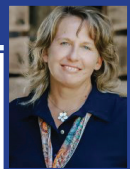


CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — OCT. 11, 2023 — except where noted



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Exports remain challenged: While dairy prices are slowly moderating higher from the very low levels we witnessed this summer, a cooling demand for dairy globally continues to burden the marketplace. Much of this is due to worldwide inflation and uncertainty in countries traditionally importing a lot of dairy. The pandemic hit China harder than other regions of the world, and it still hasn't fully returned to the global market. China is also continuing to see a growing domestic supply of dairy, which is also lowering its need to import dairy. At the same time, inflation hit developing countries harder than in the U.S. and more developed countries, limiting their ability to purchase dairy proteins now, compared with in the past.

As a result, U.S. dairy products moving overseas have been below year-ago levels through the first 8 months of 2023. U.S. dairy export numbers were just released for August, with total export volumes down 10.8% (milk solid equiv) from year ago. A bright spot is milk powder exports. The U.S. sent 145.7 million pounds of skim milk powder and nonfat dry milk overseas in August, up 4% from a year ago, which was the largest year over year gain since January.

Year to date, total milk solids shipped overseas totaled just over 1.509 million metric tons, down 7% from a year ago. The total value of dairy exports year to date was down 13%, or \$868 million, from a year ago, to just over \$5.623 billion. The decline in dairy exports this year came after two consecutive years of record growth in U.S. dairy shipped overseas in 2021 and 2022. Even with the dip in total dairy moving overseas, more than 16% of the nation's milk supply moves into the export market.

Although skim milk powder and nonfat dry milk saw year-over-year growth in August, sales of those two products are down slightly year-to-date, with 558,407 metric tons shipped overseas so far this year. The two growing markets for U.S. nonfat dry milk and skim milk powders traditionally include Mexico and Southeast Asia. However, with China sales being slower than in past years, growth in shipments to Mexico have continued to balance losses coming from other destinations. U.S. sales into Mexico are

up 6% year-to-date. August shipments to Southeast Asia were also up 17%, but this was the first year-over-year gain there since July 2022.

U.S. cheese exports continue to trail year-ago levels, down 6% year-to-date and down 3% in August. The decline in cheese exports is mostly coming from fewer exports into the South Korean market, with the EU selling larger volumes of mozzarella cheese at deep discounts to U.S. product. Domestic demand for U.S. dairy is helping to bolster prices well above world prices. For example, block cheese averaged \$1.95 per pound on the CME in August, compared to \$1.87 per pound on the Global Dairy Trade and \$1.53 per pound in the European Union.

Worldwide, though, dairy prices are trending up. The average dairy price index on the latest Global Dairy Trade (GDT) auction, occurring on Oct. 3, was up 4.4% from the previous session in Sept. to \$3,104 per metric ton. That marked the third consecutive increase in prices, after watching the index fall for 7 consecutive sessions. With worldwide demand strong, prices for both skim and whole milk powder were up significantly, increasing 6.6 and 4.8%, respectively. Butter prices were also up 1.3%. Cheddar prices on the latest GDT session, unfortunately, fell 4.8%.

If working through the lower margins we have seen the last few months due to the uncertainty in the marketplace has left you scratching your head, the Center may have some resources that could help. In September, we opened our "On-Farm Grant Programs." The Center's Dairy Decisions Consultant (DDC) Program can provide you with an outside consultant who can work with you to identify opportunities moving forward. Visit www.centerfordairyexcellence.org/ddc to learn more.

The Center's Team Program Grant can help you bring a team of advisors together to address bottlenecks in profitability, plan for a business transformation, or transition your dairy. For more information, call us at 717-346-0849 or visit centerfordairyexcellence.org/grants.

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. 11, 2023 AT THE CLOSE

*AVG = Average basis for North-East and Mid-East	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			
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Firm to \$0.15, mostly \$0.10 higher across the board, except July 2024 off \$0.05.	16.84	17.23	17.49	17.99	18.20	18.30	18.36	18.42	18.52	18.61	18.67	18.67	12-Month Avg. 18.10 ↑↑			
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Firm to \$0.25, mostly \$0.10-0.15 higher across the board, except January 2024 off \$0.05.	21.59	20.80	19.78	19.25	19.35	19.54	19.50	19.59	19.75	19.80	19.83	19.78	12-Month Avg. 19.88 ↑↑			
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered																
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	16.75 0.08	17.25 0.46	17.50 0.64	18.00 0.75	18.25 0.88	18.25 0.93	18.25 0.95	18.50 1.08	18.50 1.07	18.50 1.01	18.75 1.17	18.75 1.22				
MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	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				
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 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	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	*SEP-23	TREND
	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	*238.50	↓↓
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report	1184	1350	1407	1265	1310	1290	1300	1250	1352	1342	1330	1400	1559	1502	1540	*1500	↓↓
U.S. AVG. FRESH COWS per head as reported by USDA Monthly National Dairy Comprehensive Report	1341	1571	1417	1384	1701	1526	1531	1436	1487	1493	1544	1469	1792	1615	1634	*1643	↑↑

CORN FUTURES (\$/BU)	DEC-23	MAR-24	MAY-24	JUL-24	SEP-24	DEC-24	MAR-25	MAY-25	JUL-25	SEP-25	DEC-25	JUL-26	TREND
	4.880	5.036	5.116	5.166	5.136	5.172	5.276	5.326	5.320	5.082	5.030	4.984	↑↑
WEEK AGO													
	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
	374.3	377.1	375.0	371.8	371.4	373.7	372.5	369.8	366.1	367.6	367.9	366.2	MIXED
WEEK AGO													
	368.7	372.0	370.9	369.3	370.3	373.5	373.3	371.5	368.4	370.0	370.0	368.5	

*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - *JUNE 2023	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 10/11/23	SPOT CASH TREND 10/11/23
FEED = \$/CWT	*JUN (estimated) *9.36 ↓↓	*7.45 ↓↓	*14.48 ↓↓	OCT 1.147	1.2150 ↑↑
IOFC = \$/COW	PREV MO 9.65	8.21	15.45	NOV 1.190	1.3150 ↑↑
	YR AGO 9.07	13.98	20.78	DEC 1.228	3.4800 ↑↑
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			JAN24 1.256	See Below
				FEB24 1.275	
				MAR24 1.295	
				APR24 1.317	
				MAY24 1.411	
				JUN24 1.411	
				JUL24 2.495	
				AUG24 1.875	
				SEP24 1.864	
				OCT24 1.875	
				NOV24 1.875	
				DEC24 1.875	
				JAN25 1.875	
				FEB25 1.875	
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