

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — FEB. 9, 2021 — except where noted



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2020 Crop Production: It is no secret that the most expensive part of running a dairy operation is the feed bill. The USDA is projecting the Dairy Margin Coverage (DMC) feed cost (corn + soybean meal + blended alfalfa hay price) to average about \$2.10 per cwt of milk produced more in 2021 than it did in 2020. Based on February 3, 2021 DMC projections, the DMC feed cost will average \$10.77 per cwt this year. Crop production estimates indirectly play a role in these projected feed costs as it relates to the possible supply available to meet the projected demand. On January 12, 2021, the USDA released its Crop Production 2020 Summary. In the summer of last year, the USDA forecasted record-setting corn and soybean crops. The 2020 summary tells whether the forecast was correct.

Both corn and soybeans ended the year not meeting the expectations of early 2020 projections and fell short of previous records. Late season drought and severe weather across parts of the corn belt helped to reduce yields and harvestable acreage that contributed to the late decline in projections. Despite 2020 weather conditions, both yield and production of corn and soybeans surpassed 2019 but did not set records. 172.0 bushels (+2.6%) of corn per acre were harvested in 2020, resulting in an estimated total production of nearly 14.2 billion bushels (+4.1%). This fell short of the yield record (176.6 bushels per acre) set in 2017 and total production record (15.1 billion bushels) set in 2016. In Pennsylvania, drought conditions in parts of the state limited yield and production below 2019 estimates with only 138.0 bushels per acre harvested totaling 138 million bushels, 9.8% and 14.9%, respectively, less than 2019.

Total U.S. soybean production was estimated at 4.1 billion bushels, up 16%, and yield per acre increased 5.9% to 50.2 bushels per acre compared to 2019. The soybean yield record was set in 2016 with 52.0 bushels per acre, while the total production record was set in 2018 with 4.4 billion bushels. Pennsylvania's soybean yield and production were down in 2020. At 46.0 bushels per

acre, yield was down 6.1% compared to 2019. Total production across the state was estimated at 29.0 million pounds, 3.0% less than 2019. Alfalfa, the third part of the DMC feed cost equation, yield across the country was down 0.3% to 3.27 tons per acre, while total production was down 3.3% to 53.1 million tons. Pennsylvania 2020 alfalfa hay yield was the same as 2019 at 3.0 tons per acre, but total production was up 36% to 1.2 million tons.

2020 corn and soybean crops did not meet early expectations but were still good crops. Why the drastic increase in feed cost for 2021? The big difference is in demand. Domestic demand continues to be strong, while the export market, especially exports to China, are putting stress on supplies. Delayed soybean harvesting and corn planting in South America, a major global supplier of corn and soybeans, amplifies the stress on our domestic supply causing upward pressure on futures prices.

In June of 2020, the Center in collaboration with the Penn State Smeal College of Business, surveyed Pennsylvania dairy producers to assess the initial impact of COVID-19 on the state's dairy economy. The results have been compiled and analyzed. On Friday, February 19, 2021 at 12 p.m. join Penn State's Veronica Villena Martinez and me as we report the results of the 2020 Pennsylvania Dairy Survey. The webinar is free, but registration is required. Visit <http://www.centerfordairyexcellence.org/Survey-Results> for more information and to register.

	U.S.	PA
Corn Yield (bu/Ac)	172.0	138.0
Corn Production (1,000 bu)	14,182,479	138,000
Soybean Yield (bu/Ac)	50.2	46.0
Soybean Production (1,000 bu)	4,135,477	28,980
Alfalfa Yield (Tons/Ac)	3.3	3.0
Alfalfa Production (1,000 Tons)	53,067	1,185

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. 9, 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				
CLASS III MILK FUTURES (\$/CWT) vs. week ago: <i>Feb. 25 cents lower, rest of board 25 to 30 cents higher</i> 12-Month Avg. 17.05↑↑	15.48	16.31	16.76	17.15	17.35	17.42	17.51	17.54	17.56	17.43	17.19	16.95	↑↑				
CLASS IV MILK FUTURES (\$/CWT) vs. week ago: <i>Feb-Mar. 5-15 cents lower, remainder stdy-20 cents higher.</i> 12-Month Avg. 15.42↑↑	13.34	13.97	14.72	15.00	15.30	15.66	15.91	16.10	16.22	16.19	16.21	16.39	↑↑				
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	JUN-20	JUL-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)	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	*DEC-20	
	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	*11.11	↓↓
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)	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	*10.68	↓↓

