

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — AUG. 21, 2024 — except where noted

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The read on feed markets: For the first time in a while, we're talking about strong milk prices AND weak feed costs! In fact, by USDA's Dairy Margin Coverage math, current futures suggest October margins could hit the highest levels going back to 2014. But that's just the math on paper. Though every farm's financial picture is different, profitability should look more like "profit" than what we've seen in some time.

While higher milk prices are a key element of the upswing in expected profitability, the weaker feed picture is just as impactful. And like the milk market, there are opportunities to manage some of the risk. But first, let's talk markets.

New-crop corn prices are down to the lowest levels since 2020, with December futures chopping around the \$4-per-bushel mark. Soybean meal futures are sitting near multi-year lows around \$300 per ton. Why the slump in new-crop prices? To put it simply: We've got a big crop out there. Despite some adverse planting conditions this spring, weather has largely been favorable throughout crop development. Crop conditions as we round the corner towards harvest are at the top end of the five-year average and yield expectations are high. So long as the weather stays decent for the next few weeks, USDA August WASDE yield estimates point to a solid 2024/2025 harvest. That's on top of a good crop last year. Along with a good crop in the US, South American corn and soybean production has also been faring well. That means we have an abundance of grain globally.

With that in mind, we've seen a slow start to the new crop export year with buyers spoiled for choice. China has recently been making more commitments to new-crop soybeans as it rebuilds its pig herd. However, if Brazil and Argentina can put together a sound crop, China could cancel those commitments like they have in years past, causing prices to drop like they did this spring.

Keep an eye on canola. Canada's canola crop looks to be in good shape to finish out the season and futures have been moving steadily lower. However, logistics challenges caused by railroad strikes are creating issues with state-side availability and basis. As a result, we're seeing a tightening of the canola and soybean meal basis locally. Various heat-treated soy products and roasted

soybeans basis values, for example, have come down significantly in price. It's important to work with your nutritionist and profit team to decide which ingredients make the most sense as the value of milk butterfat and protein rise.

Given the current look at lower new crop prices, this is a great time to brush up on ways to manage some of the upside input cost risk. There are two things that make up your local feed price: the CME price and basis. $FUTURES \pm BASIS = CASH PRICE$. And where possible, producers can look to manage those pieces separately to maximize the best timing and opportunities for each. The CME can be thought of as what is affecting the greater national and global crop supply and demand like China buying or a bad South America or Midwest crop. Basis can be thought of as the local pricing like your neighborhood's supply/demand, freight, and land competition.

Often, we see basis and futures opportunities come at different points in the year. Local basis values have increased for protein products because of all the contracts the soy/canola crushers have been able to book following a drop in futures values. Futures only, basis only, and flat cash pricing can all be used to price feed.

The CME is also a good tool to use as a producer to manage the upside and downside risk in feed pricing. It allows a person to name their price at what they feel is an opportune time and still gives them the ability to work with any vendor of their choice.

If you're interested in learning more about current feed markets and price risk management strategies, check out the latest PA Center for Dairy Excellence webinar at www.centerfordairyexcellence.org or on your favorite podcast platform.

The risk of loss trading commodity futures and options can be substantial. Investors should carefully consider the inherent risks in light of their financial condition. The information contained herein has been obtained from sources to be reliable, however, no independent verification has been made. The information contained herein is strictly the opinion of its author and not necessarily of Ever.Ag and is intended to be a solicitation. Past performance is not indicative of future results.

Kathleen Wolfley is a registered Associated Person with Ever.Ag, a registered Introducing Broker.

Prices change daily. This market information is an example for educational purposes. The market data shown below are compiled weekly by Farmshine, via CME & USDA reports.

