

MARKET WATCH FEED

Feed expense is the single largest outlay of cash for a dairy. The Economic Research Service estimates that feed makes up 55 percent and 70 percent of operating and total milk production costs, respectively. Since feed is a significant cost contributor, we need methods to identify feedstuffs that may meet the nutrient requirement of the dairy cow more economically than the feedstuffs currently in the ration. Several technologies exist to rate or rank the economic value of feedstuffs in addition to the one this column uses.

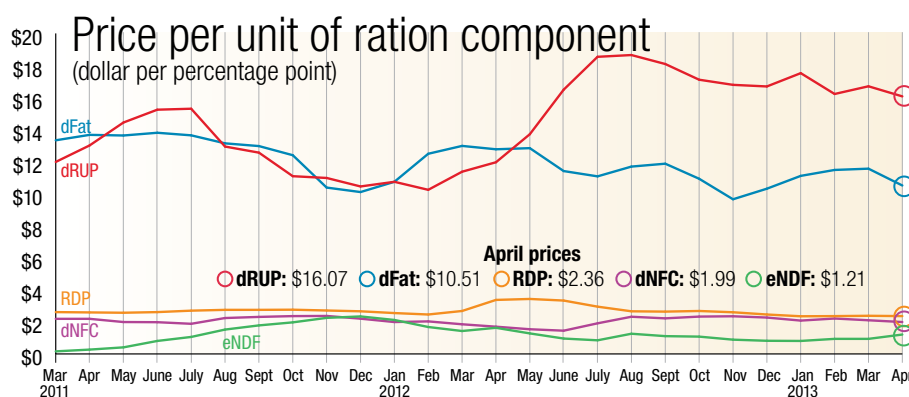
Nutrient values are derived using the composition and weekly market prices for a basket of 25 feeds available in the region. Market prices are gathered from both published and unpublished sources. Values are determined for rumen-degradable

Patrick French
 RP Feed Components
 Patrick.French@
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protein (RDP), rumen-undegradable protein (RUP), effective neutral-detergent fiber (eNDF), non-fiber carbohydrates (NFC) and fat. For RUP, NFC and fat, only the fraction that is digestible in the small intestine is valued. For brevity, eNDF is referred to as a nutrient though it is a ration descriptor. When nutrient values are combined with the composition of a feed, we arrive at a relative economic value of the ingredient. This gives us a global perspective of the feed's value. However, many times we may need a specific nutrient, so we have derived nutrient-specific values for the

NUTRIENT COSTS ARE FLAT TO LOWER



categories of carbohydrates, proteins and fiber carbohydrates.

The graph shows the monthly nutrient values over the previous three years. Through the first third of 2013, nutrient costs are flat to lower. Overall, nutrient costs are about even with one year ago except for protein, which is up from last year. The market cost for 1 pound of dry matter has dropped below 14.5¢, which is equivalent to feed costs of \$7.10 per cow per day or \$9.80 per

hundredweight (cwt) of milk.

The table lists several feeds, their price and their value based on whether all nutrients (comprehensive) or specific sets of nutrients (carbohydrates, proteins or fiber) were used in their valuation. Green shading and intensity of shading indicates undervalued feeds, and orange shading indicates overvalued feeds. Feeds without shading indicate that the market price and derived value are similar. Overall, corn co-products continue to dominate the list of undervalued ingredients, whereas beet pulp and soyhulls are overvalued. Undervalued feedstuffs when observing specific nutrient sets are hominy (carbohydrates), corn gluten feed (protein) and straw (fiber). Use of undervalued feedstuffs may reduce ration cost, but value is only one of several factors that should be considered when evaluating the inclusion of a new ingredient. **PD**



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COMMODITIES

May 6	Corn* (in tons)		(in bushels)	
	Price	3-week change	Price	3-week change
MN	\$237	\$1 ▲	\$6.64	.14¢ ▲
PA	\$259	\$4 ▲	\$7.25	.25¢ ▲
WI	\$237	\$7 ▲	\$6.64	.20¢ ▲

*Price quotes contributed by American AGCO Trading Company and Hooper Feeds ..

Soybean meal* (\$/ton)

May 6	Price	3-week change
MN	\$449	\$39 ▲
PA	\$477	\$34 ▲
WI	\$449	\$34 ▲

Cottonseed* (\$/ton)

May 6	Price	3-week change
MN	\$339	\$21 ▼
PA	\$295	\$5 ▲
WI	\$339	\$4 ▲

Supreme hay (\$/ton)

May 6	Price	3-week change
IA	\$285-\$300	\$10 ▼
IL	\$280-\$360	NC
KS	\$260-\$280	NC
MO	\$225-\$300	NC
NE	\$265	\$35 ▼
PA	\$250-\$330	NC
VA	\$200	\$35 ▼

