

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — FEB. 16, 2021 — except where noted



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2020 Dairy Export Results: 2020 was certainly a year for the record books. Unfortunately, not all the records are things we want to remember. Record volatility in Class III and Class IV led to record low producer price differentials (PPD) in the Mideast and Northeast Milk Marketing Orders, the two orders found in Pennsylvania. In July, the Mideast order hit a low of -\$8.02 per cwt while the Northeast hit a low of -\$5.46 per cwt. December PPDs returned to somewhat normal amounts at \$1.18 and \$1.54, respectively. However, not all 2020 dairy news was bad. Block cheddar cheese price set a record high, settling at over \$3.00 per pound at one point before moderating and dropping along with Class III price later in the year. Retail sales of fluid milk grew year-over-year for the first time in recent history, showing a 2% improvement over 2019. A large reason why milk prices did not drop any further was dairy exports.

While 2020 was a difficult year for many dairy farmers across Pennsylvania and the U.S., the year ended with excellent news relative to U.S. dairy exports. 2020 set a record in milk solids equivalent (MSE) volume. U.S. dairy suppliers exported a total of 2.1 million metric tons (MT) MSE, surpassing the previous record set in 2014. Total dairy exports were equal to 16.0% of total annual production. This is equivalent to 1.1 days of total national production exported each week. Unfortunately, export value did not set a record but did become the fourth year to surpass \$6 billion. At \$6.6 billion, 2020 estimated export value was the third highest annual total behind 2014 (\$7.1 billion) and 2013 (\$6.7 billion). It was ahead of 2019's fourth highest total (\$6.0 billion) by 8.5%.

In recent history, cheese exports have been a big driver for increased export volume each year. However, total 2020 cheese exports declined slightly compared to 2019. The drop in cheese exports was largely driven by the increased domestic cheese price and major declines in cheese exports to Mexico. Cheese demand fell sharply in Mexico as its citizens dealt with the COVID-19 pandemic. However, cheese export increases to several Asian countries, including

South Korea, Japan, Indonesia, and others nearly made up for the decrease in exports to Mexico. The increase to Asia nearly kept annual cheese exports flat with 2020 cheese exports only declining 341 MT (0.1%) compared to 2019.

U.S. milk powders accounted for the main growth areas for the 2020 export volume record. Skim milk powder/nonfat dry milk, dry whey products, milk protein concentrate, and casein all made gains ranging from 15.2% for casein up to 23.9% for dry whey products compared to 2019. Butterfat made a respectable gain of 7.0% and infant formula exports rose 2.0%. In addition to cheese, other products losing volume compared to 2019 include lactose, whole milk powder, evaporated/condensed milk, and fluid milk/cream.

2020 was not a fun year for many dairy farmers across Pennsylvania and the rest of the country. However, there were some silver linings to be found. In 2017, the U.S. Dairy Export Council (USDEC) announced its "The Next 5%" plan that was a lofty goal of growing exports from 15% of U.S. production to 20% of U.S. production. Although that goal has not been met, 2020 exports at 16% of total production were the highest since the plan was released. It is a small step, but a step in the right direction. Hopefully, the dairy industry can find ways for 2021 exports to build upon the gains made in 2020.

	2019	2020	19-'20 % Change	19-'20 Vol Change (MT)
Total Export Value (Million \$)	6,018.6	6,567.9	9.1%	549.3
SMP/NFDM (MT)	700,910	812,683	15.9%	111,773
Dry Whey (MT)	447,967	554,980	23.9%	107,013
Cheese (MT)	356,526	356,185	-0.1%	-341
Casein (MT)	2,717	3,131	15.2%	414

