

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — FEB. 2, 2021 — except where noted



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**2020 DMC Net Benefit and Retail Dairy Sales:** As we end the first month of 2021 and move into February, this is the time of year when statistics from the previous year become available. The program year for 2020 Dairy Margin Coverage (DMC) has ended, and the December DMC margin was announced late last week. Information Resources, Inc. (IRI) recently released retail sales data for dairy products with very positive results. Unfortunately, increased retail sales did not make up for losses sustained to dairy purchasing from the food service sector. Current food service data shows that sales in this sector are at its highest point since the second wave of COVID-19 began last fall.

December's DMC margin was announced last week as \$8.78 per cwt. This triggers a \$0.72 per cwt indemnity payment at the maximum \$9.50 margin coverage. December marked the fifth month in 2020 to trigger an indemnity at the highest margin coverage. April, May, June, and September margins also triggered indemnities. The premium for the \$9.50 margin coverage is \$0.15 per cwt, and the total benefit for 2020 was \$0.73 per cwt. At the direction of Congress, all DMC payments in 2020 were subject to a 5.9% sequestration fee that reduced the total benefit to \$0.69 per cwt. After subtracting out the premium, DMC provided a net benefit of \$0.54 per cwt for production history enrolled in DMC for 2020. This means that for each 1 million pounds of production history enrolled in DMC up to 5 million pounds, dairy farmers received \$5,377 in net benefit last year. With feed prices expected to be about \$2.00 per cwt higher this year than last year, USDA is predicting a nearly 100% probability of a net benefit this year at the \$9.50 margin coverage. Although DMC payments did not fully compensate for market volatility, it certainly helped to provide a bit of financial relief.

While the pandemic did not help margins on the dairy farm in 2020 all dairy product categories grew at the retail level compared to the previous year, including fluid milk as reported by IRI data. Fluid milk sales increased

at retail by 2% compared to 2019 with gains by both gallon-size and value-added products (lactose-free, etc.). Households with children contributed to much of the increased retail sales of fluid milk. Unfortunately, we will have to wait until the end of August for the USDA to release its annual fluid beverages sales report that divides milk by category and fat content to know which fluid milk products experienced the best growth. Over the previous two years, retail sales of whole milk and flavored milks increased year-over-year, but not enough to offset the reduction in sales of reduced-fat, low-fat and fat free milk. According to American Dairy Association Northeast (ADANE), retail fluid milk sales beat the national average, growing by 2.8% across its six-state region which includes Pennsylvania. Retail sales in the ADANE region accounted for 13% of all fluid milk sales across the U.S.

Retail sales of cheese have been on the rise for many years, and 2020 was no different. Retail sales of cheese grew by 13% compared to 2019 annual totals. Meal preparation-type cheeses posted the highest growth, while, like fluid milk, households with children were major contributors to growth during 2020. Yogurt sales were down in 2019 compared to 2018, but that trend was reversed with 4% growth last year compared to 2019. Low-fat and Greek yogurt sales posted the most significant growth over last year. Strong retail sales of other products like butter also contributed to increased sales compared to 2019.



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 — FEB. 2, 2021 AT THE CLOSE

	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	SEP-21	OCT-21	NOV-21	DEC-21	JAN-22	TREND
<b>CLASS III MILK FUTURES (\$/CWT)</b> vs. week ago: <i>Mixed - firm to nickel higher/weak to nickel lower.</i> *12-Month Avg. 16.88	15.72	16.25	16.50	16.75	17.00	17.21	17.30	17.36	17.42	17.25	16.96	16.82	MIXED
<b>CLASS IV MILK FUTURES (\$/CWT)</b> vs. week ago: <i>Mixed - firm to 25 cents higher or weak to 25 cents lower.</i> *12-Month Avg. 15.34	13.54	13.99	14.65	14.89	15.22	15.52	15.76	15.90	15.99	16.04	16.14	16.40	MIXED

HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED

19.04 01/21	18.92 01/21	18.22 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	17.00 12/20
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	14.50 03/20	14.21 03/20	14.19 03/20	14.50 03/20	14.25 03/20

**MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)**

PA	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87	1.70	2.75	2.30
*AVG	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82	1.65	2.72	2.70

**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	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	DEC-20
	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	*8.78

**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)**

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
12.73	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	0.28	16.25	0.77	16.50	0.93	16.75	0.96	17.00	0.97	17.25	1.07	17.25	0.99	17.50	1.10	17.50	1.02	17.25	0.99	17.00	1.06	16.75	0.88
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**CORN (\$/BU) OPTIONS — CALLS**

MAR-21	5.20	22.00	5.30	28.10	5.20	23.10	5.50	20.20
MAR-21	5.80	05.00	7.00	05.70	6.60	06.10	6.90	07.10

**CORN FUTURES (\$/BU)**

MAR-21	5.520	MAY-21	5.490	JUL-21	5.370	SEP-21	4.770	DEC-21	4.510	MAR-22	4.570	MAY-22	4.604	JUL-22	4.616	SEP-22	4.204	DEC-22	4.112	MAY-23	4.183	JUL-23	4.194	TREND
WEEK AGO																								
5.340	5.352	5.280	4.684	4.454	4.480	4.504	4.516	4.174	4.054	4.130	4.136													

**SOYMEAL FUTURES (\$/TON)**

JAN-21	435.5	MAR-21	432.8	MAY-21	427.5	JUL-21	413.0	AUG-21	393.8	SEP-21	374.2	OCT-21	370.9	DEC-21	367.5	JAN-22	357.3	MAR-22	354.0	MAY-22	353.0	JUL-22	349.1	TREND
WEEK AGO																								
436.6	433.7	429.0	413.7	393.5	374.2	371.4	367.6	356.6	352.5	351.1	345.2													

**PA MILK MARGIN & IOFC-LATEST PSU VALUES - \*NOV. 2020**

FEED COST (\$/CWT milk)	*NOV. 7.37	IOFC (\$/COW @ 75 lbs milk)	*10.44	PA MILK MARGIN (\$/CWT milk)	*13.92
*PREV MO	7.49		*8.48		*11.31
YR AGO	7.24		10.32		13.76

**CME DAIRY CASH-SETTLED FUTURES (\$/LB) 02/02/21**

FEB	1.147	MAR	1.137	APR	1.160	MAY	1.162	JUN	1.185	JUL	1.205	AUG	1.222	SPOT CASH	1.1375
NFDM	0.485	0.480	0.475	0.460	0.462	0.480	0.460	0.460	0.460	0.460	0.460	0.460	0.460	0.5350	
WHEY	1.360	1.505	1.631	1.650	1.685	1.720	1.740	1.740	1.740	1.740	1.740	1.740	1.740	1.2925	
BUTTER	1.608	1.652	1.676	1.713	1.744	1.765	1.770	1.770	1.770	1.770	1.770	1.770	1.770	Mixed See Below	
CHEESE	CME SPOT CHEESE: BARRELS 1.3900 / 40 LB BLOCKS 1.5900														

**ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)**

*CL I ADV	*CL II	*CL III	*CL IV	*ALL-MILK-U.S.	*ALL-MILK-PA
*15.54(FEB)	*14.18(JAN)	*16.04(JAN)	*13.75(JAN)	*18.50(DEC)	*18.80(DEC)

**CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. JAN. 27, 2021 sale New Holland, PA) \*PRICES ALL LOWER**

COWS: Fresh Bred Springing	HEIFERS: Bred Beef x (bred) Springing Open: 500 lbs	Beeff X 600-900 lbs	900-1000 lbs	BULLS (1100-1300 lb)
975	900	925	850	N/A
450	N/A	525	N/A	N/A

Price averages do not include lower-end common

Average to high dressing

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)

Choice & Prime 1250-1550 lbs light test	84.00	WEEK AGO	82.00	YR AGO	88.00
BULL CALVES: No. 1 & 2, 90-130 lbs	100.00	165.00	83.00	50.00	75.00
70-85 lbs	85.00	195.00	75.00	30.00	75.00

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