

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JAN. 5, 2021 — except where noted



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RESOLUTIONS: Happy New Year! I did a Google search for the “History of New Year’s Resolutions” to learn the origins of this tradition in preparation for this week’s column. The first several links returned were different sources but told the same basic history. I was surprised to learn that the first recorded evidence of New Year’s Resolutions goes back thousands of years to 4,000 B.C. in ancient Babylonia. Their new year began in what is now mid-March during planting season. They made promises to their pagan gods to pay back debts or return borrowed items to their rightful owners in hopes of plentiful crops. Around 46 B.C., Roman emperor Julius Caesar changed the calendar and marked January 1 as the beginning of the new year. January was named for the Roman god Janus. Janus was depicted as a two-faced deity with one face looking to the past and the other looking to the future. Romans made sacrifices to the deity promising good conduct in the coming year. For early Christians, the new year was a time to reflect on past sins committed and resolve to be better Christians in the new year. Regardless of religious origins, most resolutions made today are secular in nature. People commonly make resolutions centered around being healthier, spending more time with family, living life to the fullest, or saving more money.

2020 is a year many would like to forget, but perhaps it can guide some of our New Year’s resolutions. As dairy farmers, instead of trying to forget 2020, why not use it as a learning experience? Was there anything you could have done differently to be better prepared for the unexpected effect COVID-19 had on milk markets this year?

The Center has many resources available to help you answer that question. In 2021, we will continue to provide you with information and tools to help you prepare for downturns like those experienced in 2020. Many of our informational resources, webinars, and podcasts are relevant and available to you wherever your dairy is located.

Visit www.centerfordairyexcellence.org to see what online resources are available. Visit the “Upcoming Events” section to see what webinars, meetings, or other events we have scheduled. Bookmark the page to make it easier to stay up to date on Center programs and opportunities.

You can also visit www.centerfordairyexcellence.org/newsletter to sign up for email updates to receive relevant information as it is available. If you prefer to receive updates via text, you can also sign up for text alerts to be notified of relevant events and webinars. Text “sign up” to 717-585-0766.

Research shows that 40 to 45% of U.S. citizens make a New Year’s Resolution each year, but only 8% are successful in achieving their resolution. The main reason cited for failure is setting unreasonable goals that are very difficult to achieve. However, do not abandon setting lofty goals for your dairy operation. It is a good idea to set high goals for what you want to achieve with your dairy operation. Set long-term goals and devise a plan to short-term attainable achievements that put you on pace to reach your end goal.

Given how 2020 turned out, maybe your New Year’s Resolution should be to develop a risk management plan. It is not too late to get 2021 milk price protection. Milk prices to start the year do not look great, but milk futures going into the second half of the year may provide opportunity to protect your cost of production or perhaps even a profit.

A good short-term goal in developing a longer-term risk management plan is to know your cost of production. If this sounds like a good resolution to you, I am available to help you figure out where to start. I will make it my resolution to help you be part of the 8% that achieves their goal in 2021.

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 — JAN. 5, 2021 AT THE CLOSE