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. 16, 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: 25 to 50 cents higher across the board. 12-Month Avg. 17.32↑↑	15.64	16.70	17.26	17.50	17.69	17.76	17.77	17.80	17.83	17.61	17.32	16.97	↑↑				
CLASS IV MILK FUTURES (\$/CWT) vs. week ago: Feb-June firm-15 cents higher, remainder weak-10 lower. 12-Month Avg. 15.46↑↑	13.42	14.12	14.88	15.13	15.33	15.66	15.89	16.03	16.13	16.24	16.34	16.40	↑↑				
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 17.81 01/21 17.77 02/21 17.82 01/21 17.83 02/21 17.61 02/21 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 14.21 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)	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																								
15.75	0.14	16.75	0.61	17.25	0.98	17.50	1.03	17.75	1.13	17.75	1.11	17.75	1.11	17.75	1.01	17.75	1.02	17.50	0.97	17.25	1.04	17.00	0.97	
MAY-21				SEP-21				DEC-21				MAR-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	
5.530	5.506	5.402	4.834	4.600	4.670	4.704	4.712	4.322	4.212	4.290	4.314	↑↑	
WEEK AGO													
5.344	5.326	5.206	4.710	4.480	4.552	4.586	4.596	4.242	4.166	4.240	4.256		

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	
431.7	431.2	427.9	413.7	396.3	379.0	375.8	371.5	361.3	358.6	358.3	355.1	↑↑	
WEEK AGO													
422.3	421.8	417.6	404.2	386.6	370.6	368.0	365.3	355.4	354.0	352.5	352.5		

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *DEC. 2020				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 02/16/21											
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	FEB	MAR	APR	MAY	JUN	JUL	AUG	SPOT CASH	TREND			
	*DEC (estimated) 7.45↑↑	*8.01 ↓↓	*10.68 ↓↓	1.136	1.120	1.155	1.162	1.175	1.200	1.215	1.1150	↓↓			
	PREV MO 7.37	10.44	13.92	0.505	0.514	0.500	0.495	0.490	0.486	0.480	0.5400	↑↑			
	YR AGO 7.12	10.34	13.78	1.389	1.579	1.680	1.717	1.730	1.770	1.790	1.4550	↑↑			
				1.581	1.680	1.740	1.771	1.792	1.800	1.805	See Below				
				CME SPOT CHEESE: BARRELS 1.4900 / 40 LB BLOCKS 1.5575 ↓↓ / ↓↓											

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)														
CL I ADV↑↑	CL II↑↑	CL III↑↑	CL IV↑↑	ALL-MILK-U.S.	ALL-MILK-PA	CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW								
15.54(FEB)	14.18(JAN)	16.04(JAN)	13.75(JAN)	18.50(DEC) ↓↓	18.80(DEC) ↓↓	PRODUCT	VALUE	MAKE	ALLOW	NET	*JAN. 2021 COMPONENTS			
MONTH AGO						CHEESE	1.6502	0.2003	1.4499	↑↑	PROT	3.0355	↑↑	
15.14	14.01	15.72	13.36	21.30	20.20	BUTTER	1.4548	0.1715	1.2833	↑↑	B.FAT	1.5541	↑↑	
YEAR AGO						NFDM	1.1345	0.1678	0.9667	↑↑	N.FAT	0.9570	↑↑	
17.55	16.81	19.37	16.70	20.70	21.10	DRYWHEY	0.4595	0.1991	0.2604	↑↑	OTHER	0.2682	↑↑	

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. FEB. 17, 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)															
1060	985	925	885	N/A	875	300	N/A	525	N/A	1065					
MONTH AGO COMPARISON															
1075	900	875	850	N/A	850	325	N/A	500	655	950					
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)															
Choice & Prime 1250-1550 lbs light test				CURRENT				Beef X				WEEK AGO		YR AGO	
				82.00								75.00		89.00	
BULL CALVES: No. 1 & 2, 90-130 lbs				100.00				175.00				95.00		135.00	
70-85 lbs				55.00				210.00				95.00		55.00	

Price averages do not include lower-end common

Average to high dressing

Premium White 62.15 Breakers 67.35 ↑↑ Boners 61.25 ↓↓ Lean 52.00 ↓↓

WEEK AGO 62.15 66.10 62.00 58.35

YEAR AGO N/A 71.00 68.00 59.75

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