

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — APR. 17 2024 — except where noted

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The Black Swan Event: We are less than two weeks away from the deadline for producers to enroll in USDA's Dairy Margin Coverage Program for the 2024 Program Year. You have until April 29 to visit your local FSA office, choose your margin level, and pay the administration fee of \$100. For a \$9.50 per hundredweight margin level, the premium is 15 cents per hundredweight, but you can elect to have that deducted from indemnity payments or pay it by the Sept. 1 deadline.

If you look at USDA's Decision Tool, margins for the remaining months in 2024 are expected to be above the \$9.50 per hundredweight threshold, which would mean that indemnity payments are not expected, based on current market forecasts. However, in at least 2 other program years – 2020 and 2023, USDA's Decision Tool was projecting much higher margins during the enrollment period than what the actual margins were for that year. In other words, those farmers who looked at the program for what it was – a safety net to guard against the unexpected – benefited tremendously from enrolling in those years.

Often economists like to use the term 'Black Swan Event' to describe an unexpected event disrupting the marketplace in a negative way. COVID-19 was a Black Swan Event that changed margins dramatically in 2020, with the Class III projected average for the last three quarters of 2020 falling \$3 from January to April, while the Class IV projected average fell \$6. Nobody could have predicted the devastatingly low margins experienced in the summer of 2020, but we had to manage through them, nonetheless.

So far in 2024, there have been several topics in the news that could shift into Black Swan Events depending on how they play out. The unsettledness overseas could increase world tensions, limiting our ability to market dairy product exports. Currently, somewhere between 16 and 20% of our U.S. milk supply is marketed overseas. Imagine what would happen to our milk prices if that market suddenly dried up?

The ship that hit the Francis Scott Key Bridge in Baltimore shut down that port, with trucks having to travel longer distances to move product through other ports up and down the East Coast. Authorities are working to get at least one shipping lane in the Baltimore Port open as quick-

ly as possible, but the amount of steel and other wreckage in the Bay is making the process extremely difficult. A significant amount of fertilizer comes through that port, and large amounts of grain are marketed out of the port. What will that do to input costs on the dairy, and how will that change your feed cost formula? At the current estimated feed costs, milk futures only have to fall about \$1.00 to trigger indemnities in the last 3 quarters of 2024.

Bovine Influenza A in cattle (or highly pathogenic avian influenza), now confirmed on dairies in 8 states, could be another "Black Swan Event," depending on how it plays out. Since the first few confirmed cases were announced, 18 states have announced movement restrictions and pre-testing requirements for dairy cattle to come into their states. USDA and state officials are still working to better understand how the virus is transmitted through dairy herds – is it coming from wild birds, between cattle, or being transported in by visitors?

Currently, there is a lot unknown about how this can and will affect our dairy industry. What happens if more farms across more states are confirmed with cases, and it starts to impact the availability and movement of our milk supply nationally? On the flip side, even though the virus is killed in the pasteurization process with pasteurized milk and dairy products safe to consume, what if consumer concerns about the virus start to affect demand and we see product sales dip? How will that affect our margins?

The DMC Program was established as a safety net for volatility in the marketplace. Just because markets are not showing a payback right now isn't enough reason not to enroll in the program. It's just like having fire or accident insurance on your farm. You don't want to have to use it, but you are really thankful for it when you need it. For those who haven't enrolled, USDA encourages calling ahead to set up an appointment with your local FSA office to minimize wait times. The April 29 deadline is quickly approaching. Don't miss this opportunity to protect your dairy against Black Swan Events that commodity market forecasts just can't predict.

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 — APR. 17, 2024 AT THE CLOSE

| APR-24 | MAY-24 | JUN-24 | JUL-24 | AUG-24 | SEP-24 | OCT-24 | NOV-24 | DEC-24 | JAN-25 | FEB-25 | MAR-25 | TREND |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Apr24 up \$0.05, May-Oct24 up \$0.25-\$0.55, Nov24-Mar25 \$0.05 to mostly \$0.25 higher. 12-Month Avg. 17.85↑↑ | | | | | | | | | | | | |
| 15.51 | 17.18 | 17.49 | 17.96 | 18.40 | 18.55 | 18.64 | 18.33 | 18.11 | 18.04 | 18.03 | 18.05 | ↑↑ |
| CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Apr-May24 up \$0.05-0.15, Jun-Dec24 weak to \$0.15 lower, Jan-Feb25 up \$0.05, Mar25 up \$0.45. 12-Month Avg. 20.74↑↑ | | | | | | | | | | | | |
| 20.13 | 20.36 | 20.38 | 20.64 | 21.01 | 21.24 | 21.52 | 21.58 | 21.28 | 20.32 | 20.26 | 20.15 | MIXED |

