

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 1, 2023 — except where noted



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Understanding your basis: Each week this page includes a report on the average basis dairy producers can expect to see in their milk check each month, based on historical trends from the past 5 years. What's published here is the average for the region, but your basis is unique to your individual farm operation. It's basically the difference between the mailbox price you receive for a given month minus the Class III price published for that month. Understanding your basis can be important in making risk management decisions for your dairy.

Your mailbox price is the price calculated by your milk market based on where your milk is marketed, whether it is used for Class I, II, III or IV, and how far it must be moved to be marketed. Large spreads between the Class III and Class IV prices can contribute to a larger or smaller basis, depending on prices—especially in regions like ours where more milk moves to the other classes than moves into the Class III market. For example, our mailbox prices in this region right now are being supported by the fact that Class IV prices are significantly higher than Class III.

Your mailbox price can also differ based on what your milk component and quality levels are for your individual dairy. In component-based markets, like the Northeast, farms producing and shipping milk with higher levels of butterfat and protein will receive a higher mailbox price than those with lower component levels. How milk quality contributes to your mailbox price depends on how your market incentivizes quality. Some markets pay premiums for lower somatic cell, PI and bacteria counts, while others expect that from all their producers. Some charge deductions for high SCC and bacteria counts. Depending on your market, that will also contribute to your mailbox price.

In the early 2000s, dairy producers in Pennsylvania could have expected as much as a \$2 positive difference between the mailbox price they received and the Class III price published for any given month. That was because a larger share of our milk went into the Class I or fluid market, which is typically the higher priced class of milk. As our share of the fluid market has declined and more milk has moved into the Class IV market, the basis between our mailbox price and Class III, or our basis, has decreased. USDA does publish a monthly Mailbox Milk Price Report, which shows mailbox prices for different regions. The latest was

published on Oct. 26. (See yellow-shaded box below).

This most recent report listed average mailbox prices for each region for July 2023. The report also shared what the average components were on producer milk in July. The average butterfat level on all U.S. producer milk shipped in July was 3.95%, and the average protein level was 3.13%. Class III milk is standardized at 3.5% butterfat and 2.995% protein. Thus, July mailbox prices were supported by the higher component levels, which helped to contribute to a stronger basis.

For eastern Pennsylvania, the average mailbox price for July was reported at \$18.07 per cwt., compared to a July Class III milk price published at \$13.77 per cwt. The mailbox price reported for western Pennsylvania was \$17.14 per cwt. Both regions reported mailbox prices significantly higher than Class III prices, which means producers in this region should have seen a basis of between \$3 and \$5 for the month of July. Part of the reason the basis was so strong in July was because the Class IV price was around \$4.50 higher than the Class III price published for that month. Historically, looking at the past five years, producers in Pennsylvania saw a basis closer to 99 cents on average in July.

While there is a lot about our mailbox price that we can't influence, it is important to note that every dairy farm's basis will differ based on your milk production and where your milk is delivered. You can greatly improve your mailbox price and basis by increasing butterfat and protein levels and enhancing milk quality. Sometimes keeping that high SCC cow in the tank can cost a lot more than what you are saving by not dumping her milk.

Some farms leverage their profit team to look at mailbox prices, basis, and how to improve them. A profit team often includes your nutritionist, veterinarian, and other advisors. Together they understand your operation and can help you identify bottlenecks to capture everything possible when it comes to the price you receive in your milk check. If you would like help in forming a profit team for your dairy, the Center offers Dairy Profit Team Grants. For information, call Melissa Anderson at 717-346-0849 or email manderson@centerfordairyexcellence.org.

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 — NOV. 1, 2023 AT THE CLOSE

	NOV-23	DEC-23	JAN-24	FEB-24	MAR-24	APR-24	MAY-24	JUN-24	JUL-24	AUG-24	SEP-24	OCT-24	TREND			
*AVG = Average basis for North-East and Mid-East	17.24	17.13	17.34	17.76	18.14	18.30	18.40	18.43	18.65	18.70	18.80	18.81	↓			
*MARGIN = Milk Price over Feed Cost per cwt.	20.75	19.61	18.71	18.95	19.07	19.24	19.35	19.57	19.65	19.80	19.90	19.90	↓			
CLASS III MILK (\$/CWT) vs. wk ago: Most months \$0.20-0.40 lower, except May24 down \$0.10 and Jul-Oct24 firm to \$0.10 higher.												12-Month Avg. 18.14 (firm)				
CLASS IV MILK (\$/CWT) vs. wk ago: Nov23-Jan24 down \$0.20-0.35, Feb-Jul24 down \$0.05-0.15, Aug-Oct24 fully steady.												12-Month Avg. 19.54 ↓				
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	17.25 0.14	17.25 0.52	17.25 0.61	17.75 0.78	18.25 0.98	18.25 0.98	18.50 1.12	18.50 1.12	18.75 1.15	18.75 1.21	18.75 1.18	18.75 1.16				
MILK BASIS (\$/CWT) — 2017-22 PA BASIS AND AVG PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	PA 0.60	0.79	1.17	0.62	1.53	2.29	1.82	1.58	0.99	1.03	0.95	0.79				
*AVG	0.74	1.38	0.85	1.67	2.55	2.15	1.66	1.45	1.25	1.31	1.15	0.69				
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	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
	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	*8.44	↑↑

