



CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JUNE 18, 2024 — except where noted



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Editor's Note: This article was provided by Kathleen Noble Wolfley for the Center for Dairy Excellence.

Making Heads or Tails of the Class III Market: It's been a long time since there's been consistently positive news to talk about in the dairy markets. Class III prices are heading into the second half of 2024 with prices above \$19 per hundredweight.

So, what's driving the recent strength? There are a few key dynamics at play, with shifting demand taking center stage.

Up first, we have the export market. U.S. exporters shipped 392 million pounds of cheese year-to-date through April, 73 million pounds (+23%) ahead of 2023 for a record start to the year. It seems competitive U.S. prices versus the rest of the world during late 2023 helped move the needle.

Up next: domestic demand. U.S. demand has been a tough nut to crack over the past year, as consumers seem stifled by persistent inflation. But in recent months, strong promotional activity at retail is helping get product moving. That, according to scanner data, helped drive a nine-week stretch of better-than +1.5% year-over-year retail sales. Put simply: People like to buy things that are on sale, cheese included.

And let's not forget about the milk production situation. U.S. output has been on a downtrend for 10 straight months, hampered by tight margins, lighter cow numbers and, more recently, pockets of HPAI. This pullback has acutely impacted some of the key cheese-producing regions like the Southwest and Northwest.

All together, these better demand dynamics in both the international and domestic market, coupled with less milk available on the market, led to a short squeeze of fresh, 4-to-30-day old cheddar cheese, the currency at the CME spot market. Less cheese available in the day-to-day market left buyers wanting, ultimately giving cheese and Class III prices a boost. Between April and June, Class III values will likely move \$4 per hundredweight higher thanks in part to a rough 40-cent move in the CME block price.

The key question now: Can it last? Two-dollar cheese prices will be tough for international buyers to stomach. Already, anecdotal reports from export contacts have pointed to some back-up in volume in the third quarter as U.S. cheese has struggled to gain traction at higher price points. If the U.S. ultimately sees a significant breakdown in export volumes into the second half, it could leave that much more product on the domestic market looking for an outlet.

The milk production story is arguably the most bullish dynamic at play today. Though Ever.Ag models point to a modest return of supply growth into the second half, cattle inventories are light, and heifers are hard to find – and expensive. This could curtail swift expansion this year. But with new cheese plants coming online in the not-too-distant future in the Southwest, Midwest and Northeast, we may still see more growth in cheese output even if milk supply gains are limited.

The takeaway: The road ahead looks a little less bumpy, but the coast is far from clear. Risk management can help producers to limit downside risk. The Dairy Revenue Protection insurance program allows producers to set a floor under their milk price while leaving the upside open. For a Northeast producer that has price exposure to both the Class III and Class IV prices, this upswing in the Class III market, together with still elevated Class IV values, provides a good opportunity to set floors at \$18.50 per hundredweight or better for the fourth quarter of 2024.

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CME DAILY FUTURES & OPTIONS TRADING — JUNE 18, 2024 AT THE CLOSE

	JUN-24	JUL-24	AUG-24	SEP-24	OCT-24	NOV-24	DEC-24	JAN-25	FEB-25	MAR-25	APR-25	MAY-25	TREND											
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Jun24 firm; Jul-Sep24 dn \$0.50-\$1.00; Oct-Dec24 dn \$0.25-0.75; Jan-May25 dn \$0.05-0.30. 12-Month Avg. 19.34 ↓↓	19.88	19.67	20.35	20.15	19.85	19.48	19.13	18.80	18.84	18.80	18.61	18.57	↓↓											
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Jun24 firm; Jul24-Feb25 dn \$0.30-0.50, except Oct24 up \$0.05; Mar-May25 firm. 12-Month Avg. 21.18 ↓↓	21.15	21.21	21.42	21.58	21.75	21.36	21.06	20.88	20.81	21.06	21.07	20.76	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	18.68	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	18.64	18.27	18.52	18.15
Class III	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	17.31	17.31	17.33	17.33
BASIS	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	1.33	0.96	1.19	0.82

	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25	JUL-25	SEP-25	DEC-25	MAR-26	MAY-26	JUL-26	SEP-26	TREND
CORN FUTURES (\$/BU)	4.500	4.556	4.676	4.782	4.852	4.904	4.752	4.760	4.854	4.914	4.960	4.684	MIXED
SOYMEAL FUTURES (\$/TON)	364.6	350.9	342.8	340.8	345.2	346.0	345.6	345.4	347.0	345.7	343.7	341.1	↓↓

