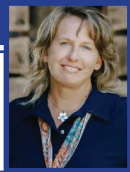


# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — OCT. 4, 2023 — except where noted



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**Butter stocks push Class IV higher:** Declining butter stocks are helping to contribute to a recent increase in the Class IV milk futures prices on the CME. Butter inventories were down 40.3 million pounds, or about 12 percent, from July to 289.1 mil. lbs at the end of August. That is the largest August decline in inventories since 2015. Butter stocks are still up four percent from a year ago, but they are well below the five-year average of 329.2 million pounds. In the past three months, butter stocks have declined by 78.8 million pounds, the largest decrease over summer since 1993.

As a result, butter prices on the CME have been steadily increasing. Since the end of July, the spot butter price on the CME is up 66 cents to an all-time high of \$3.42 per pound on October 3. More than 33% of the nation's butter stocks were produced in California, which has seen deep declines in milk production and cow numbers over the past couple months. All these factors are contributing to concerns about butter supplies moving into the holiday season when butter demand is at its highest.

This uncertainty in the butter market led Class IV milk futures prices to start trending upward. The Sept. Class III and Class IV milk prices haven't been announced by USDA yet. But they closed for the month on the CME at \$18.39 per hundredweight for Class III and \$18.84 per cwt. for Class IV. The margin between the two widens as you look ahead into future months. Class IV futures prices are trading above \$21.22 per cwt. for October before falling to \$19.70 in December, with prices staying above \$19 for the first half of next year. In contrast, Class III milk futures fall to \$16.93 per cwt. for October and aren't expected to rebound above \$18 until February 2024.

The reason for the widening margin between Class III and Class IV milk futures right now is because the market is short on butter and long on cheese. Typically, from July to August, total cheese stocks drop. However, in the latest report, cheese inventories were down only slightly from a month ago and up 1 percent from a year ago to 1.489 billion pounds. The 3.5-million-pound drop from July to August is well below the historical trend of a 25-million-pound

drop between the two summer months. With milk production in the Upper Midwest trending higher year-over-year, more milk is moving into cheese vats than into butter churns.

The difference between the Class IV and Class III milk price could be beneficial to dairy producers in Pennsylvania and the Northeast. That is because more milk in this region goes into fluid milk and into butter production than it does into cheese. That leads to more of our mailbox milk price being influenced by Class I and Class IV prices than by the Class III price. When Class IV is higher than Class III, that typically leads to positive Producer Price Differentials (or PPDs) on your milk check. When Class IV is much lower, you'll see negative PPDs in the Northeast. The Class I milk price is another factor in your milk price that is influenced by this widening margin between Class III and Class IV prices. Prior to the 2018 Farm Bill, the Class I price was based on the higher of the Class III or Class IV price each month. With the passing of the 2018 Farm Bill, the industry restructured the Class I "mover" to an average of the first two weeks of the prior month's advance Class III and Class IV pricing factors, plus a 74 cent per hundredweight adjustment factor. Since then, the market has been increasingly more volatile, with wider margins between Class III and Class IV. In periods when the margin between the two is very wide, the new formula results in a lower price than the historical formula. This is currently one of the issues being debated at the Federal Milk Marketing Order hearings USDA is hosting in Indiana.

Last week, USDA announced the Aug. DMC Margin. The all-milk price jumped \$2.30 from July to \$19.70 per cwt., while feed costs fell 64 cents to \$13.24 per cwt. Corn prices were down 49 cents/bu, alfalfa down \$6/ton, and soybean meal fell nearly \$5/ton. Those factors combined to provide a DMC margin of \$6.46 per cwt. in Aug., up \$2.94 from July, the highest since Jan., still yielding a \$3.04 per cwt. payment for those enrolled (\$2,449 per one mil. lbs.)

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 — OCT. 4, 2023 AT THE CLOSE

	OCT-23	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	TREND			
<b>CLASS III MILK FUTURES (\$/CWT)</b> vs. wk ago: <i>Oct. dn \$0.05; Nov-Dec23 firm to up \$0.10; Jan-Jun24 weak to dn \$0.10; Aug-Sep24 up \$0.05-0.15.</i>	16.76	17.07	17.40	17.88	18.05	18.27	18.33	18.40	18.42	18.65	18.59	18.58	12-Month Avg. 18.03 NC Mixed			
<b>CLASS IV MILK FUTURES (\$/CWT)</b> vs. wk ago: <i>Oct23 up \$0.50, Nov23-Jun24 weak to down \$0.15; Jul-Sep24 \$0.25-0.35 higher.</i>	21.41	20.75	19.70	19.30	19.29	19.31	19.40	19.53	19.60	19.78	19.82	19.50	12-Month Avg. 19.78 ↑ Mixed			
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>	16.75 0.14	17.00 0.45	17.25 0.56	18.00 0.83	18.00 0.82	18.25 0.95	18.25 0.98	18.50 1.08	18.50 1.14	18.75 1.14	18.50 1.09	18.50 1.14				
<b>MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</b>	PA 0.79	0.60	0.79	1.17	0.62	1.53	2.29	1.82	1.58	0.99	1.03	0.95				
<b>DMC OFFICIAL GROSS MARGINS per cwt/USDA All-Milk, com, alfalfa &amp; Ill. soybean, feed for ALL CLASSES of dairy cattle on farm Updated with NEW prem. alfalfa feed cost</b>	DMC JUN-22	JUL-22	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	TREND
	11.92	9.92	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	↑↑