CME DAILY FUTURES & OPTIONS TRADING — AUG. 21, 2024 AT THE CLOSE

| | AUG-24 | SEP-24 | OCT-24 | NOV-24 | DEC-24 | JAN-25 | FEB-25 | MAR-25 | APR-25 | MAY-25 | JUN-25 | JUL-25 | TREND | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Aug up \$0.20; Sep-Nov24 up \$0.75-1.25; Dec24 up \$0.10; Jan25 dn \$0.10; Feb-Jul25 firm to \$0.10 higher. 12-Month Avg. 19.89↑↑ | 20.68 | 22.53 | 22.75 | 21.87 | 20.35 | 19.09 | 18.72 | 18.62 | 18.50 | 18.43 | 18.63 | 18.51 | ↑↑ | | | | | | | | | | | | |
| CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Aug24up \$0.05; Sep24-Jan25 up \$0.25-\$1.00; Feb-Jul25 steady to \$0.10 higher. 12-Month Avg. 21.21↑↑ | 21.66 | 22.36 | 22.55 | 22.20 | 21.35 | 20.90 | 20.80 | 20.82 | 20.78 | 20.40 | 20.50 | 20.20 | ↑↑ | | | | | | | | | | | | |
| 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 | 18.62 | 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 | 18.68 | 18.38 | 18.65 | 18.35 | |
| Class III | 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 | 18.16 | 18.16 | 18.16 | 18.16 | 18.16 |
| BASIS | 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 | 0.52 | 0.22 | 0.49 | 0.19 | |

| | SEP-24 | DEC-24 | MAR-25 | MAY-25 | JUL-25 | SEP-25 | DEC-25 | MAR-26 | MAY-26 | JUL-26 | SEP-26 | DEC-26 | TREND | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---|
| CORN FUTURES (\$/BU) | 3.754 | 3.984 | 4.164 | 4.262 | 4.316 | 4.306 | 4.362 | 4.462 | N/A | N/A | N/A | N/A | ↑↑ | | | | | |
| SOYMEAL FUTURES (\$/TON) | 311.8 | 305.9 | 307.9 | 309.9 | 313.5 | 317.0 | 320.3 | 321.0 | 322.0 | 322.0 | N/A | N/A | ↓↓ | | | | | |
| U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report | | | | | | | | | | | | | | | | | | |
| APR-23 | 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 | 211.69 | JUN-24 | 185.21 | ↓ |

| DMC | 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 | *JUN-24 | TREND |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|-------|
| DMC OFFICIAL GROSS MARGINS per cwt(USDA All-Milk, com, alfalfa & Ill. soybean, feed for ALL CLASSES of dairy cattle on farm) | 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 | 10.52 | *11.66 | ↑↑ |
| ALL MILK | 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 | 22.00 | 22.80 | ↑↑ |
| FEED \$ | 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 | 11.48 | 11.14 | ↓↓ |

| DAIRY COMMODITIES - GLOBAL BIWEEKLY Internet Auction (\$/LB) 08/20/24 | U.S. CME SPOT DAILY (\$/LB) 08/21/24 | U.S. WEEKLY USDA NDPSR (\$/LB) WK ENDING 8/17/24* |
|---|--------------------------------------|---|
| Weighted Avg. 1 to 6 mo. FORWARD CONTRACTS per metric ton converted to \$/LB | Mon-Wed Lds | FMMO PROD MIL. LBS WTED AVG \$ |
| NEXT GDT AUCTION 09/03/24 | Spot price | 17.6 |
| SKIM POWDER (SMP) 1.1960↑ 4.0% | 1.2850↑ 1.2775↑ | NFDM 17.6 |
| BUTTER 3.0426↑ 3.7% | 3.1600↑ 3.1717↑ | BUTTER 2.7 |
| MILK FAT (AMF) 3.2868↑ 4.8% | 2.0950↑ 2.0983↑ | CHEESE-40 9.2 |
| BUTTERMILK POWDER 1.2504↑ 3.4% | 2.2825↑ 2.2675↑ | CHEESE-500 11.3 |
| MOZZARELLA (BULK) 2.1824↑ 5.0% | 0.5675↑ 0.5583↓ | DRY WHEY 6.6 |
| WHOLE POWDER (WMP) 1.5799↑ 7.2% | | |