Source: USDA National Hay, Feed & Seed Summary

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STRAW IS UNDERVALUED

Feed name	Market Price \$/T As-Fed	Comprehensive Value, \$/T As-Fed	Carbohydrate Value, \$/T As-Fed	Protein Value \$/T As-Fed	Fiber Value \$/T As-Fed
Alfalfa, Good	276	214	207		161
Alfalfa, Premium	301	233	220		
Alfalfa, Supreme	311	256	230		
Bakery/Candy Byproduct	313	327	258		
Beet Pulp	258	170	393		
Brewers Grains, 30% DM	79	117		89	47
Canola Meal	350	326		305	
Corn Gluten Feed	210	312	227	246	172
Corn Gluten Meal	582	767		580	
Corn Grain, ground	262	261	286		
Corn Silage, 35% DM	75	76	87		83
Cottonseed	326	423		239	143
Cottonseed Hulls	196	154	95		185
Cottonseed Meal	413	435		377	
Distillers Dried Grains (DDG)	262	451		312	139
Hominy	228	292	273		
Molasses	248	204	267		
Porcine Blood Meal	1144	882		1146	
Soybean Hulls	274	173	239		384
Soybean Meal, 48%	431	455		459	
Straw	97	179	169		286
Tallow	732	643			
Urea	573	564		576	
Wheat Grain, ground	269	236	257		
Wheat Midds	263	265	180		116

- Extremely undervalued feed
- Undervalued feed
- Extremely overvalued feed
- Overvalued feed

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and their recent
prices**

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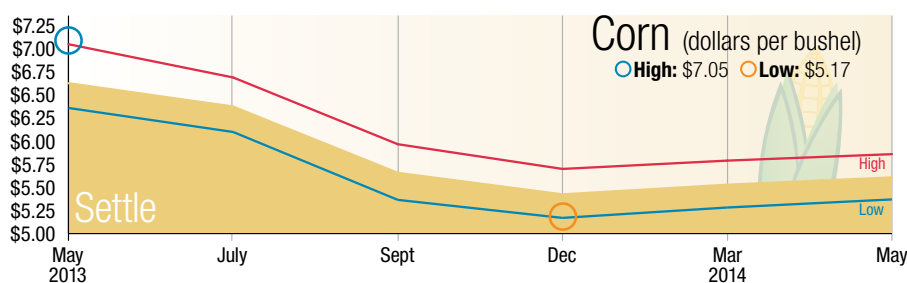
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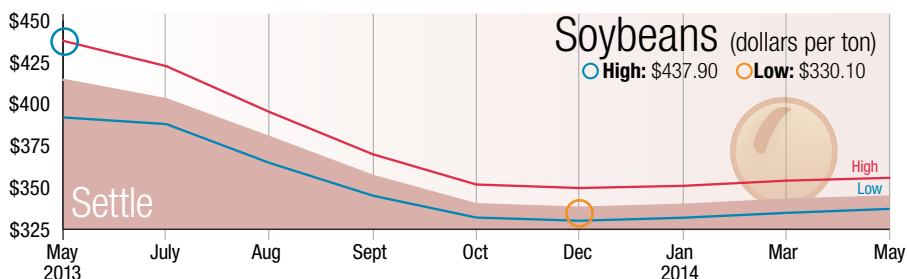
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FUTURES



Corn	May '13 contracts	\$6.63 +0.09¢ ▲	\$7.00/\$6.39
	July '13 contracts	\$6.37 -0.01¢ ▼	\$6.62/\$6.14
MAY 8		Avg. 3-week settle	High/Low
Soybean meal	May '13 contracts	\$414.54 +\$15.72 ▲	\$431.40/\$401.30
	July '13 contracts	\$402.88 +\$6.60 ▲	\$416.40/\$390.60



Source: Chicago Mercantile Exchange data



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Neil Michael
Senior Business Manager
Arm & Hammer
Animal Nutrition



Economists say the market outlook for dairy is bullish, with University of Missouri agricultural economist Joe Horner going so far as to say, "The futures margins are the best available in years," at the University of Missouri Extension Spring Ag Marketing Outlook Conference. Dropping feed prices and rising milk prices are welcome changes to dairy producers that have had to manage extremely tight margins for months.

The upward price trend is apparent in milk component prices. Both 2013 protein and butterfat prices are more than 25 cents a pound higher compared to the same time last year.

See **Figures 1 and 2** for a look at the pricing trend for these two components since 2011.

The optimistic long-term milk price outlook indicates that milk prices in the second quarter will be slightly higher than the first quarter. The all-milk price for the year will be about \$20 per hundredweight, which

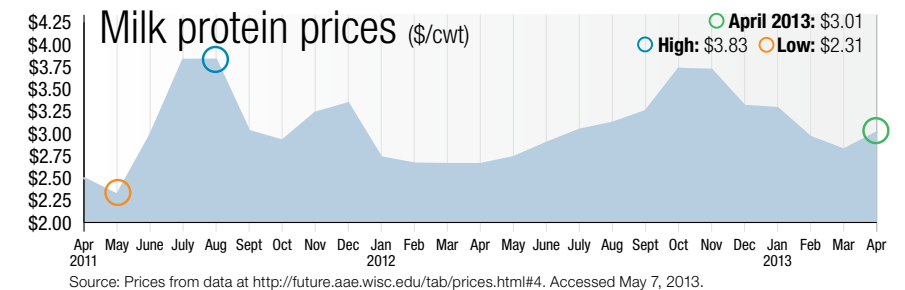
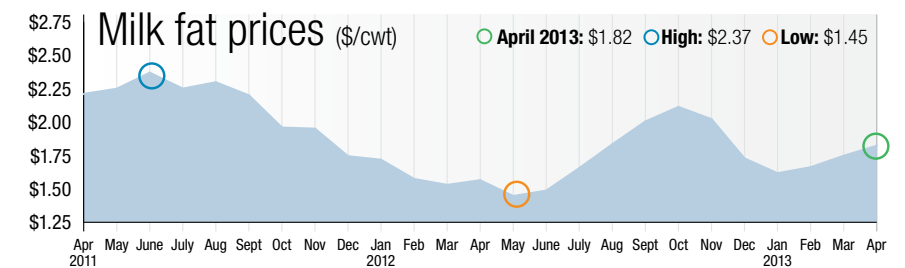
is a couple of dollars higher than last year.

