

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 15, 2023 — except where noted



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How production, exports impact your price: For most dairy farm families, the days when the milk price you receive is based primarily on what supply and demand looks like in your backyard are long gone. In today's marketplace, the mailbox price you receive each month is determined by national and international factors influencing both the demand and the supply side of the equation. If just one of those factors changes dramatically, it could significantly change your milk price. In reality, though, all those factors are changing daily, influencing the movement you see in the Class III and IV milk futures prices reported on this page and in the movement in the mailbox price you receive each month.

Two factors that have a big influence on milk prices right now are the amount of dairy products we are producing in the U.S. and the amount of products we are marketing overseas. Those numbers are reported monthly. The USDA Dairy Products report is released at the beginning of each month and shares data from one month prior to the previous month. US dairy export data is also released in the beginning of the month by USDA's Foreign Agricultural Services division and looks at the data from one month prior to the previous month. Last week's reports looked at September's numbers.

The latest Dairy Products report shows September's output of both cheese and butter being up from year-ago levels, despite U.S. milk supplies being down from a year ago. In fact, September was the first month when total cheese production was above year-ago levels, with production coming in at 1.152 billion pounds, up 0.1 percent from a year ago. Most of the growth was driven by American type cheese, with those varieties being up 4.2%. Cheddar cheese production alone was up 3.1%. On the flip side, Italian style cheese production was down 3.4% overall from a year ago, with Mozzarella production down 1.3% and Parmesan cheese production down 22.2%.

Butter production also showed strength in September, rebounding to 144.566 million pounds of production for the month after falling in August. September's butter production was up 2.9% from a year ago, driven by strong domestic demand and corresponding strong butter prices on the CME toward the end of the month. Butter prices continued

to climb in October, reaching a record high average for that month of \$3.50 per pound. With butter demand and prices strong, that has helped to push Class IV prices higher.

Unfortunately, milk powder is also a factor influencing the Class IV price. The Dairy Products report released last week shows powder production falling in September. Combined production of nonfat dry milk and skim milk powder was 156.7 million pounds for the month, down 18% from a year ago. Skim milk powder production took the biggest hit, falling 18.7% due to lackluster demand overseas. Nonfat dry milk production was also down significantly, dropping 10 million pounds from August to September.

How and where milk is moving into the dairy product chain is typically a function of both domestic and international demand. The latest dairy export data released by the FAS shows that demand is still struggling overseas. Overall dairy exports volumes, on a milk solids equivalent, fell 12% in September, marking the 8th consecutive year-over-year decline. The value of dairy exports fell even more significantly, due to the lower milk prices in 2023, dropping 25% to \$603 million, the lowest monthly value of exports since January 2022.

Looking at individual products, U.S. cheese exports rebounded in September, up 4% from a year ago. The growth was primarily driven by shipments into Mexico. U.S. nonfat and skim milk powder exports, though, fell 20%, with powder shipments into Mexico falling.

Occasionally, I will get a question about the value we get out of marketing our products overseas. The downturn we are seeing in dairy exports this year comes after two years — in 2021 and 2022 — of record growth for U.S. dairy overseas. In fact, since the early 2000s, the percentage of our milk supply that goes overseas has steadily grown. In 2022, it represented about 18% of our milk supply on a milk solids basis. Even with the decrease in total exports, we are still shipping about 16% of our milk supply overseas in 2023. Without that market, we would have seen a lot more pressure on both milk prices and dairy farm profitability over the past two decades.

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. 15, 2023 AT THE CLOSE

*AVG = Average basis for North-East and Mid-East	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											
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Nov23 down \$.05, Dec23-Feb24 up \$.025-0.40, Mar24 up \$1.00, Apr-Oct24 firm to \$0.10 higher. 12-Month Avg. 18.13 ↑↑	17.10	17.45	17.49	17.93	18.24	18.26	18.32	18.40	18.42	18.64	18.65	18.74	↑↑											
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: Nov23 dn \$.10, Dec23 up \$.10, Jan-May24 up \$.025-0.45, Jun-Jul24 up \$.010-0.20, Aug-Oct24 firm. 12-Month Avg. 19.65 ↑↑	20.61	19.46	19.10	19.25	19.45	19.32	19.54	19.60	19.84	19.80	19.90	19.90	↓↓											
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered																								
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	17.00	0.03	17.50	0.39	17.50	0.59	18.00	0.79	18.25	0.93	18.25	0.94	18.25	0.99	18.50	1.18	18.75	1.23	18.75	1.25	18.75	1.24	18.75	1.28
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	↑↑								