	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	SEP-21	OCT-21	NOV-21	DEC-21	TREND		
CLASS III MILK FUTURES (\$/CWT) vs. 2 weeks ago: <i>Current month 20 cents lower; Feb-July 25-75 cents higher; rest of board steady to 10 cents lower.</i>	16.17	17.87	18.03	17.98	17.99	17.99	17.81	17.70	17.82	17.56	17.41	17.35	↑↑		
CLASS IV MILK FUTURES (\$/CWT) vs. 2 weeks ago: <i>Current month 10 cents lower; Feb-June steady to 50 cents higher; July-Dec 10-25 cents lower.</i>	13.85	14.41	15.08	15.33	15.58	15.77	15.97	16.16	16.11	16.35	16.39	16.56	MIXED		
HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED															
18.44 11/20	17.87 01/21	18.03 01/21	17.98 01/21	17.99 01/21	17.99 01/21	17.99 01/21	17.81 01/21	17.70 12/20	17.82 01/21	17.65 12/20	17.45 12/20	17.40 12/20			
14.80 03/20	14.82 03/20	14.62 03/20	14.56 03/20	14.52 03/20	14.31 03/20	14.50 03/20	14.50 03/20	14.50 03/20	14.21 03/20	14.19 03/20	14.50 03/20				
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)															
PA 2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87	1.70	2.75				
*AVG 2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82	1.65	2.72				
DMC OFFICIAL GROSS MARGINS per cwt. (USDA All-Milk, com/alfalfa hay & Illinois soybean prices, feed for all classes of dairy cattle on the farm)															
DMC SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUNE-20	JULY-20	AUG-20	SEP-20	OCT-20	*NOV-20	
10.41	10.88	12.21	11.95	10.72	10.06	9.15	6.03	5.37	9.99	12.41	10.83	9.40	11.13	*11.87 ↑↑	
U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg & USDA’s All-Milk price, USDA-reported com & alfalfa hay & Ill. soybean prices (lactating feed only)															
AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	*SEP-20	*OCT-20	*NOV-20
12.94	13.39	13.98	15.29	14.94	13.86	13.18	12.23	8.77	8.06	12.59	15.04	13.43	*12.33	*14.44	*15.64 ↑↑
PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA’s PA All-Milk price, USDA com & alfalfa hay & Buff., NY soybean prices (lactating feed only)															
12.73	13.17	13.09	13.76	13.78	13.10	12.20	11.24	8.27	6.79	9.44	12.67	11.10	*10.91	*11.31	*13.92 ↑↑

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
15.75	0.10	16.50	0.81	17.25	1.12	17.50	1.20	17.50	1.25	17.50	1.25	17.75	1.38	17.75	1.27	17.75	1.22	17.75	1.17	17.75	1.13	17.50	1.10
MAR-21			SEP-21			DEC-21			MAR-22			Example Daily Strike Price / Premium		MAR-21		JUL-21		OCT-21		DEC-21			
CORN (\$/BU) OPTIONS — CALLS																							
4.20	29.70	4.40	29.10	4.70	20.00	4.80	20.20								410	20.40	420	24.80	380	20.65	400	17.40	
4.70	08.10	6.00	05.10	6.00	05.20	6.00	05.50								500	01.95	500	02.85	550	02.45	540	03.75	

CORN FUTURES (\$/BU)													
MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	MAR-22	MAY-22	JUL-22	SEP-22	DEC-22	MAY-23	JUL-23		TREND
4.434	4.444	4.442	4.264	4.196	4.244	4.256	4.250	3.990	3.964	3.972	3.972		↑↑
WEEK AGO													
4.272	4.296	4.304	4.154	4.134	4.190	4.202	4.200	3.966	3.972	3.972	4.076		

SOYMEAL FUTURES (\$/TON)													
JAN-21	MAR-21	MAY-21	JUL-21	AUG-21	SEP-21	OCT-21	DEC-21	JAN-22	MAR-22	MAY-22	JUL-22		TREND
415.0	414.3	411.6	409.8	398.6	379.8	361.0	359.7	356.9	350.2	347.5	347.3		↑↑
WEEK AGO													
394.5	393.9	390.9	389.5	381.1	367.8	354.9	352.6	349.4	341.9	339.6	339.8		

*NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *NOV. 2020				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 01/05/21										SPOT CASH TEND 01/05/21		
FEED = \$/CWT	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JAN	FEB	MAR	APR	MAY	JUN	JUL						
*NOV.	*7.37 ↓↓	*10.44 ↑↑	*13.92 ↑↑	NFDM	1.093	1.125	1.147	1.165	1.180	1.199	1.210	↓	1.1750	↑↑		
IOFC = \$/COW	*PREV MO 7.49	*8.48	*11.31	WHEY	0.440	0.448	0.450	0.443	0.442	0.440	0.443	Mixed	0.4800	↑↑		
YR AGO	7.24	10.32	13.76	BUTTER	1.475	1.554	1.680	1.735	1.780	1.800	1.835	Mixed	1.4475	↑↑		
				CHEESE	1.705	1.840	1.864	1.858	1.852	1.862	1.838	↑↑	See Below			
				CME SPOT CHEESE: BARRELS 1.5550 / 40 LB BLOCKS 1.6775 ↓↓ / ↑↑												