This means dairy producers have opportunities to glean additional profits from the market by maintaining milk component levels, especially during the hot summer months when component production often drops off. Use these tips to help maintain milk component levels in your herd:

◆ **Maximize feed intake** – An increase in feed intake usually results in the production of a greater volume of milk. In general, the proportional increases in fat, protein and lactose yields are approximately the same as the proportional increase in milk volume.

◆ **Properly formulate rations** – The ration is one of the best tools to quickly influence component improvements – in some cases, in only days or weeks – when appropriate changes are made. Even small changes to the diet can increase milk components quickly.

Work with your nutritionist to deliver an energy-dense ration that meets cow performance and health requirements to counteract the



Source: Prices from data at <http://future.aae.wisc.edu/tab/prices.html#4>. Accessed May 7, 2013.

Component prices	April 2012	April 2013
Butterfat (\$/lb.)	\$1.56	\$1.82
Protein (\$/lb.)	\$2.66	\$3.01

effects of hot weather.

◆ **Keep cows cool** – With hot weather here, implement cooling technologies and make sure cows have ample access to clean drinking water to help support rations and cow intake levels. **PD**

Michael received both a DVM

and MBA from Purdue University and has over 30 years of industry experience including veterinary practice, dairy management, reproduction and nutritional consulting.

References omitted due to space but are available upon request.



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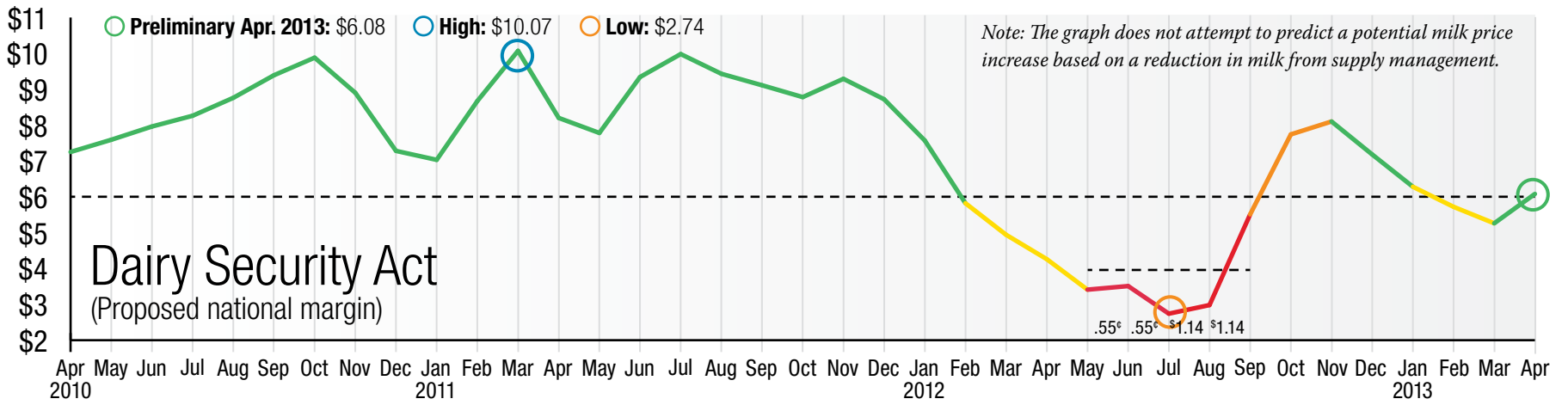
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MARKET WATCH MARGIN



The margin graph above assumes several factors:

- Prices for corn, soybean meal, alfalfa and all-milk used to calculate the margin shall be determined as the monthly revised commodity prices published by USDA's National Agricultural Statistics Service, not preliminary prices.
- World prices used to calculate supply management program overrides would use "Oceania prices" for cheddar and skim milk powder as published by USDA's bi-weekly prices included in *Dairy Market News - International Reports*.

What the graph means?

The margin indicated in the graph above will be closely watched by those producers who would eventually sign up for proposed government-sponsored margin protection. Producers who seek this protection at any level will be required to participate in the Dairy Market Stabilization Program, a temporary supply management program triggered when milk margins are less than \$6 per hundredweight for two consecutive months or less than \$4 for one month.

Green sections – Times when the difference between milk price and feed cost was above \$6. Supply management was not in effect.

Yellow sections – Times when the difference between milk price and feed cost was below \$6 but when supply management had not yet been announced or taken effect.

Red sections – Times when supply management would have been in effect for anyone receiving basic or supplemental margin protection. Supply management would begin one month after reaching the trigger margins mentioned above. Estimated margin payments per hundredweight for basic margin protection (times when margins are below \$4, on 80 percent of production history) are indicated above.