	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	APR-24	*MAY-24	
U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report	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	220.17	*175.00	↓↓

DMC	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	APR-24	*MAY-24
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	9.76	7.94	6.19	6.08	5.84	4.83	3.65	3.52	6.46	8.44	9.44	9.58	8.44	8.48	9.44	9.65	*9.60	↓↓
ALL MILK	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	20.70	20.50	
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	10.90	

DAIRY COMMODITIES - GLOBAL BIWEEKLY INTERNET AUCTION 06/18/24	U.S. CME SPOT MARKET (\$/LB) 06/18/24												U.S. WEEKLY AMS NDPSR (\$/LB) WK ENDING 6/08*				
GDT QUOTES AVG FORWARD CONTRACTS 1-6 mos. per metric ton													* U.S. Weekly NDPSR is averaged for the Month & used in FMMO formulas.				
ALL-PRODUCT INDEX	3893	↓	0.5%	BUTTER	7350	↑	6.2%	Mon-Tues Lds	Spot price	Weekly Avg	FMMO PROD	MIL	LB	WTED	AVG \$		
WHOLE MILK POWDER (WMP)	3394	↓	2.5%	CHEDDAR(BULK)	4205	↓	1.0%	NFD	3	1.1900NC	1.1913	NFD	20.5	1.1664	↑		
SKIM MILK POWDER (SMP)	2766	↑	0.7%	MOZZ. (BULK)	N/A	N/A	N/A	BUTTER	2	3.1075	↑	3.1075	↑	3.0713	↓		
ANHYDROUS MILKFAT (AMF)	7317	↑	1.2%	LACTOSE	795	↑	1.9%	CHEESE-40	10	1.8600	↓	1.8875	↓	CHEESE-40	10.7	1.9176	↑
BUTTERMILK POWDER	N/A	N/A	N/A	NEXT AUCTION 07/02/24				CHEESE-500	10	1.9400	↓	1.9700	↓	CHEESE-500	12.2	2.0569	↑
								DRY WHEY	1	0.4800NC	0.4800	↑	DRY WHEY	6.5	0.4106	↓	

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 APR 30-JUN 1, 2024												
20.08(JUN)	21.50(MAY)	18.55(MAY)	20.50(MAY)	20.50(APR) ↓	21.80(APR) ↑	MAY 2024												
						PRODUCT	VALUE	MAKE	ALLOW	NET	COMPONENTS							
						CHEESE	1.8706	0.2003	1.6703	↑	PROT	1.7349	↑					
						BUTTER	3.0316	0.1715	2.8601	↑	B.FAT	3.4636	↑					
						NFD	1.1422	0.1678	0.9744	↓	N.FAT	0.9647	↓					
						DRYWHEY	0.4108	0.1991	0.2117	↓	OTHER	0.2181	↓					
18.46	20.23	15.50	20.11	20.70 4.28F	21.70 4.19F													
18.01	19.11	16.11	18.10	20.60 4.11F	21.20 4.04F													

U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report														
APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	*MAY-24	
1330	1400	1559	1502	1540	1500	1741	2108	N/A	1635	N/A	N/A	N/A	*2115	↑

U.S. AVG. MILKING COWS per head as reported by USDA Monthly National Dairy Comprehensive Report														
APR-23	MAY-23	JUN-23	JUL-23	AUG-23	SEP-23	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	*MAY-24	
1544	1469	1792	1615	1634	1643	1830	1988	N/A	1792	N/A	N/A	2120	*2254	↑

CATTLE - DAIRY PURPOSES (\$/HD) USDA and other East and Midwest auction reports for a 4-week rolling average as of June 12, 2024												
MILK COWS (NASS) U.S. Avg.			HEIFERS FRESH:			OPEN:			BULLS (800-1300lbs)			
\$2120 APR-24*	\$1890 JAN-24		Bred	Springing	Beef x	300-600 lbs	600-900 lbs	900-1100 lbs	1600			
\$1720 APR-23	\$1720 JAN-23		2900	1750	2450	2500	950	1050	1300	N/A	1650	1600
			2000	1500	1550	1000	575	N/A	925	N/A	1050	925

PA Auction Markets June 13-18, 2024				FED STEERS (\$/CWT LIVE)				Holstein Beef X-Dairy WK AGO				YR AGO	
CULL MARKET COWS (\$/CWT LIVELWEIGHT)				Choice & Prime 1250-1550 lb				164.50				185.50	
Premium White	Breakers	Boners	Lean	BULL CALVES: No. 1 & 2, 90-130 lbs				650.00				685.00	
				70-85 lbs				725.00				700.00	

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