U.S. AVG PREMIUM ALFALFA & ALFALFA/GRASS HAY 20-22% CP - Source: USDA Monthly National Dairy Comprehensive Report	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	*OCT-23	TREND
	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	*217.82	↓↓
U.S. AVG. BRED COWS & HEIFERS (3rd trimester) per head as reported by USDA Monthly National Dairy Comprehensive Report	1350	1407	1265	1310	1290	1300	1250	1352	1342	1330	1400	1559	1502	1540	1500	*1741	↑↑
U.S. AVG. FRESH COWS per head as reported by USDA Monthly National Dairy Comprehensive Report	1571	1417	1384	1701	1526	1531	1436	1487	1493	1544	1469	1792	1615	1634	1643	*1830	↑↑

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
	4.782	4.942	5.036	5.120	5.124	5.180	5.284	5.330	5.322	5.142	5.104	5.270	↑↑
WEEK AGO													
	4.684	4.834	4.932	5.024	5.052	5.100	5.206	5.256	5.254	5.110	5.082	5.246	
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
	473.6	455.6	440.9	429.5	425.4	419.4	412.0	403.7	404.7	403.2	398.7	396.5	Mixed
WEEK AGO													
	447.4	438.8	431.1	425.6	424.6	420.9	415.7	409.4	410.6	409.3	405.4	403.5	

*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - *AUG. 2023	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/15/23	NOV23	DEC23	JAN24	FEB24	MAR24	APR24	MAY24	SPOT CASH	TREND
FEED = \$/CWT. *AUG (estimated) *8.84 ↓↓				NFDM	1.187	1.212	1.240	1.262	1.275	1.288	1.311	↑↑	1.2200 ↑↑
IOFC = PREV MO 9.16		6.18	13.05	WHEY	0.376	0.415	0.441	0.437	0.442	0.442	0.455	↑↑	0.4150 ↑↑
\$/COW YR AGO 9.38		12.61	219.65	BUTTER	2.969	2.700	2.500	2.510	2.510	2.480	2.485	↑↑	2.6900 ↓↓
<i>Covers ONLY lactating feed, based on 75 lb herd avg, Buff., NY soy price</i>				CHEESE	1.744	1.770	1.760	1.807	1.838	1.845	1.850	↑↑	See Below
				CME SPOT CHEESE: BARRELS 1.6800 / 40 LB BLOCKS 1.6200 ↑↑ / ↓↓									

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	CL I ADV	CL III	CL III	CL IV	ALL-MILK-U.S	ALL-MILK-PA	CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW						
	19.75(NOV)	21.95(OCT)	16.84(OCT)	21.49(OCT)	21.00(SEP) ↑↑	21.50(SEP) ↑↑	WEIGHTED AVG. 4-WK OCT. 1-28, 2023						
					4.08F	4.01F	PRODUCT	VALUE	MAKE ALLOW	NET	OCT 2023 COMPONENTS		
							CHEESE	1.7390	0.2003	1.5387	↓	PROT	1.0468 ↓↓
							BUTTER	3.2387	0.1715	3.0672	↔	B.FAT	3.7144 ↑↑
							NFDM	1.1558	0.1678	0.9800	↑↑	N.FAT	0.9781 ↑↑
							DRYWHEY	0.3198	0.1991	0.1207	↑↑	OTHER	0.1243 ↑↑

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.	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Beef X	Open:	300-600 lbs	Beef X	600-900 lbs	Beef X	900-1100 lbs	BULLS(800-1300lbs)
	1590	1585	1625	1700	1690			625		750		1375	N/A
THREE WEEKS AGO													
	1925	1675	2340	1660	1725			785		975		1200	N/A

PA Auction Markets Nov. 9-14, 2023	FED HOLSTEIN STEERS (\$/CWT LIVWEIGHT)			CURRENT Beef X	WEEK AGO	YR AGO
CULL MARKET COWS \$/CWT LIVWEIGHT	Choice & Prime	1250-1550 lbs light test		147.50(Itd)	148.00	118.00 ↓↓
Premium White Breakers Boners Lean	BULL CALVES: No. 1 & 2, 90-130 lbs			385.00	650.00	355.00 675.00 140.00 ↑↑
				385.00	700.00	375.00 710.00 120.00 ↑↑

Price averages do not include lower-end common

Average to high dressing

WEEK AGO: N/A, 97.60, 89.50, 75.50

YEAR AGO: N/A, 74.60, 71.75, 64.75

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