

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — OCT. 18, 2023 — except where noted



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Feed costs pressure margins: The price we receive in our milk check each month is only part of the equation that determines profitability on the farm. The prices we pay for our inputs – like feed, seed, fertilizer, fuel, and other supplies – can also have a major impact on our margin. Feed costs, including the cost of purchased feed and of growing feed on the farm, is typically the largest expense on a dairy. On average, feed costs can range between 30 and 70% of the total cost of producing milk. In periods when milk prices fall dramatically, but feed prices remain stable, it can be almost impossible to maintain a positive profit margin.

The USDA tracks feed costs through the Dairy Margin Coverage (DMC) margin it releases each month, with the margin calculated by subtracting the total feed costs per hundredweight from the all-milk price published for that given month. Based on the DMC information, feed costs peaked in Aug. 2022 at \$16.22 per cwt, but remained above \$14 per cwt. through June 2023. USDA reported total feed costs in August 2023 at \$13.24 per cwt., the lowest level since January 2022. Declining corn, alfalfa hay, and soybean meal prices all contributed to the lower feed costs this August compared to year-ago levels. Expectations for higher yields and softening demand have contributed to the lower feed prices we have seen in the marketplace in recent months.

USDA's latest production numbers indicate we may have hit a floor in what we can expect for feed costs right now. The agency released its World Ag Supply and Demand Estimates report last week and cut yield expectations for both corn and soybeans. The average yield per acre for corn was decreased by 0.5% from September's estimate to 173 bushels per acre, about six bushels below last year's average yield. This resulted in a 70 million bushel drop in the estimated total production expected for this year's harvest. At the same time, USDA cut beginning stocks by 91 million bushels and ending stocks by 110 million bushels. With a slightly higher concern about a smaller harvest, USDA increased its projected average price for corn by 5 cents to \$4.95 per bushel.

On the soybean side, USDA dropped average yields by 1% to 49.6 bushels per acre. A positive adjustment in beginning stocks helped to

compensate for the lower production, leaving ending stocks unchanged from previous estimates. That resulted in no change for either the average soybean or soybean meal prices, projected at \$12.90 per bushel and \$380 per ton, respectively. Prices vary between different geographical regions depending on the availability of those crops in that region. That is projected in the basis, or the difference between the published US price and what that local market is paying for that commodity.

The basis is often influenced by several factors, including the demand for the product in that region, whether it is produced there or must be transported into the region, and whether the region experienced a significant drought or other weather-related event that hindered the harvest. In this region, we'll often see a positive basis for corn because we have more demand for corn than we do supply. In the Midwest, where corn is abundant, the basis will be closer to zero or negative to move it to where the market is.

Each week the USDA reports on crop progress across the US. According to the latest report, dated Oct. 16, 95% of the nation's corn crop is in the mature stage, with only about 45% of the crop harvested. About 53% of the corn crop is rated as good or excellent, with only about 18% in the poor to very poor categories. Those numbers are consistent with the previous year. About 97% of the soybean crop is now dropping leaves, with 52% of the crop in the good or excellent categories. Only about 62% of the nation's soybean crop has been harvested, with about 18% of the soybean crop in poor or very poor categories.

Significant changes in crop conditions or inventories can have a dramatic effect on feed costs and profit margins on the farm. With yields estimated to be at or below average, feed inventories are expected to remain relatively tight. With limited inventories and demand remaining strong, feed prices are not likely to decrease significantly in the next few months. This will continue to put pressure on producer price margins. USDA is currently projecting margins to be below the \$9.50 maximum threshold for DMC through Oct. before rebounding slightly above \$9.50 for November and December.

