily Strike Price** / Premium

DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	OCT-24	NOV-24
16.25 0.13	**15.50** 0.19	**15.75** 0.50	**16.50** 0.66	**17.25** 0.74	**18.00** 0.96	**18.25** 1.02	**18.50** 1.13	**18.50** 1.14	**18.50** 1.15	**18.75** 1.31	**18.50** 1.27

MILK BASIS ($/CWT) — **2017-22 PA BASIS AND AVG PA/NY/VT/OH** — ***YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)***

	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV
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	0.69	0.74

DMC OFFICIAL GROSS MARGINS *per cwt(USDA All-Milk, corn, alfalfa & Ill. soybean, feed for ALL CLASSES of dairy cattle on farm) Updated with NEW prem. alfalfa feed cost*

DMC	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	
	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	*9.44	⇈

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - *Source: USDA Monthly National Dairy Comprehensive Report*

U.S. AVG. BRED COWS & HEIFERS (3rd trimester) *per head as reported by USDA Monthly National Dairy Comprehensive Report*

U.S. AVG. FRESH COWS *per head as reported by USDA Monthly National Dairy Comprehensive Report*

	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	*NOV-23	
Alfalfa/grass hay	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	*240.41	⇈
Bred cows & heifers	1407	1265	1310	1290	1300	1250	1352	1342	1330	1400	1559	1502	1540	1500	1741	*2108	⇈
Fresh cows	1417	1384	1701	1526	1531	1436	1487	1493	1544	1469	1792	1615	1634	1643	1830	*1988	⇈

CORN FUTURES ($/BU)

	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25	JUL-25	SEP-25	DEC-25	MAR-26	MAY-26	TREND
	4.726	4.852	4.946	4.964	5.032	5.136	5.190	5.192	5.052	5.036	5.140	5.186	⇊
WEEK AGO	4.794	4.924	5.016	5.016	5.076	5.176	5.230	5.234	5.086	5.072	5.232	5.202	

SOYMEAL FUTURES ($/TON)

	JAN-24	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24	OCT-24	DEC-24	JAN-25	MAR-25	MAY-25	JUL-25	TREND
	403.2	392.4	388.7	389.3	386.5	382.7	378.4	380.1	379.5	376.9	375.7	376.7	⇊
WEEK AGO	402.2	393.6	392.6	393.8	390.8	386.6	381.5	383.1	382.2	379.0	378.4	377.2	

*=NEW

FEED = $/CWT.

IOFC = $/COW

PA MILK MARGIN & IOFC–LATEST PSU VALUES - *AUG. 2023

	FEED COST ($/CWT milk)	IOFC ($/COW @ 75 lbs milk)	PA MILK MARGIN ($/CWT milk)
*AUG(estimated)	*8.84 ⇊	*8.14 ⇈	*14.78 ⇈
PREV MO	9.16	6.18	13.05
YR AGO	9.38	12.61	219.65

Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price

CME DAIRY CASH-SETTLED FUTURES ($/LB) 12/20/23

	DEC23	JAN24	FEB24	MAR24	APR24	MAY24	JUN24		SPOT CASH TREND 12/20/23
NFDM	1.195	1.199	1.197	1.210	1.230	1.257	1.280	⇊	1.1575 ⇊
WHEY	0.413	0.410	0.419	0.419	0.440	0.450	0.457	⇊	0.3800 ⇊
BUTTER	2.610	2.500	2.510	2.530	2.550	2.560	2.570	⇈	2.6050 ⇈
CHEESE	1.634	1.593	1.599	1.671	1.753	1.803	1.836	⇊	See Below

