

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JAN. 12, 2021 — except where noted



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Current COVID relief bill: On December 27, 2020, the Federal administration signed into law a \$900 billion stimulus package. Provisions for agriculture and dairy are included in the stimulus bill. I have received several emails and phone calls from folks with questions about the recent bill. While there are perhaps more questions than answers at this point, I thought it might be necessary to report what is known about the stimulus package. Included in the bill is nearly \$15 billion in funds allocated to the USDA to help provide relief to agriculture operations.

What do we know? Last week, the USDA announced the Farmers to Families Food Box Program would be extended until the end of April 2021. The USDA has \$1.5 billion in funds to purchase agriculture products for the fifth round of the food box program later this month. Per USDA guidelines, each food box must contain six pounds of cheese, butter, yogurt, etc., and one gallon of fluid milk. To help bolster Class IV price by increasing butter demand, industry representatives requested making butter a mandatory, instead of optional, food box item but was denied. The unfortunate consequence is the Class III milk price is expected to increase with increasing demand of cheese purchases for the food boxes while Class IV is poised to follow current supply and demand trends. Class IV is expected to remain much lower than Class III, likely keeping producer price differentials (PPDs) negative for the foreseeable future.

A pathway for Tier 1 Dairy Margin Coverage (DMC) dairies to increase their Production History (PH) was included in the current legislation. If you are enrolled in DMC and have expanded since 2014, you will be able to apply for Supplemental PH. Supplemental PH is calculated by subtracting current PH from actual 2019 production. Supplemental PH plus current PH will not be allowed to exceed the Tier 1, 5-million-pound cap. Supplemental PH is available at the same premium rate as your current coverage. In the event of an indemnity, you will receive your regular

DMC payment plus a supplemental PH payment calculated based on 75% of your supplemental PH. Supplemental PH begins January 1, 2021 and is not retroactive to previous years. Supplemental PH will be available through 2023, the last year of the current Farm Bill cycle. Under conditions of the bill, the USDA has 45 days from December 27, 2020 to open enrollment for supplemental PH increases. No other details are known at this time. The new legislation specifically prohibits the reopening of 2021 DMC enrollment to those who did not enroll during the enrollment period last fall.

The first two rounds of the Coronavirus Food Assistance Program (CFAP1 and CFAP2) payments were capped. Some larger farming operations did not receive the relief they needed due to the payment limits. Under the new legislation, the USDA has dedicated money from the \$13 billion allotment to retroactively provide additional payments to those negatively affected by the payment limitations. A third round of CFAP payments is also expected using these funds. Unfortunately, at the publishing of this article, details on how the rest of the funds will be distributed for direct payments were not available.

The last provision directly related to dairy is \$400 million for the Dairy Donation Program. This program was designed to help dairy stakeholders and non-profit organizations get dairy products to low-income families. This program not only helps remove surplus product but discourages dumping of excess milk by providing dairy processors the ability to recoup some of the costs associated with purchasing and processing excess milk. As more details are available for any of the above provisions, I will provide updates. In the meantime, do not hesitate to contact me with any questions.

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. 12, 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: Jan-Mar 25-50 cents higher, rest of board steady to 20 cents lower.	16.39	18.68	18.32	17.93	17.61	17.53	17.54	17.59	17.58	17.56	17.43	17.30	MIXED		
CLASS IV MILK FUTURES (\$/CWT) vs. 2 weeks ago: Jan-Mar 15-25 cents lower, rest of board steady to 25 cents higher.	13.76	14.27	14.94	15.45	15.70	15.92	16.16	16.28	16.43	16.52	16.50	16.56	↑↑		
HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED															
18.44 11/20	19.04 01/21	18.92 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	14.52 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																							
16.25	0.10	18.75	0.81	18.25	1.08	18.00	1.16	17.50	1.11	17.50	1.20	17.50	1.18	17.50	1.19	17.50	1.14	17.50	1.13	17.50	1.18	17.25	1.15
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																							
5.20	22.00	5.30	28.10	5.20	23.10	5.50	20.20	420	40.45	470	23.95	410	24.95	410	26.35								
5.80	05.00	7.00	05.70	6.60	06.10	6.90	07.10	540	01.50	570	05.90	600	03.15	570	05.25								

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	
5.244	5.276	5.240	4.774	4.532	4.574	4.596	4.600	4.234	4.086	4.146	4.154	↑↑	
WEEK AGO													
4.434	4.444	4.442	4.264	4.196	4.244	4.256	4.250	3.990	3.964	3.972	3.972		

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	
462.4	457.1	453.6	449.9	435.8	413.2	389.9	386.3	381.6	368.7	363.7	361.9	↑↑	
WEEK AGO													
415.0	414.3	411.6	409.8	398.6	379.8	361.0	359.7	356.9	350.2	347.5	347.3		

*NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *NOV. 2020				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 01/12/21										SPOT CASH TEND	
FEED = \$/CWT	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JAN	FEB	MAR	APR	MAY	JUN	JUL	01/12/21	01/12/21	TREND		
*NOV.	*7.37 ↓↓	*10.44 ↑↑	*13.92 ↑↑	1.137	1.177	1.195	1.216	1.224	1.240	1.258	↑↑	1.1850	↑↑		
IOFC = *PREV MO	*7.49	*8.48	*11.31	0.446	0.470	0.469	0.465	0.460	0.460	0.455	↑↑	0.5000	↑↑		
YR AVG	7.24	10.32	13.76	1.470	1.480	1.590	1.675	1.710	1.735	1.760	↓↓	1.3100	↓↓		
				1.690	1.921	1.879	1.829	1.800	1.797	1.794	↓↓	See Below			
CME SPOT CHEESE: BARRELS 1.6500 / 40 LB BLOCKS 1.9575 ↑↑ / ↑↑															

*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	PRODUCT	VALUE	MAKE	ALLOW	NET	DEC. 2020	COMPONENTS					
15.14 (JAN)	14.01 (DEC)	15.72 (DEC)	13.36 (DEC)	21.30 (NOV) ↑↑	20.20 (NOV) ↑↑	1.4558	1.4558	0.1715	1.2716	↓↓	1.3100	PROT	3.0282 ↓↓					
MONTH AGO																		
19.87	13.86	23.34	13.30	20.20	18.80	1.0951	1.0951	0.1678	0.9273	↑↑	0.9180	B.FAT	1.5399 ↓↓					
YEAR AGO																		
19.01	16.81	19.37	16.70	21.10	21.10	0.4171	0.4171	0.1991	0.2180	↑↑	0.2245	N.FAT	0.9180 ↑↑					
DRYWHEY 0.4171 0.1991 0.2180 ↑↑ OTHER 0.2245 ↑↑																		

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. JAN. 13, 2021 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 900-1000 lbs BULLS (1100-1300 lb)													
1075	900	875	850	N/A	850	325	N/A	500	655	950			
MONTH AGO COMPARISON													
1100	1050	975	775	775	900	400	N/A	475	N/A	1000			
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT) CURRENT Beef X WEEK AGO YR AGO													
Choice & Prime 1250-1550 lbs light test				90.75				88.00				83.25	↑↑
BULL CALVES: No. 1 & 2, 90-130 lbs				65.00				150.00				64.00	↑↑
70-85 lbs				50.00				140.00				22.00	↓↓

Price averages do not include lower-end common

Average to high dressing

Premium White	Breakers	Boners	Lean
57.50 ↑↑	55.85 ↑↑	48.85 ↑↑	
-2 WEEKS AGO			
N/A	51.00	49.50	43.10
-YEAR AGO			
N/A	59.50	56.10	51.00

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