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
15.50	0.09	16.25	0.53	16.75	0.82	17.25	1.06	17.25	1.01	17.50	1.11	17.50	1.03	17.50	1.04	17.50	1.03	17.50	1.11	17.25	1.13	17.00	0.91
MARCH 21				SEPTEMBER 21				DECEMBER 21				MARCH 22				Example Daily Strike Price / Premium							
CORN (\$/BU) OPTIONS — CALLS														SOYMEAL (\$/TON) OPTIONS — CALLS									
5.00	35.70	4.80	38.30	5.00	26.00	5.10	28.20	380	42.40	430	22.20	350	38.90	390	24.70								
5.80	01.00	6.30	07.40	6.40	06.00	7.00	05.70	445	01.40	550	03.60	520	03.55	570	03.30								

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	
5.344	5.326	5.206	4.710	4.480	4.552	4.586	4.596	4.242	4.166	4.240	4.256	MIXED	
WEEK AGO													
5.520	5.490	5.370	4.770	4.510	4.570	4.604	4.616	4.204	4.112	4.183	4.194		
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	
422.3	421.8	417.6	404.2	386.6	370.6	368.0	365.3	355.4	354.0	352.5	352.5	↓↓	
WEEK AGO													
435.5	432.8	427.5	413.0	393.8	374.2	370.9	367.5	357.3	354.0	353.0	349.1		

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *DEC. 2020				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 02/09/21										SPOT CASH TRENDS	
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	FEB	MAR	APR	MAY	JUN	JUL	AUG	02/09/21	02/09/21	02/09/21		
	*DEC (estimated) 7.45↑↑	*8.01 ↓↓	*10.68 ↓↓	1.127	1.137	1.160	1.180	1.204	1.225	1.240	↑↑	1.1300	↓↓		
IOFC = \$/COW	PREV MO 7.37	10.44	13.92	0.503	0.502	0.483	0.479	0.475	0.470	0.464	↑↑	0.5400	↑↑		
	YR AGO 7.12	10.34	13.78	1.370	1.506	1.635	1.658	1.675	1.735	1.755	↑↑	1.2875	↑↑		
				1.570	1.650	1.702	1.747	1.771	1.779	1.793	↑↑	See Below			
				CME SPOT CHEESE: BARRELS 1.5000 / 40 LB BLOCKS 1.6275 ↑↑ / ↑↑											

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	JAN. 1 - 30, 2021	*JAN. 2021	COMPONENTS										
15.54(FEB)	*14.18(JAN)	*16.04(JAN)	*13.75(JAN)	*18.50(DEC) ↓↓	*18.80(DEC) ↓↓	*CHEESE	1.6502	0.2003	1.4499	↑↑	*PROT	3.0355	↑↑						
MONTH AGO										*BUTTER	1.4548	0.1715	1.2833	↑↑	*B.FAT	1.5541	↑↑		
15.14	14.01	15.72	13.36	21.30	*20.20	*NFDM	1.1345	0.1678	0.9667	↑↑	*N.FAT	0.9570	↑↑						
YEAR AGO										*DRYWHEY	0.4595	0.1991	0.2604	↑↑	*OTHER	0.2682	↑↑		
17.55	16.81	19.37	16.70	20.70	21.10														

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. FEB. 3, 2021 sale New Holland, PA)													
COWS: Fresh Bred Springing HEIFERS: Bred Beef x (bred) Springing Open: 300 lbs Beef X 600-900 lbs 900-1000 lbs BULLS (1100-1300 lb)													
	1075	950	1025	700 (LTD)	N/A	850 (LTD)	350	N/A	N/A	N/A	N/A	N/A	
MONTH AGO COMPARISON													
	1075	900	875	850	N/A	850	325	N/A	500	655	950		
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT) CURRENT Beef X WEEK AGO YR AGO													
Choice & Prime	1250-1550 lbs light test	75.00	84.00	87.60									
BULL CALVES: No. 1 & 2, 90-130 lbs 70-85 lbs													
		95.00	225.00	100.00	96.00								
		95.00	235.00	85.00	75.00								

Price averages do not include lower-end common

Average to high dressing

Premium White	Breakers	Boners	Lean
62.15	66.10 ↑↑	62.00 ↑↑	58.35 ↑↑
WEEK AGO			
62.15	60.75	57.35	50.35
YEAR AGO			
N/A	66.60	64.10	56.50

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