CME SPOT CHEESE: BARRELS 1.3925 / 40 LB BLOCKS 1.4475 ⇊ / ⇊

**USDA AUG-23 NEW *

	ALL-MILK	BF	*MAILBOX
*FL	$22.80	3.80	$21.32
*APP	$22.30	3.83	$21.21
*SE	$22.20	3.77	$20.31
*N.ENG	$20.90	4.04	$20.13
*NY	$20.50	3.98	$19.76
*PAeast	$20.20	3.95	$19.44
*CA	$19.50	4.03	$19.29
*OH	$20.10	3.90	$19.16
*WA/OR	$21.60	4.11	$19.07
*U.S.	$19.70	4.00	$18.95
*PAwestern PA only			$18.88
*MN	$19.40	4.19	$18.88
*IN	$19.70	3.86	$18.83
*IL	$19.50	3.94	$18.74
*MO	N/A	N/A	$18.66
*WI	$19.20	3.97	$18.58
*TX	$19.90	4.01	$18.23
*IA	$19.20	4.13	$18.15
*MI	$19.10	3.96	$18.02
*NE/KS	$18.00	4.02	$17.38
*NM	$17.60	3.79	$16.35

*=NEW **ANNOUNCED FEDERAL ORDER PRICES** ($/CWT)

	*CL I ADV ⇊	CL II ⇊	CL III ⇈	CL IV ⇊	ALL-MILK-U.S	ALL-MILK-PA
	*18.48 (JAN)	21.21 (NOV)	17.15 (NOV)	20.87 (NOV)	21.60 (OCT) ⇈ 4.21F	22.80 (OCT) ⇈ 4.08F
MONTH AGO	19.76	21.95	16.84	21.49	21.00 4.08F	21.50 4.01F
YEAR AGO	22.58	24.67	21.01	23.30	25.90 4.14F	26.90 4.09F

CURRENT FEDERAL ORDER VALUES ($/LB) * = *NEW

WEIGHTED AVG. 4-WK NOV. 1-25, 2023

PRODUCT	VALUE	MAKE ALLOW	NET	
CHEESE	1.7421	0.2003	1.5418	⇈
BUTTER	3.0293	0.1715	2.8578	⇊
NFDM	1.1860	0.1678	1.0182	⇈
DRYWHEY	0.3831	0.1991	0.1840	⇈

NOV. 2023 COMPONENTS

PROT	1.3238	⇈
B.FAT	3.4608	⇊
N.FAT	1.0080	⇈
OTHER	0.1895	⇈

CATTLE - DAIRY PURPOSES($/HD) NOV. 29, 2023, New Holland PA) *Receipts up slightly from a year ago, but over half (53%) were open and bred heifers selling generally steady compared to one month ago while 30% of receipts were fresh/milking cows and 9% springer heifers, with both of those classes selling $300-500 higher than a month ago.*

	COWS: Fresh	COWS: Bred	COWS: Springing	HEIFERS: Bred	HEIFERS: Springing	Beef x Open: 300-600 lbs	Beef X 600-900 lbs	Beef X 900-1100 lbs	BULLS (800-1300lbs)
	2075	1600	2125	1650	2100	N/A	975	1350	1150
MONTH PRIOR	1590	1585	1625	1700	1690	625	750	1375	N/A

PA Auction Markets Dec. 14-19, 2023

CULL MARKET COWS ($/CWT LIVEWEIGHT

Price averages do not include lower-end 'common'

Average to high dressing

	Premium White	Breakers	Boners	Lean
		96.75 ⇊	87.00 ⇊	80.10 ⇊
WEEK AGO	N/A	100.00	90.35	81.85
YEAR AGO	N/A	76.50	63.85	62.75

	CURRENT	Beef X	WEEK AGO		YR AGO	
FED HOLSTEIN STEERS ($/CWT LIVEWEIGHT) Choice & Prime 1250-1550 lbs light test	159.10(ltd)		150.00		128.00	⇈
BULL CALVES: No. 1 & 2, 90-130 lbs	315.00	590.00	285.00	550.00	190.00	⇈
70-85 lbs	365.00	635.00	350.00	500.00	150.00	⇈