| MILK BASIS (MAILBOX minus CLASS 3 \$/CWT) 2018-23 AVG FOR NORTHEAST & MIDEAST STATES OF PA, NY, NEW ENGL., OH vs. NAT'L AVERAGE - YOUR INDIVIDUAL BASIS WILL VARY | | | | | | | | | | | | | | | | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Mailbox | 18.64 | 18.27 | 18.52 | 18.15 | 18.68 | 18.38 | 18.65 | 18.35 | 18.62 | 18.41 | 19.27 | 18.75 | 20.20 | 19.76 | 20.58 | 20.17 | 20.25 | 19.64 | 19.22 | 18.75 | 18.82 | 18.25 | 18.96 | 18.48 |
| Class III | 17.31 | 17.31 | 17.33 | 17.33 | 18.16 | 18.16 | 18.16 | 18.16 | 17.59 | 17.59 | 17.60 | 17.60 | 18.72 | 18.72 | 19.07 | 19.07 | 17.30 | 17.30 | 16.81 | 16.81 | 16.03 | 16.03 | 16.98 | 16.98 |
| BASIS | 1.33 | 0.96 | 1.19 | 0.82 | 0.52 | 0.22 | 0.49 | 0.19 | 1.03 | 0.82 | 1.67 | 1.15 | 1.48 | 1.04 | 1.51 | 1.10 | 2.95 | 2.34 | 2.41 | 1.94 | 2.79 | 2.22 | 1.98 | 1.50 |

| CORN FUTURES (\$/BU) | | | | | | | | | | | | | |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--|
| MAY-24 | JUL-24 | SEP-24 | DEC-24 | MAR-25 | MAY-25 | JUL-25 | SEP-25 | DEC-25 | MAR-26 | MAY-26 | JUL-26 | TREND | |
| 4.302 | 4.410 | 4.496 | 4.646 | 4.776 | 4.854 | 4.896 | 4.802 | 4.850 | 4.942 | 4.986 | 5.014 | ↓↓ | |
| WEEK AGO | | | | | | | | | | | | | |
| 4.342 | 4.456 | 4.546 | 4.702 | 4.830 | 4.900 | 4.932 | 4.850 | 4.884 | 4.972 | 5.014 | 5.044 | | |

| SOYMEAL FUTURES (\$/TON) | | | | | | | | | | | | | |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|--|
| MAY-24 | JUL-24 | AUG-24 | SEP-24 | OCT-24 | DEC-24 | JAN-25 | MAR-25 | MAY-25 | JUL-25 | AUG-25 | SEP-25 | TREND | |
| 338.7 | 339.8 | 340.6 | 341.1 | 340.9 | 343.8 | 344.7 | 344.2 | 344.7 | 346.9 | 346.5 | 345.4 | ↑↑ | |
| WEEK AGO | | | | | | | | | | | | | |
| 330.9 | 334.5 | 335.1 | 335.5 | 335.1 | 338.4 | 339.9 | 340.1 | 341.4 | 343.9 | 343.6 | 342.4 | | |

| U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report | | | | | | | | | | | | | | | | |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|----|
| DEC-22 | JAN-23 | FEB-23 | MAR-23 | APR-23 | MAY-23 | JUN-23 | JUL-23 | AUG-23 | SEP-23 | OCT-23 | NOV-23 | DEC-23 | JAN-24 | FEB-24 | *MAR-24 | |
| 296.50 | 266.60 | 297.25 | 277.00 | 290.00 | 292.86 | 244.27 | 254.92 | 243.50 | 238.50 | 217.82 | 240.41 | 231.70 | 254.85 | 224.50 | *205.02 | ↓↓ |

| 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 | 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 | DEC-23 | JAN-24 | *FEB-24 | MAR-24 | |
| ALL MILK | 25.60 | 24.70 | 23.10 | 21.60 | 21.10 | 20.70 | 19.30 | 17.90 | 17.40 | 19.70 | 21.00 | 21.60 | 21.70 | 20.60 | 20.10 | 20.60 | TBA | ↑↑ |
| FEED \$ | 14.71 | 14.94 | 15.16 | 15.41 | 15.02 | 14.86 | 14.47 | 14.25 | 13.88 | 13.24 | 12.56 | 12.16 | 12.12 | 12.16 | 11.62 | 11.16 | TBA | |