Orange sections – Times when the milk margin would have triggered supply management but was suspended based on one of six scenarios in the program. **PD**

Proposed DSA margin formula (March, 2013) = \$5.26

$$\left[\begin{array}{l} \text{all-milk price} \\ \$19.10 \text{ cwt} \end{array} \right] - \left[\begin{array}{l} (\text{price of corn} \times 1.0728) \\ \$7.13 \text{ bu} \end{array} \right] + \left[\begin{array}{l} (\text{price of soybean meal} \times 0.00735) \\ \$434.51 \text{ ton} \end{array} \right] + \left[\begin{array}{l} (\text{price of alfalfa} \times 0.0137) \\ \$219 \text{ ton} \end{array} \right]$$

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MARKET WATCH

CATTLE

MARKET WATCH

May 6, 2013

	Top Springer	Top Average	Medium Holstein Springer	Shortbreds	Open Heifers Light	Open Heifers Heavy	Heifer Calves	Bull Calves	Breeding Bulls
Empire Livestock – Burton Market Vernon, NY (800) 257-1819 (sale 5/2/13)	\$1,550 NC	\$1,300 NC	\$1,200 NC	\$1,100 NC	\$350 NC	\$800 \$100 ▲	\$100 \$25 ▲	\$85 \$10 ▲	\$800 NC
Mammoth Cave Dairy Auction, Inc. Smiths Grove, KY (800) 563-2131 (sale 4/30/13)	\$1,510 \$40 ▼	\$1,450 \$10 ▼	\$1,285 \$25 ▼	\$1,060 \$75 ▲	\$300 \$25 ▼	\$730 \$120 ▲	\$185 NC	\$170 NC	N/T
New Holland Sales Stables New Holland, PA (717) 354-4341 (sale 5/1/13)	\$1,600 \$50 ▲	\$1,500 \$75 ▲	\$1,275 \$25 ▲	\$975 \$275 ▼	\$550 \$50 ▲	\$1,000 \$150 ▲	N/T	N/T	\$900 \$375 ▼
Mid-Georgia Livestock Auction Jackson, GA (770) 775-7314 (sale 4/23/13)	\$1,575 \$100 ▼	\$1,550 \$25 ▼	\$1,225 \$50 ▼	N/T	\$360 \$90 ▼	\$775	\$310 \$160 ▲	\$180 \$5 ▲	N/T
Equity Co-op Livestock Stratford, WI (715) 687-4101 Rocky Olsen (608) 434-4037 (sale 5/7/13)	\$1,650 \$175 ▲	\$1,500 \$125 ▲	\$1,275 \$50 ▲	\$950 \$75 ▲	\$550 \$50 ▲	\$900 \$25 ▲	\$175 NC	\$220 \$30 ▲	\$1,200 \$50 ▼
Springfield Livestock Marketing Center Springfield, MO (417) 869-9500 Doug Thomas (417) 840-9316 (sale 4/23/13)	\$1,420 \$20 ▼	\$1,310 \$60 ▲	\$1,100 \$25 ▲	\$1,300 \$220 ▲	\$375 \$25 ▼	\$870 \$60 ▼	\$220 \$20 ▼	\$200 \$50 ▲	N/T
Topeka Livestock Auction Topeka, IN (206) 593-2522 (sale 4/30/13)	\$1,625 \$50 ▼	\$1,010 \$60 ▲	N/T	N/T	\$925 \$25 ▲	\$1,500 \$50 ▲	\$170 \$10 ▲	N/T	\$1,050 \$200 ▼
United Producers, Inc. Marion, MI (517) 294-3484 (sale 4/19/13)	\$1,850 \$50 ▲	\$1,600 \$50 ▲	\$1,200 NC	\$1,050 NC	\$500 NC	\$875 \$25 ▲	\$100 NC	N/T	N/T
Brush Livestock of Colorado Brush, CO (970) 842-2801 (sale 5/2/13)	\$1,950 \$100 ▲	\$1,875 NC	\$1,570 \$20 ▲	\$1,225 \$100 ▼	N/T	N/T	N/T	N/T	\$1,175 NC
Chehalis Livestock Market Chehalis, WA (360) 748-3191 (sale 4/26/13)	\$1,350 \$50 ▼	N/T	\$1,100 NC	N/T	N/T	N/T	\$100	\$80	\$1,000
Producers Livestock Jerome, ID (208) 324-4345 (sale 4/24/13)	\$1,530 \$60 ▲	\$1,470 \$70 ▲	\$1,370 \$30 ▲	N/T	N/T	N/T	N/T	N/T	N/T
Toppenish Dairy Replacement Sales Toppenish, WA (509) 865-2820 (sale 5/3/13)	\$1,375 NC	\$1,200 \$50 ▲	\$900 NC	\$1,000 \$200 ▼	\$112/cwt NC	\$108/cwt \$8/cwt ▲	N/T	N/T	N/T
A & M Livestock Auction, Inc. Hanford, CA (559) 582-0358 (sale 5/1/13)	\$1,350	\$1,325	\$1,310	\$980 \$170 ▲	\$345	\$660	N/T	N/T	N/T
Sulphur Springs Livestock & Dairy Auction Sulphur Springs, TX (903) 885-7739 (sale 4/4/13)	\$1,475 \$15 ▲	\$1,100 \$100 ▼	\$1,075 \$100 ▼	N/T	\$600 \$110 ▼	\$800 \$100 ▼	\$265 \$75 ▼	\$360 \$20 ▲	\$775
Farmers Livestock Market Oakdale, CA (209) 847-1033 (sale 5/2/13)	\$1,475 \$50 ▲	\$1,300 \$30 ▼	\$1,250 \$140 ▲	\$1,025	\$120/cwt \$15/cwt ▲	\$97/cwt \$4/cwt ▲	\$85 \$5 ▲	\$120 \$5 ▼	N/T

