

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — APRIL 13, 2021 — except where noted



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Class IV Rebounding: The pandemic has been difficult on Class IV milk and product prices during the last year. However, several factors have been working together recently to help facilitate a rebound in Class IV milk and product prices. March Class IV price was announced last week as \$14.18 per cwt. This certainly is not where we would like to see Class IV, but it is the highest announced Class IV price since March 2020's \$14.87. Although market uncertainty is holding back trading volume after August 2021, current Class IV milk futures continue to improve through the rest of the spring and summer.

There are a few factors that are working together to help improve Class IV milk price. Food service establishments use a lot of butter, which is a Class IV product. Recent food service sales data show that full-service restaurant sales are the best since the pandemic started but are still 18% below 2019. Regardless, the recent recovery in butter price is attributed to the resurgence in restaurant sales. In addition to increased food service sales, February butter exports (the most recent export data available) were the highest since August 2014 mainly because of increased new exports to the Middle East.

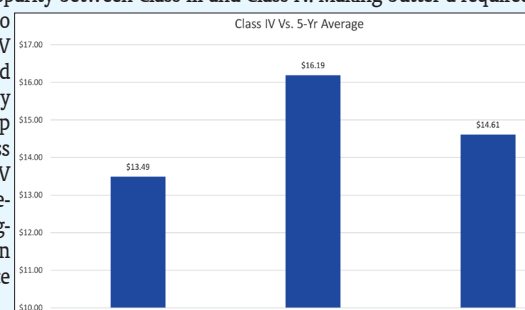
Milk powders, not including whey powders, are also Class IV dairy products, and these product values are increasing with unexpected export sales. Whey powder product prices are also increasing but are a byproduct of cheese manufacturing and are Class III dairy products. Nonfat dry milk and skim milk powder make up the bulk of total powder exports. According to the U.S. Dairy Export Council (USDEC), February powder exports were up 31% or 17,120 metric tons compared to February 2019, mainly because of increased sales to Southeast Asia and Mexico (+38% and +30%, respectively). Although U.S. powder prices are increasing, they are still a bargain compared to other major powder exporters. While domestic powder demand still lags pre-pandemic usage, increased exports, along with increased domestic butter usage and exports, are helping to bolster the Class IV price.

The net effect of the above factors has helped to increase the Class IV futures price in recent weeks. The current Class IV price for 2021 using actual Class

IV prices for January through March and futures prices at market closing April 12 for the rest of the year averages \$16.19 per cwt. Last year, Class IV averaged \$13.49, and the five-year average is \$14.61. May through December Class IV prices are far from being announced, but if current market conditions continue or improve, Class IV is looking much better than last year and the beginning of this year.

The current round of the Farmers to Families Food Box program is set to expire at the end of April. Although not official, the Biden administration is expected to extend the current program with perhaps revisions the Administration proposes will improve upon the current program. One such revision supported by the International Dairy Foods Association and National Milk Producers Federation, if approved, would make butter a mandatory dairy product for the food boxes rather than an optional item. Currently, one gallon of fluid milk plus five to six pounds of dairy products are required per food box. Cheese has been the predominant dairy product other than fluid milk to meet the current requirements. Increased governmental purchasing of cheese has been a large reason for the price disparity between Class III and Class IV. Making butter a required

item will help to bolster Class IV milk price and theoretically shrink the gap between Class III and Class IV prices, thus reducing the negative impact on Producer Price Differentials.



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 — APR. 13, 2021 AT THE CLOSE

	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	SEP-21	OCT-21	NOV-21	DEC-21	JAN-22	FEB-22	MAR-22	TREND				
CLASS III MILK FUTURES (\$/CWT) vs. week ago: <i>Steady to 80 cents higher, mainly 20-40 cents higher across board.</i> 12-Month Avg. 18.53 ↑↑	17.60	19.46	19.59	19.37	19.00	18.87	18.74	18.40	18.19	17.77	17.70	17.62	↑↑				
CLASS IV MILK FUTURES (\$/CWT) vs. week ago: <i>Steady to \$0.30 higher, except current month \$0.15 lower.</i> 12-Month Avg. 17.02 ↑↑	15.43	16.08	16.52	16.89	17.14	17.25	17.50	17.53	17.60	17.40	17.40	17.40	↑↑				
HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED																	
18.22 01/21 19.96 04/21 20.02 04/21 19.58 04/21 19.19 04/21 19.04 04/21 18.84 04/21 18.44 04/21 18.19 04/21 17.77 04/21 17.70 04/21 17.62 04/21																	
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 14.70 03/20 14.85 03/20																	
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — <i>YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</i>	PA	1.19	1.60	1.28	1.01	0.85	1.33	1.87	1.70	2.75	2.30	1.81	1.58				
*AVG	1.25	2.14	1.80	1.12	0.90	1.32	1.82	1.65	2.72	2.70	2.25	2.02					
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	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	JAN-21	*FEB-21	TREND
		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	7.14	*6.22	↓↓
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)	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	*JAN-21	*FEB-21	TREND
	15.29	14.94	13.86	13.18	12.23	8.77	8.06	12.59	15.04	13.43	12.33	14.44	*15.47	*12.51	*11.08	*10.65	↓↓
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)	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	*JAN-21	*FEB-21	TREND
	13.76	13.78	13.10	12.20	11.24	8.27	6.79	9.44	12.67	11.10	10.91	11.31	*12.36	*10.53	*10.06	*9.57	↓↓