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. 18, 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: Oct23 firm, Nov23-Jan24 \$0.80 to \$1.25 higher, Feb-Sep24 \$0.40-0.70 higher.	16.83	18.54	18.59	18.63	18.75	18.79	18.80	18.88	18.90	19.05	19.05	19.03	12-Month Avg. 18.65 ↑↑				
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Firm to \$0.25 higher across the board.	21.59	21.10	19.95	19.25	19.42	19.52	19.55	19.68	19.84	19.95	19.90	19.90	12-Month Avg. 19.97 ↑↑				
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered	16.75	18.75	18.75	18.75	18.75	18.75	18.75	19.00	19.00	19.00	19.00	19.00	1.17				
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	16.75	18.75	18.75	18.75	18.75	18.75	18.75	19.00	19.00	19.00	19.00	19.00	1.17				
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				
*AVG	0.67	0.74	1.38	0.85	1.67	2.55	2.15	1.66	1.45	1.25	1.31	1.15					
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
	4.920	5.064	5.144	5.196	5.154	5.182	5.284	5.332	5.322	5.106	5.042	5.210	↑↑
WEEK AGO	4.880	5.036	5.116	5.166	5.136	5.172	5.276	5.326	5.320	5.082	5.030	4.984	

SOYMEAL FUTURES (\$/TON)	DEC-23	JAN-24	MAR-24	MAY-24	JUL-24	AUG-24	SEP-24	OCT-24	DEC-24	JAN-25	MAR-25	MAY-25	TREND
	413.8	406.3	398.8	395.5	394.6	391.4	386.5	381.0	382.1	381.5	379.1	378.1	↑↑
WEEK AGO	377.1	375.0	371.8	371.4	373.7	372.5	369.8	366.1	367.6	367.9	366.2	364.3	