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report																	
	MAY-22	JUN-22	JUL-22	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	TREND
<b>U.S. AVG. BRED COWS &amp; HEIFERS (3rd trimester)</b> per head as reported by USDA Monthly National Dairy Comprehensive Report	322.00	321.17	312.50	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	↓↓
<b>U.S. AVG. FRESH COWS</b> per head as reported by USDA Monthly National Dairy Comprehensive Report	1278	1184	1350	1407	1265	1310	1290	1300	1250	1352	1342	1330	1400	1559	1502	*1540	↑↑
<b>CORN FUTURES (\$/BU)</b>	4.860	5.010	5.094	5.144	5.106	5.134	5.240	5.294	5.284	5.006	4.972	5.134					↑↑

SOYMEAL FUTURES (\$/TON)													
	OCT-23	DEC-23	JAN-24	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24	OCT-24	DEC-24	JAN-25	MAR-25	TREND
	368.7	372.0	370.9	369.3	370.3	373.5	373.3	371.5	368.4	370.0	370.0	368.5	↓
WEEK AGO													
	390.1	389.1	385.3	378.6	375.1	375.7	374.2	371.6	366.9	367.2	365.8	362.6	

PA MILK MARGIN & IOFC-LATEST PSU VALUES - *JUNE 2023				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 10/04/23								SPOT CASH TREND		
FEED =	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	OCT	NOV	DEC	JAN24	FEB24	MAR24	APR24			10/04/23	TREND
<b>*JUN (estimated)</b>	<b>*9.36</b> ↓	<b>*7.45</b> ↓	<b>*14.48</b> ↓	1.148	1.185	1.205	1.230	1.250	1.271	1.290	↑↑	↑↑	1.1775	NC
<b>PREV MO</b>	9.65	8.21	15.45	0.307	0.327	0.354	0.380	0.392	0.400	0.400	↑↑	↑↑	0.2900	↑↑
<b>YR AGO</b>	9.07	13.98	20.78	3.230	3.027	2.740	2.595	2.572	2.555	2.525	↓	↓	3.4300	↑↑
<i>Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price</i>				<b>CHEESE</b> 1.738 1.765 1.800 1.838 1.858 1.870 1.885 ↓↓ See Below								<b>CME SPOT CHEESE: BARRELS 1.5425 / 40 LB BLOCKS 1.6800</b> ↑↑ / ↓↓		

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)										CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW				
CL I ADVTT	*CL II↑↑	*CL III↑↑	*CL IV↑↑	*ALL-MILK-U.S.	*ALL-MILK-PA	WEIGHTED AVG. 4-WK	SEP 1-30, 2023	*SEPT 2023 COMPONENTS						
19.47(OCT)	*19.98(SEP)	*18.39(SEP)	*19.09(SEP)	*19.70(AUG)↑↑	*20.20(AUG)↑↑	1.9366	2.0003	1.7363	↑↑	*PROT	2.3027	↑↑		
MONTH AGO						2.7532	0.1715	2.5817	↑↑	*B.FAT	3.1264	↑↑		
YEAR AGO						1.1155	0.1678	0.9477	↓↓	*N.FAT	0.9382	↓↓		
22.71	26.51	19.92	24.63	24.30	26.20	0.2954	0.1991	0.0963	↑↑	*OTHER	0.0992	↑↑		

CATTLE - DAIRY PURPOSES (\$/HD) (Avg Oct 4, 2023 New Holland PA) Receipts equal to last year, very light on cows; 19% fresh/milking cows up \$500 per head from week ago; 17% bred cows, 3% springer cows; 11% bred heifers, 32% springing heifers, 20% open heifers.												
COWS: Fresh	Bred	Springing	*HEIFERS: Bred	Springing	Beef x	Open:	300-600 lbs	Beef X	600-900 lbs	Beef X	900-1100 lbs	BULLS (800-1300 lbs)
1925	LTD	1675	2340	1660	1725	785		975		1200	1875	CPL
WEEK AGO COMPARISON												
1475		1450	1700	1400	1625	N/A		N/A		N/A	N/A	

PA Auction Markets Sept 28-Oct 3, 2023				FED HOLSTEIN STEERS (\$/CWT LIVWEIGHT)				BULL CALVES: No. 1 & 2, 90-130 lbs						
CULL MARKET COWS	Breakers	Boners	Lean	Choice & Prime	1250-1550 lbs	light test	70-85 lbs	360.00	700.00	350.00	675.00	120.00	70.00	82.00
	98.85	↑↑	90.25	↓↓	73.85	↓↓		335.00	770.00	325.00	770.00	82.00		
WEEK AGO														
N/A		98.10	95.00	80.10										
YEAR AGO														
N/A		86.00	77.85	69.10										

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