| 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 | JULY 1-27, 2024 | JULY 2024 | | | | COMPONENTS | |
| *21.60(SEP) | 21.82(JUL) | 19.79(JUL) | 21.31(JUL) | 22.80(JUN)↑↑ | 23.30(JUN)↑↑ | PRODUCT | VALUE | MAKE ALLOW | NET | | | | |
| | | | | | | CHEESE | 1.9717 | 0.2003 | 1.7714 | ↓ | PROT | 1.9466 | ↓ |
| | | | | | | BUTTER | 3.1211 | 0.1715 | 2.9496 | ↑ | B.FAT | 3.5720 | ↑ |
| | | | | | | NFDM | 1.1930 | 0.1678 | 1.0252 | ↑ | N.FAT | 1.0149 | ↑ |
| | | | | | | DRYWHEY | 0.4487 | 0.1991 | 0.2496 | ↑ | OTHER | 0.2511 | ↑ |

| U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report | | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| JUN-23 | JUL-23 | AUG-23 | SEP-23 | OCT-23 | NOV-23 | DEC-23 | JAN-24 | FEB-24 | MAR-24 | APR-24 | MAY-24 | JUN-24 | JUL-24 |
| 1559 | 1502 | 1540 | 1500 | 1741 | 2108 | N/A | 1635 | N/A | N/A | N/A | 2115 | 2016 | N/A |
| U.S. AVG. MILKING COWS per head as reported by USDA Monthly National Dairy Comprehensive Report | | | | | | | | | | | | | |
| JUN-23 | JUL-23 | AUG-23 | SEP-23 | OCT-23 | NOV-23 | DEC-23 | JAN-24 | FEB-24 | MAR-24 | APR-24 | MAY-24 | JUN-24 | JUL-24 |
| 1792 | 1615 | 1634 | 1643 | 1830 | 1988 | N/A | 1792 | N/A | N/A | 2120 | 2254 | 1624 | N/A |

| CATTLE - DAIRY PURPOSES (\$/HD) USDA and other East and Midwest auction reports combined 4-week rolling average as of Aug. 7, 2024 | | | | | | | | | | | | | |
|--|---------------|--------------------|------|-----------------------------|-------------------|--------------------|---------------------|----------------------|--------|--------|------|--|--|
| *MILK COWS (NASS) U.S. Avg. | FRESH | HEIFERS: Springing | Bred | Beef x | OPEN: 300-600 lbs | Beef X 600-900 lbs | Beef X 900-1100 lbs | BULLS (800-1300 lbs) | | | | | |
| \$2360 JUL-24 ↑↑ | \$2120 APR-2 | 3100 | 2700 | 2200 | 2200 | 1200 | 1500 | 1600 | N/A | 2000 | 1500 | | |
| \$1760 JUL-23 | \$1720 APR-23 | 1700 | 1775 | 1575 | 1400 | 650 | N/A | 1000 | N/A | 1000 | 1100 | | |
| PA Auction Markets Aug. 15-20, 2024 | | | | | | | | | | | | | |
| CULL MARKET COWS (\$/CWT LIVELWEIGHT) | | | | | | | | | | | | | |
| Premium White | Breakers | Boners | Lean | FED STEERS (\$/CWT LIVE) | | | | | | | | | |
| | | | | Choice & Prime 1250-1550 lb | Holstein | Beef-X-Dairy | WK AGO | YR AGO | | | | | |
| | | | | 550.00↓ | 170.25↓ | 187.35↑ | 172.75 | 184.60 | 135.00 | N/A | | | |
| | | | | 70-85 lbs | 575.00↓ | 1000.00NC | 675.00 | 900.00 | 275.00 | 530.00 | | | |
| | | | | | | | 675.00 | 1000.00 | 325.00 | 600.00 | | | |
| | | | | | | | | | | | | | |