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MARKET WATCH MILK

COLORADO MILK PRODUCTION UP 3.2 PERCENT

NA	NA
NA	NA
10,365	-5.1%
10,365	94.9%

NA	NA
NA	NA
166	-0.6%
166	99.4%

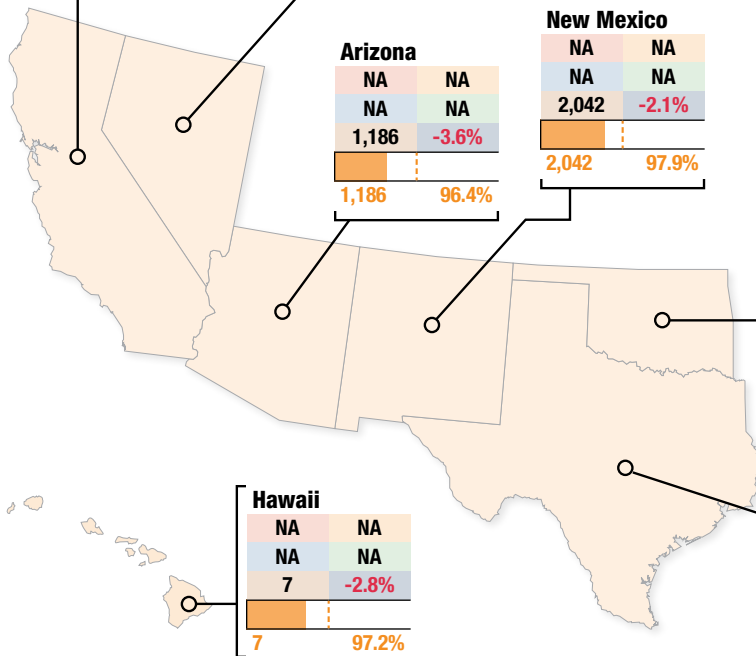
NA	NA
NA	NA
0.8	-52.9%
0.8	47.1%

NA	NA
NA	NA
1,549	-0.7%
1,549	99.3%

NA	NA
NA	NA
3,244	-1.4%
3,244	98.6%

NA	NA
NA	NA
73	-1.4%
73	98.6%

NA	NA
NA	NA
32	+7.4%
32	107.4%



NA	NA
NA	NA
613	-1.0%
613	99.0%

NA	NA
NA	NA
217	-10.0%
217	90.0%

NA	NA
NA	NA
2,415	-3.5%
2,415	96.5%

NA	NA
NA	NA
16,398	-4.4%
16,398	95.6%

NA	NA
NA	NA
6,780.8	-0.8%
6,780.8	99.2%

NA	NA
NA	NA
805	+3.2%
805	103.2%

Legend

U.S. Quarterly Total

Number of cows (in thousands): NA

Milk per cow (Q1 monthly avg.) (in lbs.): NA

Total milk production (quarter) (in millions of lbs.): **50,495**

Year-to-date milk production (total) (in millions of lbs.): **50,495**

Quarterly change (in thousands): NA

Annual percent change: NA

Annual percent change: **-1.1%**

Percentage of year-to-date production versus previous year-to-date: **98.9%**

NOTE: The colored bar represents cumulative year-to-date milk production. for 2013 When it does not surpass the dotted line at the center of the box, it indicates state production is below the previous year's total (2012). When it does surpass the dotted line, it indicates production is above the previous year's total.

