

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, MAY 21, 2019 — except where noted

**Trade agreement and tariffs:** Trade policy, tariffs and retaliatory tariffs have been a hot topic at dairy industry meetings I have attended in recent months. Last year, exports reached a record volume at nearly 16% of national milk production on a total milk solids basis. However, this has been overshadowed by a U.S. dairy industry that has been struggling several years now.

At a presentation earlier this year, I talked about 2018 exports being a record year to a group of dairy industry professionals. An audience member asked me, "If exports were at record volume, why are my clients not seeing that in their milk checks?" The frustration among dairy farmers and industry professionals is understandable. The answer is not easy. My response was that dairy farmers are seeing it in their milk checks because milk prices would be even lower if that additional surplus was added to domestic inventories.

Two weeks ago, the U.S. government announced that tariffs on certain Chinese goods were going to be increased from 10 to 25% as trade talks between the U.S. and China did not yield any results. This is not good for the U.S. dairy industry. China is the fourth largest export market for dairy, and there is huge potential to increase exports to China if trade deals can be made. According to the U.S. Dairy Export Council (USDEC), the current 10% tariff on certain Chinese goods starting July 1, 2018 and subsequent tariffs levied by China on U.S. goods has resulted in a 43% drop (over 368 thousand tons) in dairy exports from July 2018 to March 2019.

All trade headlines are not negative. The US government announced that it will remove the steel and aluminum tariffs that were levied on Mexico and Canada July 1, 2018. Trade talks with Mexico and Canada are moving forward and the removal of these tariffs is a huge step in all three countries' willingness to approve the United States-Mexico-Canada Trade Agreement (USMCA).

Mexico is the top market for U.S. dairy exports, which were valued at \$1.4 billion in 2018. Mexican retaliatory tariffs on dairy products have resulted in

Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, using CME and USDA reports and the CDE Scorecard.

a significant reduction in exports, mainly cheese. The value of cheese exports dropped 26% (\$7.47 mil.) from July 2018 to March 2019. On May 20, 2018, Mexico and Canada lifted retaliatory tariffs on U.S. goods, reopening the border to dairy exports under pre-tariff NAFTA rules. This is excellent news for US dairy!

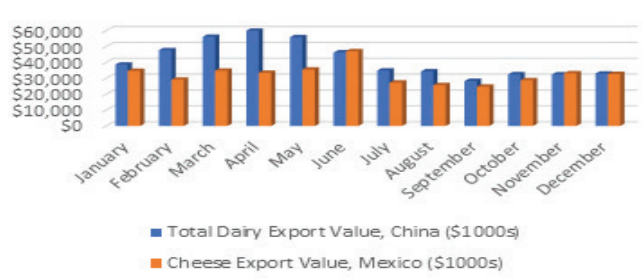
U.S. Ag Secretary Sonny Perdue has announced the government is working on another aid package to help American farmers affected by the additional tariffs on Chinese imports. China is expected to target U.S. agriculture products with retaliatory tariffs. The Market Facilitation Program was released last year after the first round of tariffs and resulted in direct payments of \$0.12/cwt to dairy farmers with the bulk of aid going to the soybean industry. The National Milk Producers Federation is working closely with USDA, pushing for a better aid package for America's dairy farmers in this round of tariffs.



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Export Values, China and Mexico



## CME DAILY FUTURES & OPTIONS TRADING — MAY 21, 2019 AT THE CLOSE

	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	TREND
<b>CLASS III MILK FUTURES (\$/CWT)</b>													
	16.29	16.44	16.63	16.93	17.14	17.06	16.92	16.61	16.30	16.30	16.25	16.30	↑↑
----- WEEK AGO -----													
	16.29	16.19	16.31	16.62	16.81	16.77	16.60	16.36	16.13	16.10	16.08	16.20	
----- HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED -----													
	16.90 02/17	16.85 02/17	16.90 02/17	16.99 05/17	17.18 05/17	17.14 05/19	16.96 05/19	16.65 05/19	16.28 05/19	16.30 05/19	16.26 05/19	16.33 05/19	
	13.85 01/18	13.75 01/18	13.62 01/18	13.62 01/18	13.55 01/18	13.75 01/18	14.08 11/18	14.60 11/18	14.62 11/18	14.63 11/18	14.59 11/18	14.65 11/18	
<b>MILK BASIS (\$/CWT) — PA BASIS &amp; 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</b>													
PA	1.60	1.28	1.01	0.85	1.33	1.87	1.70	2.75	2.30	1.81	1.58	1.19	
*AVG	2.14	1.80	1.12	0.90	1.32	1.82	1.65	2.72	2.70	2.25	2.02	1.25	
<b>EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of Dec. 13, 14 and 15, 2018</b>													
N/A	5.97	6.53	6.92	7.10	7.27	7.51	7.72	7.93	7.80	7.73	N/A		
<b>3-YR. AVG LGM ACTUAL GROSS MARGINS (at 0.00 deductible) per cwt. based on historical futures contract close-out prices Class III milk, soybeans and corn</b>													
	6.85	5.99	6.65	6.33	6.06	5.72	4.94	4.15	5.26	5.62	6.52	6.85	
<b>MPP/DMC OFFICIAL GROSS MARGINS &amp; 1-MO 2018 ON per cwt. (USDA All-Milk, corn/alfalfa hay &amp; Illinois soybean prices, feed for all classes of dairy cattle on the farm)</b>													
MAR-18	APR-18	MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	*FEB-19	*MAR-19	
6.77	6.62	6.78	7.37	6.72	7.43	8.26	8.96	8.66	7.85	7.99	8.22	*8.85	↑↑
<b>U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg &amp; USDA's All-Milk price, USDA-reported corn &amp; alfalfa hay &amp; Ill. soybean prices (lactating feed only)</b>													
APR-18	MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	*FEB-19	*MAR-19	*APR-19	
9.82	10.04	10.40	9.62	10.24	11.00	11.73	11.40	10.63	10.79	*11.00	*11.22	↑↑ estimated 11.60	
<b>PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA corn &amp; alfalfa hay &amp; Buff., NY soybean prices (lactating feed only)</b>													
10.25	10.71	11.10	10.26	10.04	11.01	11.68	11.29	10.46	10.37	*11.34	*11.90	↑↑ estimated 11.93	