| DAIRY COMMODITIES - GLOBAL DAIRY TRADE BIWEEKLY INTERNET AUCTION 04/16/24 | | | | | | | | U.S. CME CASH MARKET (\$/LB) 04/17/24 | | | | | | **USDA DEC-23 NEW | |
|---|--|--|--|------|--|--|--|---|--|-------------------|--|------|--|--------------------------|--|
| GDT QUOTES AVERAGE OF FORWARD CONTRACTS 1-6 mos. forward, per metric ton | | | | | | | | CME QUOTES LAST DAILY SPOT BID, OFFER, SALE | | | | | | ALL-MILK BF * MAILBOX | |
| ALL-PRODUCT INDEX | | | | 3590 | | | | ↑↑ 0.1% | | BUTTERMILK POWDER | | N/A | | *FL \$25.20 3.94 \$23.46 | |
| WHOLE MILK POWDER (WMP) | | | | 3269 | | | | ↑↑ 0.4% | | BUTTER | | 6546 | | ↓↓ 1.4% | |
| SKIM MILK POWDER (SMP) | | | | 2541 | | | | UNCHANGED | | CHEDDAR (BULK) | | 3974 | | ↓↓ 8.5% | |
| ANHYDROUS MILKFAT (AMF) | | | | 7062 | | | | ↑↑ 1.7% | | MOZZARELLA (BULK) | | 3755 | | ↓↓ 3.8% | |
| | | | | | | | | | | LACTOSE | | 740 | | ↓↓ 1.3% | |

| ANNOUNCED FEDERAL ORDER PRICES (\$/CWT) NASS ALL-MILK | | | | | | 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 FEB. | 26-MAR.30 | 2024 | MAR. 2024 | | |
| 19.18 | 20.53 | 16.08 | 18.85 | 20.10 | 21.30 | CHEESE | 1.6082 | 0.2003 | 1.4079 | COMPONENTS | | |
| MONTH AGO | | | | | | PRODUCT | VALUE | MAKE | ALLOW | NET | | |
| YEAR AGO | | | | | | BUTTER | 2.8457 | 0.1715 | 2.6742 | PROT | | 1.1265 |
| 19.57 | 19.52 | 18.10 | 18.38 | 21.60 | 22.70 | NFDM | 1.1863 | 0.1678 | 1.0185 | B.FAT | | 3.2385 |
| YEAR AGO | | | | | | DRYWHEY | 0.4788 | 0.1991 | 0.2797 | N.FAT | | 1.0083 |
| YEAR AGO | | | | | | OTHER | | | | | | 0.2881 |

| U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report | | | | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| DEC-22 | JAN-23 | FEB-23 | MAR-23 | APR-23 | MAY-23 | JUN-23 | JUL-23 | AUG-23 | SEP-23 | OCT-23 | NOV-23 | DEC-23 | JAN-24 | FEB-24 | *MAR-24 |
| 1300 | 1250 | 1352 | 1342 | 1330 | 1400 | 1559 | 1502 | 1540 | 1500 | 1741 | 2108 | N/A | 1635 | N/A | *N/A |

| U.S. AVG. FRESH COWS per head as reported by USDA Monthly National Dairy Comprehensive Report | | | | | | | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|------|------|------|------|-----|------|
| 1531 | 1436 | 1487 | 1493 | 1544 | 1469 | 1792 | 1615 | 1634 | 1643 | 1830 | 1988 | *N/A | 1792 | N/A | *N/A |

| CATTLE - DAIRY PURPOSES(\$/HD) USDA Reports, little data available, Northeast, Southeast, Mideast, Midwest dispersal auction report averages (4-week avg Apr. 10) | | | | | | | | | | | | | | | | | | | | | | | | | |
|---|--|--|---------------|--|--|-----------|--|--|--------|--|--|-------------------|--|--|--------------------|--|--|---------------------|--|--|--------------------|--|--|------|--|
| COWS: Milking | | | HEIFERS: Bred | | | Springing | | | Beef x | | | Open: 300-600 lbs | | | Beef X 600-900 lbs | | | Beef X 900-1100 lbs | | | BULLS(800-1300lbs) | | | | |
| 2500 | | | N/A | | | 2300 | | | 2600 | | | 1000 | | | N/A | | | 1250 | | | 1525 | | | 2200 | |
| 1720 (NASS) | | | 1425 | | | 1505 | | | 1475 | | | N/A | | | N/A | | | N/A | | | 1045 | | | | |

| PA Auction Markets Apr. 11-16, 2024 | | | | | FED HOLSTEIN STEERS (\$/CWT LIVWEIGHT) | | | | | CURRENT Hol x Beef WEEK AGO YR AGO | | | | |
|-------------------------------------|--|--|--|--|---|--|--|--|--|------------------------------------|--|--|--|--|
| CULL MARKET COWS (\$/CWT LIVWEIGHT) | | | | | Choice & Prime 1250-1550 lbs light test | | | | | N/A | | | | |
| Premium White Breakers Boners Lean | | | | | BULL CALVES: No. 1 & 2, 90-130 lbs | | | | | 575.00 | | | | |
| 121.00↑↑ 117.75↑↑ 116.75↑↑ | | | | | 70-85 lbs | | | | | 625.00 | | | | |
| WEEK AGO | | | | | N/A | | | | | 825.00 | | | | |
| 120.85 112.50 114.85 | | | | | N/A | | | | | 835.00 | | | | |
| YEAR AGO | | | | | N/A | | | | | 875.00 | | | | |
| N/A | | | | | 95.35 88.35 80.10 | | | | | 250.00 | | | | |