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FEATURES AND BENEFITS

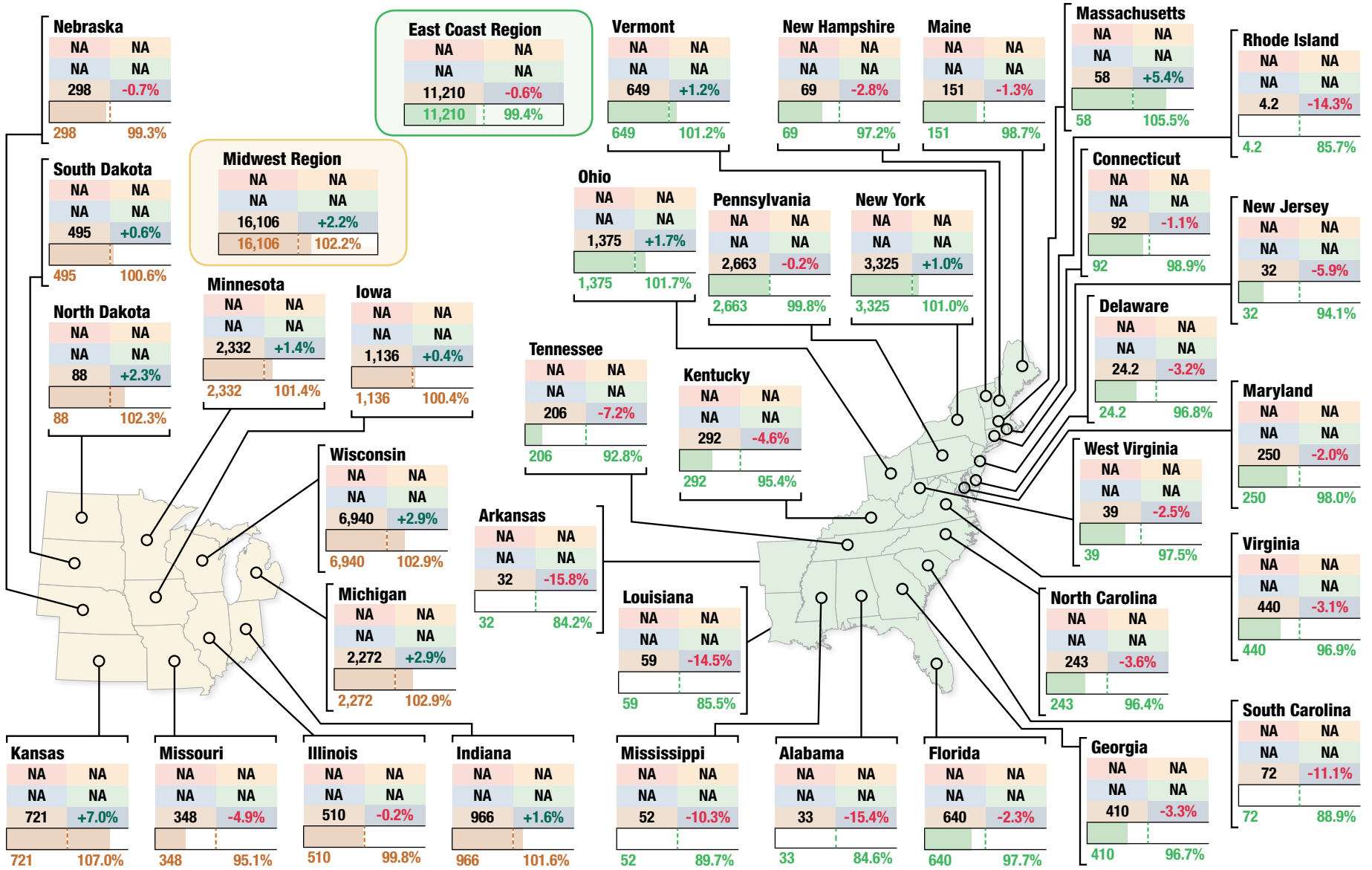
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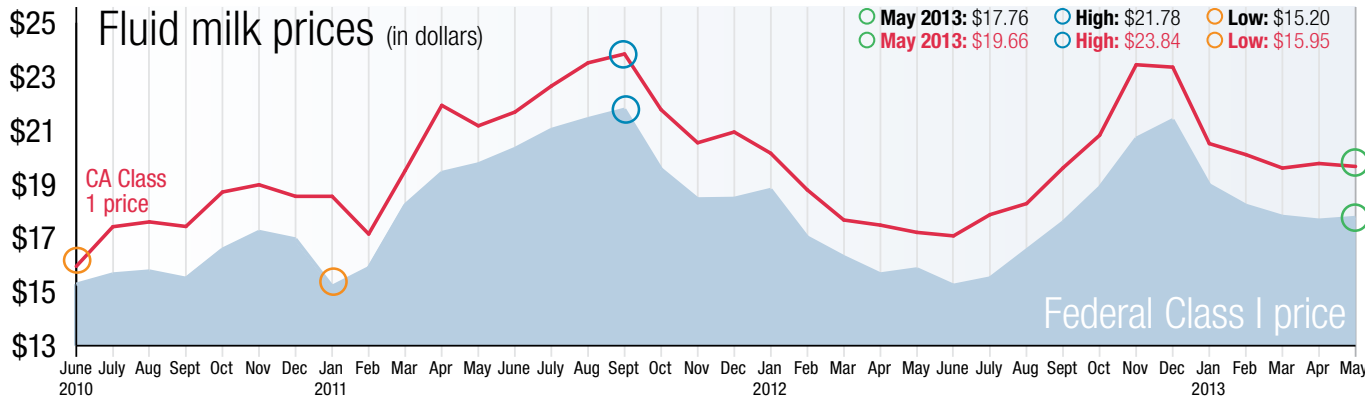
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Drought pressure in the Oceania region, specifically the North Island of New Zealand, has caused great stress to their grazing intense system. New Zealand's dairy herd has climbed to 6.5 million head (4.6 million cows), up 5 percent from the previous year. The North Island is home to nearly 70 percent of them.

With rainfall being in short supply, many dairymen have reported drying cows earlier than normal and also performing cull activity on an advanced schedule. These developments are significant. While the country accounts for only 2 percent of world milk production, it contributes more than one-third of the world's dairy exports. Perhaps the only good news to the buyers of their product (China buys nearly one-fifth of what they export) is that we are witnessing the effects of the drought in only the final months leading up to their summer dry-off period.