<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>													
16.25 0.01	16.50 0.25	16.75 0.42	17.00 0.52	17.25 0.62	17.00 0.57	17.00 0.69	16.50 0.59	16.25 0.63	16.25 0.63	16.25 0.67	16.25 0.66		
<b>JUL-19 DEC-19 MAR-19 MAY-20 Example JUL-19 SEP-19 DEC-19 MAR-20</b>													
<b>CORN (\$/BU) OPTIONS — CALLS Daily Strike SOYMEAL (\$/TON) OPTIONS — CALLS</b>													
3.10 54.20	3.30 55.10	3.50 50.30	3.60 50.10				275 19.20	280 20.95	290 20.30	300 18.10			
3.95 03.20	5.20 01.70	5.20 03.00	5.50 03.70				310 01.85	320 04.20	370 01.85	370 02.95			

<b>CORN FUTURES (\$/BU)</b>													
JUL-19	SEP-19	DEC-19	MAR-20	MAY-20	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21		TREND
3.944	4.036	4.126	4.226	4.262	4.290	4.122	4.132	4.212	4.264	4.306	4.164		↑↑
----- WEEK AGO -----													
3.690	3.774	3.886	4.004	4.076	4.140	4.050	4.076	4.162	4.220	4.266	4.134		

<b>SOYMEAL FUTURES (\$/TON)</b>													
JUL-19	AUG-19	SEP-19	OCT-19	DEC-19	JAN-20	MAR-20	MAY-20	JUL-20	AUG-20	SEP-20	OCT-20		TREND
298.3	299.9	301.7	303.4	306.5	307.8	308.5	309.7	312.1	312.5	312.6	312.1		↓↓
----- WEEK AGO -----													
299.8	301.2	303.0	304.4	307.3	308.8	310.1	311.8	314.2	314.5	314.6	314.1		

<b>* = NEW PA MILK MARGIN &amp; IOFC-LATEST PSU VALUES — *MAR. 2019</b>													
<b>*FEED COST (\$/CWT milk) *IOFC (\$/COW @ 75 lbs milk) *PA MILK MARGIN (\$/CWT milk)</b>													
*MAR	*6.73	↓	*8.93	↑	*11.90	↑							
*PREV MO	*6.56		*8.51		*11.34								
YR AGO	6.10		7.43		9.90								

<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 05/21/19 SPOT CASH TREND</b>													
MAY	JUN	JUL	AUG	SEP	OCT	NOV	05/21/19						
NFDM	1.011	1.039	1.046	1.057	1.070	1.088	1.110	↓	1.0475	↓			
WHEY	0.377	0.375	0.360	0.355	0.355	0.356	0.353	↑	0.3700	↑			
BUTTER	2.294	2.363	2.390	2.412	2.422	2.410	2.370	↑	2.3275	↑			
CHEESE	1.688	1.700	1.730	1.767	1.786	1.784	1.770	↑	See Below				
<b>CME SPOT CHEESE: BARRELS 1.6025 / 40 LB BLOCKS 1.6800 ↑↑ / ↑↑</b>													

<b>* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>													
<b>*CL I ADV↑↑ CL II↓ CL III↑↑ CL IV↑↑ ALL-MILK-U.S ALL-MILK-PA</b>													
<b>*17.01(JUNE) 16.38(APR) 15.96(APR) 15.72(APR) 17.50(MAR)↑↑ 18.50(MAR)↑↑</b>													
<b>----- MONTH AGO -----</b>													
16.42	16.61	15.04	15.71	16.80	17.90								
<b>----- YEAR AGO -----</b>													
15.25	14.03	14.47	13.48	15.70	16.00								

<b>CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. May 22, 2019 sale New Holland, PA) *MOST RECENT REPORT</b>													
<b>COWS Fresh Bred Springing HEIFERS: Bred Springing Open: 300-600 lbs 600-900 lbs 900-1200 lbs BULLS (600-1800 lb)</b>													
1275	985	N/A		985	1035		450	600	N/A		850		
<b>----- FOUR WEEK RUNNING AVG -----</b>													
1150	875	900		925	1035		400	500	600		750		
<b>Avg. of prices reported by USDA Market News for PA &amp; NY Auction Markets May 16-21, 2019</b>													
<b>CULL MARKET COWS (\$/CWT LIVEWEIGHT)</b>													
Premium White	Breakers	Boners	Lean										
N/A	67.85↑↑	66.50↑↑	54.00↓										
<b>----- WEEK AGO -----</b>													
N/A	66.25	64.75	55.00										
<b>----- YEAR AGO -----</b>													
N/A	65.00	60.75	57.00										

Price averages do not include lower-end common cows and heifers.

Average to high dressing

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