	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
U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report	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	↑↑

	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
CORN FUTURES (\$/BU)	4.750	4.896	4.984	5.060	5.072	5.112	5.220	5.270	5.264	5.112	5.080	5.246	Mixed
WEEK AGO													
	4.800	4.944	5.030	5.086	5.064	5.106	5.216	5.270	5.264	5.096	5.046	5.212	

	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
SOYMEAL FUTURES (\$/TON)	430.4	419.1	409.0	404.4	404.5	401.9	398.5	393.7	395.1	394.4	391.5	390.3	↑↑
WEEK AGO													
	429.2	417.3	406.3	401.6	400.8	397.7	394.1	389.7	391.2	390.2	387.2	385.8	

	PA MILK MARGIN & IOFC-LATEST PSU VALUES - *JULY 2023			CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/01/23								SPOT CASH	TREND	
	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	NOV23	DEC23	JAN24	FEB24	MAR24	APR24	MAY24	JUN24	JUL24	AUG24	11/01/23
FEED =	*JUL (estimated) *9.16 ↓	*6.18 ↓	*13.05 ↓	1.205	1.187	1.200	1.215	1.239	1.259	1.277	↑	↑	1.1875 ↓	
IOFC =	PREV MO 9.36	7.45	14.48	0.361	0.372	0.398	0.410	0.426	0.440	0.447	Mixed	0.3650 ↓		
\$/COW	YR AGO 9.81	12.74	20.10	3.039	2.720	2.520	2.495	2.490	2.509	2.480	↑	↑	3.1425 ↓	
	Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price			1.770	1.762	1.780	1.810	1.850	1.862	1.877	Mixed	See Below		
	CME SPOT CHEESE: BARRELS 1.6725 / 40 LB BLOCKS 1.6850 ↓ / ↓													

	ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW								
	CL I ADVTT	*CL II TT	*CL III TT	*CL IV TT	*ALL-MILK-U.S	*ALL-MILK-PA	WEIGHTED AVG. 4-WK	OCT. 1-28, 2023	*OCT 2023 COMPONENTS						
	19.75(NOV)	*21.95(OCT)	*16.84(OCT)	*21.49(OCT)	*21.00(SEP) ↑	*21.50(SEP) ↑	1.205	1.187	1.200	1.215	1.239	1.259	1.277	↑	1.1875 ↓
	19.47	19.98	18.39	19.09	19.70 4.00F	20.20 3.95F	0.361	0.372	0.398	0.410	0.426	0.440	0.447	Mixed	0.3650 ↓
	24.09	25.73	21.81	24.96	24.10 4.01F	26.10 3.97F	3.039	2.720	2.520	2.495	2.490	2.509	2.480	↑	3.1425 ↓
	CATTLE - DAIRY PURPOSES(\$/HD) (Avg Oct. 25, 2023 New Holland PA) Receipts double vs. year ago: 33% Fresh/Milking Cows, 3% Bred Cows, 6% Springer Cows, 13% Bred Heifers, 7% Springer Heifers, 38% Open Heifers. Fresh and Springing cows \$300 below high point three weeks ago. Bred cows and all heifer classes generally steady to mixed.						1.770	1.762	1.780	1.810	1.850	1.862	1.877	Mixed	See Below
	Fresh	Bred	Springing	*HEIFERS: Bred	Springing	Beef x	Open: 300-600 lbs	Beef X 600-900 lbs	Beef X 900-1100 lbs	BULLS(800-1300lbs)					
	1590	1585	1625	1700	1690		625	750	1375	N/A					
	THREE WEEKS AGO						785	975	1200	N/A					

	PA Auction Markets Oct. 26-31, 2023			FED HOLSTEIN STEERS (\$/CWT LIVWEIGHT)		CURRENT Beef X		WEEK AGO	YR AGO			
CULL MARKET COWS \$/CWT LIVWEIGHT	Premium White	Breakers	Boners	Lean	Choice & Prime	1250-1550 lbs light test	153.00(Std)	152.00	122.00	↑↑		
	99.50 ↓	88.60 ↓	78.60 ↓		BULL CALVES: No. 1 & 2, 90-130 lbs	70-85 lbs	315.00	650.00	335.00	685.00	125.00	↓
	WEEK AGO						300.00	625.00	285.00	750.00	110.00	↑↑
	N/A	101.60	88.75	79.10								
	YEAR AGO											
	N/A	73.10	69.60	60.00								

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