*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) 10/18/23	SPOT CASH TREND
*JUN (estimated)	*9.36 ↓↓	*7.45 ↓↓	*14.48 ↓↓	OCT 1.164	10/18/23 1.2200 ↑↑
PREV MO	9.65	8.21	15.45	NOV 1.200	1.330 ↑↑
YR AGO	9.07	13.98	20.78	DEC 1.233	1.440 ↑↑
Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price				JAN24 1.260	1.540 ↑↑
				FEB24 1.284	1.650 ↑↑
				MAR24 1.300	1.760 ↑↑
				APR24 1.330	1.870 ↑↑
				MAY24 1.330	1.980 ↑↑
				JUN24 1.330	2.090 ↑↑
				JUL24 1.330	2.200 ↑↑
				AUG24 1.330	2.310 ↑↑
				SEP24 1.330	2.420 ↑↑
				OCT24 1.330	2.530 ↑↑
				NOV24 1.330	2.640 ↑↑
				DEC24 1.330	2.750 ↑↑
				JAN25 1.330	2.860 ↑↑
				FEB25 1.330	2.970 ↑↑
				MAR25 1.330	3.080 ↑↑
				APR25 1.330	3.190 ↑↑
				MAY25 1.330	3.300 ↑↑
				JUN25 1.330	3.410 ↑↑
				JUL25 1.330	3.520 ↑↑
				AUG25 1.330	3.630 ↑↑
				SEP25 1.330	3.740 ↑↑
				OCT25 1.330	3.850 ↑↑
				NOV25 1.330	3.960 ↑↑
				DEC25 1.330	4.070 ↑↑
				JAN26 1.330	4.180 ↑↑
				FEB26 1.330	4.290 ↑↑
				MAR26 1.330	4.400 ↑↑
				APR26 1.330	4.510 ↑↑
				MAY26 1.330	4.620 ↑↑
				JUN26 1.330	4.730 ↑↑
				JUL26 1.330	4.840 ↑↑
				AUG26 1.330	4.950 ↑↑
				SEP26 1.330	5.060 ↑↑
				OCT26 1.330	5.170 ↑↑
				NOV26 1.330	5.280 ↑↑
				DEC26 1.330	5.390 ↑↑
				JAN27 1.330	5.500 ↑↑
				FEB27 1.330	5.610 ↑↑
				MAR27 1.330	5.720 ↑↑
				APR27 1.330	5.830 ↑↑
				MAY27 1.330	5.940 ↑↑
				JUN27 1.330	6.050 ↑↑
				JUL27 1.330	6.160 ↑↑
				AUG27 1.330	6.270 ↑↑
				SEP27 1.330	6.380 ↑↑
				OCT27 1.330	6.490 ↑↑
				NOV27 1.330	6.600 ↑↑
				DEC27 1.330	6.710 ↑↑
				JAN28 1.330	6.820 ↑↑
				FEB28 1.330	6.930 ↑↑
				MAR28 1.330	7.040 ↑↑
				APR28 1.330	7.150 ↑↑
				MAY28 1.330	7.260 ↑↑
				JUN28 1.330	7.370 ↑↑
				JUL28 1.330	7.480 ↑↑
				AUG28 1.330	7.590 ↑↑
				SEP28 1.330	7.700 ↑↑
				OCT28 1.330	7.810 ↑↑
				NOV28 1.330	7.920 ↑↑
				DEC28 1.330	8.030 ↑↑
				JAN29 1.330	8.140 ↑↑
				FEB29 1.330	8.250 ↑↑
				MAR29 1.330	8.360 ↑↑
				APR29 1.330	8.470 ↑↑
				MAY29 1.330	8.580 ↑↑
				JUN29 1.330	8.690 ↑↑
				JUL29 1.330	8.800 ↑↑
				AUG29 1.330	8.910 ↑↑
				SEP29 1.330	9.020 ↑↑
				OCT29 1.330	9.130 ↑↑
				NOV29 1.330	9.240 ↑↑
				DEC29 1.330	9.350 ↑↑
				JAN30 1.330	9.460 ↑↑
				FEB30 1.330	9.570 ↑↑
				MAR30 1.330	9.680 ↑↑
				APR30 1.330	9.790 ↑↑
				MAY30 1.330	9.900 ↑↑
				JUN30 1.330	10.010 ↑↑
				JUL30 1.330	10.120 ↑↑
				AUG30 1.330	10.230 ↑↑
				SEP30 1.330	10.340 ↑↑
				OCT30 1.330	10.450 ↑↑
				NOV30 1.330	10.560 ↑↑
				DEC30 1.330	10.670 ↑↑
				JAN31 1.330	10.780 ↑↑
				FEB31 1.330	10.890 ↑↑
				MAR31 1.330	11.000 ↑↑
				APR31 1.330	11.110 ↑↑
				MAY31 1.330	11.220 ↑↑
				JUN31 1.330	11.330 ↑↑
				JUL31 1.330	11.440 ↑↑
				AUG31 1.330	11.550 ↑↑
				SEP31 1.330	11.660 ↑↑
				OCT31 1.330	11.770 ↑↑
				NOV31 1.330	11.880 ↑↑
				DEC31 1.330	11.990 ↑↑
				JAN32 1.330	12.100 ↑↑
				FEB32 1.330	12.210 ↑↑
				MAR32 1.330	12.320 ↑↑
				APR32 1.330	12.430 ↑↑
				MAY32 1.330	12.540 ↑↑
				JUN32 1.330	12.650 ↑↑
				JUL32 1.330	12.760 ↑↑
				AUG32 1.330	12.870 ↑↑
				SEP32 1.330	12.980 ↑↑
				OCT32 1.330	13.090 ↑↑
				NOV32 1.330	13.200 ↑↑
				DEC32 1.330	13.310 ↑↑
				JAN33 1.330	13.420 ↑↑
				FEB33 1.330	13.530 ↑↑
				MAR33 1.330	13.640 ↑↑
				APR33 1.330	13.750 ↑↑
				MAY33 1.330	13.860 ↑↑
				JUN33 1.330	13.970 ↑↑
				JUL33 1.330	14.080 ↑↑
				AUG33 1.330	14.190 ↑↑
				SEP33 1.330	14.300 ↑↑
				OCT33 1.330	14.410 ↑↑
				NOV33 1.330	14.520 ↑↑