

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — AUG. 28, 2024 — except where noted



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Industry feedback on USDA FMMO recommended decision nearing deadline:

Anyone tracking the U.S. dairy industry has undoubtedly heard of the ongoing process of changing the Federal Milk Marketing Orders (FMMO) system. After a year of consideration, 12,000 pages of testimony and 49 days of hearings, the USDA released their recommended decision for Federal Milk Marketing Order updates at the beginning of July. The document is over 300 pages long and proposes five core recommendations:

- **Milk Composition Factors.** Update the factors to 3.3% true protein, 6% other solids, and 9.3% nonfat solids.

- **Surveyed Commodity Products.** Remove 500-pound barrel cheddar cheese prices from the Dairy Products Mandatory Reporting Program (DPMRP) survey and rely solely on the 40-pound block cheddar cheese price to determine the monthly average cheese price used in the formulas.

- **Class III and Class IV Formula Factors.** Update the manufacturing allowances to: Cheese: \$0.2504; Butter: \$0.2257; Nonfat Dry Milk (NFDML): \$0.2268; and Dry Whey: \$0.2653. This decision also proposes updating the butterfat recovery factor to 91%.

- **Base Class I Skim Milk Price.** Update the formula as follows: The base Class I skim milk price would be the higher-of the advanced Class III or Class IV skim milk prices for the month. In addition, adopt a Class I extended shelf life (ESL) adjustment equating to a Class I price for all ESL products equal to the average-of-mover, plus a 24-month rolling average adjuster with a 12-month lag.

- **Class I and Class II Differentials.** Keep the \$1.60 base differential and adopt modified location-specific Class I differential values.

A Background on FMMO

The Federal Milk Marketing Orders system was created in the 1930s in response to low milk prices and does three main things: establishes minimum uniform prices, ensures proper payments, and provides market information. Put simply, it was established as protection to dairy producers at a time when milk dealers were becoming the main faction transporting milk for consumption. At that time, there wasn't a consistent pricing system and milk

dealers controlled the prices that were paid to producers for fluid milk. As a result, the federal government established a system that set the minimum prices producers would receive for their milk.

It's important to note that FMMOs do not guarantee farmers a satisfactory price for their milk, nor do they set the actual price of raw milk. The market continues to be the driver of price, however most commonly, the price dictated by FMMOs is the actual price paid to farmers. So, any changes to the system will be highly impactful to producers. The FMMO system recognizes four different classes of milk: Class I (fluid), Class II (soft products), Class III (cheese), and Class IV (butter and milk powder). It applies to nearly 75% of total U.S. milk production.

How the Farm Bill Impacts FMMO

The most recent Farm Bill expired in September 2023, and a continuing resolution was passed in November 2023 which extended the programs in the Farm Bill until September 2024. With the deadline for the extension looming, the newest iteration of the Farm Bill has been developing simultaneously with the updates to the Federal Milk Marketing Orders. FMMOs are independent of the Farm Bill; however, any changes to milk pricing through the FMMOs hearings will be superseded by any relevant legislation in the Farm Bill. Currently, analysts project that the Farm Bill may not be passed until 2025, with some estimating 2026.

FMMO Next Steps

The USDA will accept comments and feedback on their proposed recommendations for the 11 Federal Milk Marketing Orders until September 13, 2024. Feedback can be filed with the Office of the Hearing Clerk, U.S. Department of Agriculture, 1400 Independence Ave. SW, Stop 9203, Room 1031, Washington, DC 20250-9203; Fax: (844) 325-6940 or via the internet at <https://www.regulations.gov> searching under Docket Number AMS-DA-0031. The USDA is expected to publish a final rule in November 2024 that will be voted

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. 28, 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-Oct24 steady; Rest of the board \$0.25-0.55 higher.	20.64	22.55	22.84	22.12	20.93	19.62	19.08	18.99	18.78	18.81	19.05	18.80	↑↑												
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Aug24 firm; Rest of the board \$0.25-\$1.00 higher, mostly \$0.50-0.75 higher.	21.66	22.59	23.19	23.05	21.71	21.54	21.40	21.36	21.23	21.34	21.37	21.00	↑↑												
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	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	18.85	18.65	18.35									
Mailbox	17.59	17.59	17.59	17.60	17.60	17.60	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
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)	3.652	3.904	4.090	4.192	4.260	4.256	4.322	N/A	N/A	4.516	N/A	N/A	↓↓					
SOYMEAL FUTURES (\$/TON)	310.5	306.0	307.5	308.3	310.3	313.1	315.9	316.7	318.4	316.4	318.9	N/A	↓↓					
U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report	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	*JUL-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) 08/28/24	U.S. WEEKLY USDA NDPSR (\$/LB) WK ENDING 8/24/24*
Weighted Avg. 1 to 6 mo. FORWARD CONTRACTS per metric ton converted to \$/LB	Mon-Wed Lds	FMMO PROD MIL. LBS WTD AVG \$
NEXT GDT AUCTION 09/03/24	Spot price	NFDML 14.2 1.2394 ↑↑
ALL-PRODUCT INDEX	Weekly Avg	BUTTER 4.8 3.0995 ↓↓
SKIM POWDER (SMP) 1.1960 ↑↑ 4.0%	BUTTER 16 3.1975 ↑↑ 3.1900 ↑↑	CHEESE-40 10.4 2.0020 ↑↑
BUTTER 3.0426 ↑↑ 3.7%	CHEDDAR-40 8 2.0750 ↓↓ 2.1183 ↑↑	CHEESE-500 11.2 2.0935 ↑↑
MILK FAT (AMF) 3.2868 ↑↑ 4.8%	CHEDDAR-500 2 2.1250 ↓↓ 2.2083 ↓↓	DRY WHEY 6.0 0.4890 ↓↓
BUTTERMILK POWDER 1.2504 ↑↑ 3.4%	DRY WHEY 7 0.5525 ↓↓ 0.5608 ↑↑	
MOZZARELLA (BULK) 2.1824 ↑↑ 5.0%		
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	↓
21.32	21.60	19.87	21.08	22.00 4.17F	22.50 4.07F	BUTTER	3.1211	0.1715	2.9496	↑	B.FAT	3.5720	↑	N.FAT	1.0149	↑	
16.62	19.12	13.77	18.26	17.80 4.01F	19.40 4.00F	NFDML	1.1930	0.1678	1.0252	↑	OTHER	0.2571	↑				
						DRYWHEY	0.4487	0.1991	0.2496	↑							

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. 25, 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	3200	2750	2200	2500	1200	1500	1500	N/A	2000	1800	
\$1760 JUL-23	\$1720 APR-23	1650	1775	1685	1400	650	N/A	1000	N/A	1000	1100

PA Auction Markets Aug. 22-27, 2024				FED STEERS (\$/CWT LIVE)				BULL CALVES: No. 1 & 2, 90-130 lbs			
CULL MARKET COWS (\$/CWT LIVELWEIGHT)				Choice & Prime 1250-1550 lb				Holstein			
Premium White	Breakers	Boners	Lean	170.85 ↑↑				185.35 ↓↓			
145.75 ↑↑ 139.00 ↑↑ 128.00 ↑↑				550.00 NC				550.00 NC			
WEEK AGO				70-85 lbs				575.00			
N/A				550.00 ↓↓				935.00 ↑↑			
YEAR AGO				575.00				1000.00			
N/A				275.00				635.00			
109.75				98.25				90.25			

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