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	MAY-21	SEP-21	DEC-21	MAR-22	Example Daily Strike Price / Premium	MAY-21	JUL-21	OCT-21	DEC-21		
17.50 0.10	19.50 0.98	19.50 1.18	19.25 1.23	19.00 1.27	18.75 1.21	18.75 1.32	18.50 1.25	18.25 1.28	17.75 1.14	17.75 1.23	17.50 1.16
CORN (\$/BU) OPTIONS — CALLS		SOYMEAL (\$/TON) OPTIONS — CALLS									
5.65 30.00	5.60 30.10	5.60 31.50	5.80 31.00	365 33.50	375 32.95	380 30.15	380 33.60				
6.15 02.40	6.80 07.50	7.20 07.00	7.40 07.60	420 04.40	450 04.55	490 04.75	540 03.50				

CORN FUTURES (\$/BU)	MAY-21	JUL-21	SEP-21	DEC-21	MAR-22	MAY-22	JUL-22	SEP-22	DEC-22	MAR-23	MAY-23	JUL-23	TREND
5.940	5.794	5.280	5.112	5.180	5.220	5.226	4.850	4.724	4.786	4.826	4.846		↑↑
WEEK AGO													
5.604	5.460	4.992	4.854	4.924	4.966	4.990	4.646	4.536	4.606	4.652	4.666		

SOYMEAL FUTURES (\$/TON)	MAY-21	JUL-21	AUG-21	SEP-21	OCT-21	DEC-21	JAN-22	MAR-22	MAY-22	JUL-22	AUG-22	SEP-22	TREND
398.2	403.0	400.5	396.4	391.9	391.6	388.9	380.3	377.1	377.8	374.6	367.6		MIXED
WEEK AGO													
409.1	411.4	407.2	401.4	394.3	393.0	389.2	377.7	374.1	373.8	370.0	363.5		

*NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *FEB. 2021	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 04/13/21	APR	MAY	JUN	JUL	AUG	SEP	OCT	SPOT CASH	TREND
*FEB. (estimated)	8.27↑↑	7.18↓	9.57↓	NFDM	1.157	1.178	1.221	1.240	1.255	1.273	1.304	↑↑	1.2050↑↑
*PREV MO	8.15	7.55	10.53	WHEY	0.607	0.612	0.595	0.561	0.552	0.532	0.520	↓↓	0.6600 NC
YR AGO	7.20	9.15	12.20	BUTTER	1.800	1.890	1.930	1.950	1.983	1.985	1.999	↑↑	1.8950↑↑
				CHEESE	1.709	1.896	1.920	1.902	1.893	1.884	1.876	↑↑	See Below
				CME SPOT CHEESE: BARRELS 1.7200 / 40 LB BLOCKS 1.8050 ↑↑ / ↑↑									

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK MAR. 1-27, 2021	MAR. 2021 COMPONENTS
15.51	15.07	16.15	14.18	17.10	17.40		PROT 2.6954	
MONTH AGO							BUTTER 1.5898	B.FAT 1.7176
15.20	14.00	15.75	13.19	17.50	17.30		N.FAT 0.9396	
YEAR AGO							NFDM 1.1169	OTHER 0.3652
16.64	16.75	16.25	14.87	18.90	19.40			

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. April 7, 2021 sale New Holland, PA)	COWS: Fresh Bred Springing	HEIFERS: Bred Beef x (bred) Springing Open: 300-600 lbs	Beef X 600-900 lbs	900-1000 lbs	BULLS (1100-1300 lb)
985	900	900	N/A	910	1285
MONTH AGO COMPARISON					
950	710	950	935	700	925
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)					
Choice & Prime 1250-1550 lbs light test			87.75	89.00	
BULL CALVES: No. 1 & 2, 90-130 lbs			120.00	275.00	105.00
70-85 lbs			90.00	235.00	80.00

Price averages do not include lower-end 'common'

Average to high dressing

Premium White 66.75↓ Breakers 64.35↑ Boners 56.35↑ Lean 68.25 WEEK AGO 62.60 YEAR AGO 53.35

N/A --- NO REPORT ---

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