

CENTER FOR
Dairy EXCELLENCE
Dairy Week In Review

Dated December 2, 2020



Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Class III Milk Price (Dec)	\$15.19/cwt.	▼ 34.4 %	▼ 36.3 %	▼ 25.3 %
Class IV Milk Price (Dec)	\$13.57/cwt.	▲ 1.7 %	▲ 0.1 %	▼ 22.7 %
Corn (December)	\$4.19/bushel	▼ 1.5 %	▲ 3.4 %	▲ 13.6 %
SBean Meal (December)	\$389.5/ton	▼ 2.7 %	▲ 1.1 %	▲ 29.2 %
Milk Margin (October)*	\$13.68/cwt.	—	▲ 33.3 %	▲ 4.5 %

*Each issue of "Dairy Week in Review" will report on current "Milk Margin," or the dollars remaining per one hundred lbs. of milk after feed is paid for, based on data for a 65-pound herd in the latest "PA Dairy Industry Performance Scorecard."

- The *Daily Dairy Report* recently reported statistics that point to a recovering economy. Third quarter gross domestic product (GDP) grew 33.1% from the dismal second quarter but not quite back to pre-COVID19 levels. Unemployment has dropped from April's record high of 14.7% to 6.9% in October. Food service sales have also improved dramatically from April's record low \$30 billion to \$55.6 billion in October, although not quite back to the 2019 range of \$62 to \$65 billion per month.
- The dairy price index on the latest Global Dairy Trade auction jumped 4.3 percent to \$3,261 per metric ton. Butter prices rose 3.8 percent, while Cheddar cheese was up 2.4 percent. Both skim milk powder and whole milk powder were up as well, jumping 3.6 and 5.0 percent, respectively. No dairy products fell in price from the last session to this session.
- The October all milk price of \$20.20 per cwt is \$2.30 higher than September and 20 cents higher than October 2019, according to USDA's Ag Prices report. Feed prices also rose in October, up 57 cents from September to \$9.07. The milk margin above feed cost calculated for the USDA DMC's program was announced at \$11.13 per cwt., the second highest margin in 2020.
- The USDA announced the November Class III milk price at \$23.34 per cwt., up \$1.73 from October and \$2.89 above a year ago. November's Class III price was the second highest for 2020, \$1.20 under July's high and among the highest Class III prices posted since 2014. In contrast, November's Class IV price was announced at \$13.30 per cwt., down 17 cents from October and \$3.30 behind year-ago levels. So far this year, Class III prices average \$18.39 per cwt., while Class IV prices average \$13.50. December's Class III price, however, is expected to fall quite a bit from November levels, with Class III prices for 2021 averaging \$15.92 per cwt. The basis between Class III and IV prices is expected to tighten, though, with an average Class IV futures price for 2021 on the CME at \$15.59 per cwt.

Government and Industry:

- Farmers are encouraged to sign up for a second round of disaster assistance related to the COVID pandemic. The Coronavirus Food Assistance Program Round 2 (CFAP2) Program includes a dairy payment totaling \$1.20 per hundredweight on a farm's milk production for the last nine months of 2020. The enrollment period will close on December 11. To date, 2,184 Pennsylvania dairy applications have been approved and have been paid nearly \$55 million with an average of \$25,000 per farm.
- Dairy farmers are encouraged to enroll for the 2021 Program Year of the Dairy Margin Coverage Program. All dairy farmers who want coverage must sign up by December 11 to pay the annual administrative fee, which is \$100. Based on market conditions on November 25, 2020 the USDA and Dairy Markets and Policy forecasted a greater than 95% chance that 2021 DMC would yield a net benefit for production history enrolled in DMC at the maximum \$9.50 margin coverage. Currently, only 7,846 farms nationwide and 660 farms in Pennsylvania have signed up for the program, despite the payout expected for 2021. Consider contacting your local FSA Office by December 11 to sign up for the program.