This gives time for rain to hopefully rebuild pasture conditions and prepare the herd for kick-off of the coming production period in August. Recent rains have already begun the healing process, but more will be required. As we wait for this to develop, efforts to secure product from that region have driven prices to extremes in the much-followed Global Dairy Trade. Since the last week of March, whole milk powder prices eclipsed their March 2011 high by trading at \$2.32 per pound and then fell in the May 1 auction to \$2.15 per pound. Skim milk powder, in much the same fashion, rose to the highest price ever seen on the GDT auction, with the SMP price index rising 27.8 percent in the April 2 auction to finish at \$2.34 per pound. In the two auctions to follow, prices returned to an average indexed price of \$1.95 per pound.

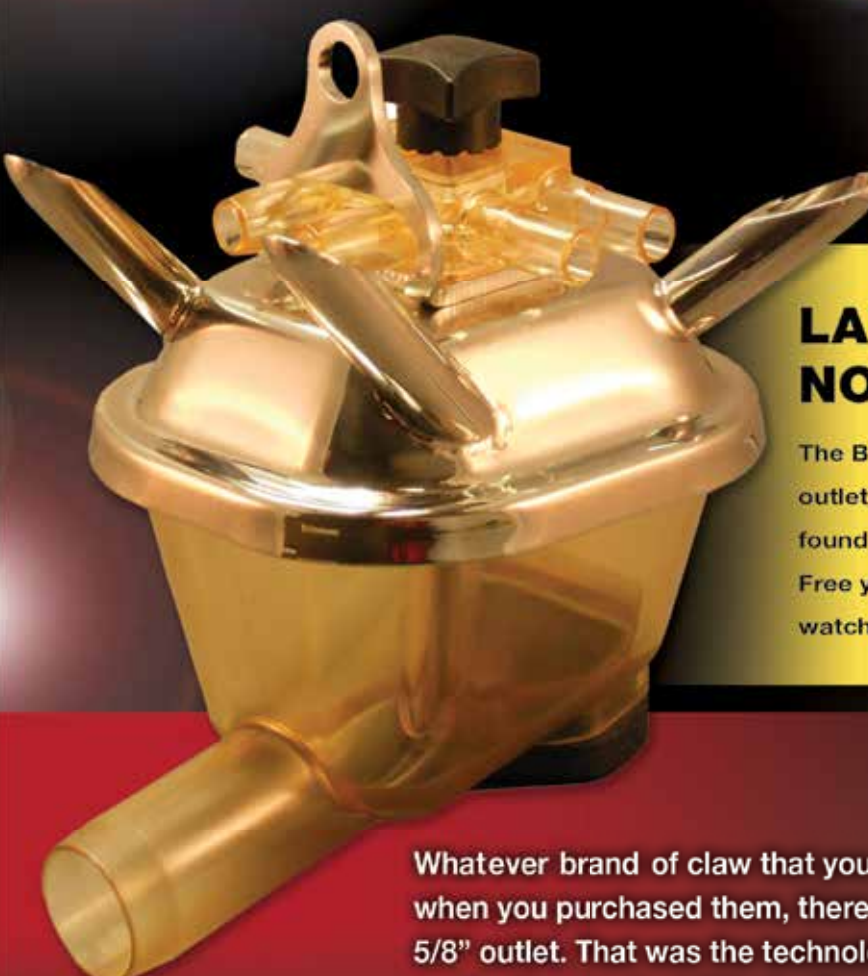
Anhydrous milk fat (AMF) rose to its highest level since summer 2011, finishing at \$2.24 per pound before falling 5.2 percent in the recent auction to \$2.13 ... exactly where it finished in the April 1 auction. Butter also fell 6.7 percent. Cheddar cheese prices went against the grain to finish 3.4 percent higher at a price of \$2.18 per pound. All of this comes on the heels of an Oceania weather upheaval and the consequential reduction in product availability.

Soaring world prices have driven CME Class III and IV milk futures prices significantly higher in recent weeks. The average price for Class III milk futures covering July through December of 2013 have risen to a high of \$19.20 per hundredweight (cwt) and have since settled back to an average of \$18.77. Class IV pricing has seen similar movement as prices peaked north of \$20 for the second half of