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)														CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW					
*CL I ADV ↓↓	*CL II ↑↑	*CL III ↓↓	*CL IV ↑↑	*ALL-MILK-U.S.	*ALL-MILK-PA	WEIGHTED AVG. 4-WK DEC 1-31, 2020						*DEC. 2020 COMPONENTS							
*15.14 (JAN)	*14.01 (DEC)	*15.72 (DEC)	*13.36 (DEC)	*21.30 (NOV) ↑↑	*20.20 (NOV) ↑↑	PRODUCT	VALUE	MAKE	ALLOW	NET									
MONTH AGO						*CHEESE	2.4535	0.2003	1.4430	↓	*PROT	3.0282	↓						
19.87	13.86	23.34	13.30	20.20	18.80	*BUTTER	1.4558	0.1715	1.2716	↓	*B.FAT	1.5399	↓						
YEAR AGO						*NFDM	1.0951	0.1678	0.9273	↑↑	*N.FAT	0.9180	↑↑						
19.01	16.81	19.37	16.70	21.10	21.10	*DRYWHEY	0.4171	0.1991	0.2180	↑↑	*OTHER	0.2245	↑↑						

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. DEC. 23, 2020 sale New Holland, PA) *PRICES MOSTLY HIGHER													
COWS: Fresh Bred Springing HEIFERS: Bred Beef x (bred) Springing Open: 500 lbs Beef X 600-900 lbs 800-1200 lbs BULLS (1100-1300 lb)													
1100	1050	975		775	N/A	900	400	N/A	475	N/A	N/A	N/A	
MONTH AGO COMPARISON													
1250	1275	1000		875	775	1075	225	N/A	450	N/A	1000		

Avg. of prices reported by USDA Market News for PA Auction Markets Dec. 24-31, 2020				FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)				CURRENT Beef X WEEK AGO YR AGO			
CULL MARKET COWS (\$/CWT LIVEWEIGHT)				Choice & Prime 1250-1550 lbs light test				88.00 N/A 80.50			
Premium White	Breakers	Boners	Lean	BULL CALVES: No. 1 & 2, 90-130 lbs				76.00 185.00 100.00 63.00 ↓↓			
51.00 ↓↓	49.50 ↓↓	43.10 ↓↓		70-85 lbs				70.00 185.00 88.00 N/A ↓↓			
-2 WEEKS AGO				YEAR AGO							
N/A	54.50	52.35	48.35								
N/A	53.75	52.25	48.85								

brought to you by:

*AVG = Average basis for North-East and Mid-East

*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered



**USDA AUG. NEW * ALL-MILK BF * MAILBOX FL SE \$21.70 3.72 \$20.76 APP \$21.10 3.76 \$19.49 MN \$19.90 3.93 \$19.39 WI \$19.40 3.77 \$19.06 IA \$29.20 3.89 \$18.18 MO \$0.00 0.00 \$18.18 NE \$18.80 3.82 \$17.96 OH \$18.20 3.75 \$17.88 IL \$19.00 3.77 \$17.67 TX \$18.80 4.04 \$17.55 WAOR\$19.40 3.92 \$17.40 U.S. \$18.80 3.81 \$17.37 IN \$17.80 3.76 \$17.36 Pales\$18.10 3.77 \$17.24 NY \$18.20 3.77 \$17.20 NEKS\$17.80 3.80 \$16.92 CA \$20.00 3.79 \$16.72 NM \$17.10 3.64 \$16.26 MI \$16.90 3.70 \$16.05

Average to high dressing