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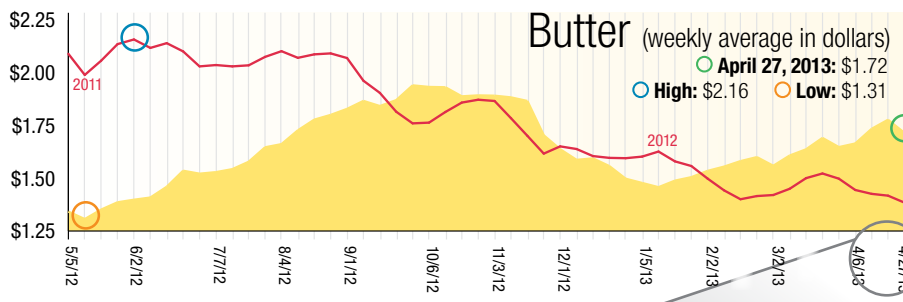
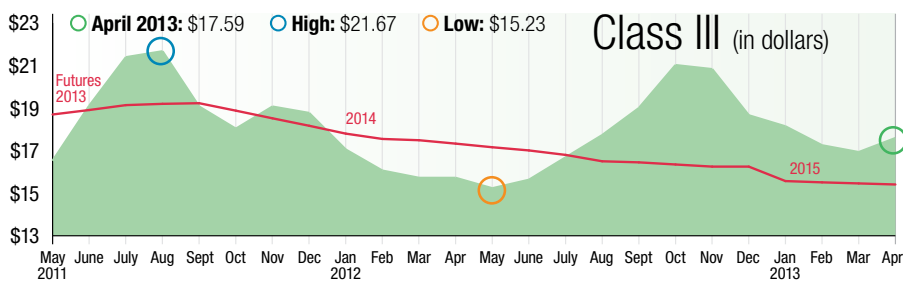
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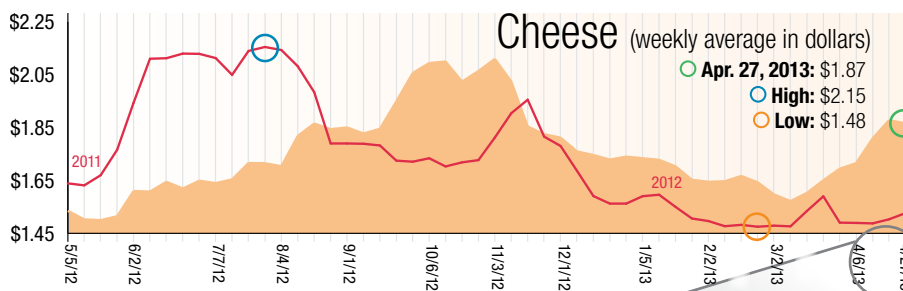
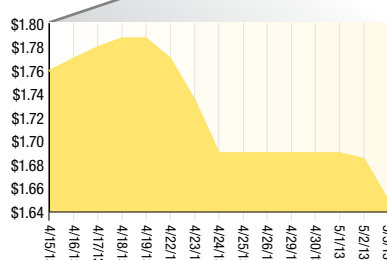
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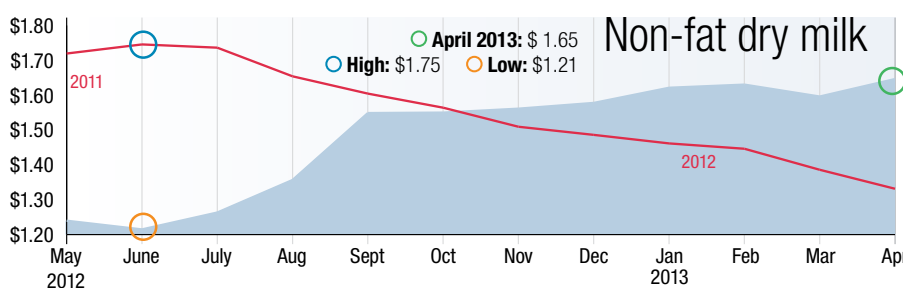
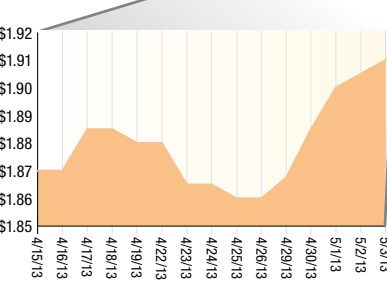
BLOCK CHEDDAR INVENTORY TIGHT



Butter peaked in mid-April at \$1.78 in the CME spot trade before retreating 13 cents lower to a May 3 low of \$1.65, just two cents per pound higher than where it rang in the month of April. GDT auction prices showed a softer price for butter in the most recent trade as prices finished at \$2 per pound, down 6.7 percent.



CME spot cheese trading is working through a historically wide spread between blocks and barrels. Tightness in 40-pound blocks undergirds their recent move to \$1.91 per pound. Barrels have closed a historically wide gap (22½ cents on April 30) to finish at \$1.73 on May 3. The GDT auction continues to reflect buyers' willingness to bid for fresh product as prices have moved to \$2.18 per pound, up 3.4 percent from the previous auction.



the year, a \$1 per cwt improvement before scaling back to a current average of \$19.65 per cwt. Cheese prices, meanwhile, have been working to balance a perfect dichotomy in the available inventory of blocks and barrels. Since the end of March, CME block cheese trading has risen from its plateau of \$1.6925 per pound into \$1.91 per pound after a pause in mid-April around \$1.87.

Given the tightness in the Oceania region, U.S. block cheddar has been doing its part to fill the void in export activity. Inventory has been reported as tight for anyone searching for available loads. Barrel cheese has been operating under a completely different set of circumstances. Vast availability and a price that rose into mid-April was met

with eager sellers that drove prices from the \$1.77 level back towards the April 30 low of \$1.66.

This brought the block-barrel spread to 22½ cents (normal market conditions warrant three cents) to close the month ... something seen only briefly on three other occasions since the cash cheese began trading at the CME in 1997. Eventually, buyers were drawn into the barrels to take advantage of the huge discount and barrels rebounded to \$1.73 per pound to bring the spread back to 18 cents on May 3. Butter peaked at \$1.78 in mid-April before retracing to a May 3 price of \$1.65 per pound, just two cents higher than where it began the month of April. **PD**



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