

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JUNE 2, 2021 — except where noted

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Global Milk Supply: Over the last couple decades, our world seems to have gotten a lot smaller. Technological advancements in communications and transportation have brought the world closer together in many ways. I am sure not everyone reading this has a smartphone, but I am positive that more people do than do not. When I first moved to Pennsylvania from North Carolina in December of 2018, I moved here by myself while my wife and kids stayed in North Carolina to finish the school year. They finally moved here in July 2019. It was a tough eight months for us all. However, one thing made it more tolerable. I was able to video call my family every day to talk to them and see their smiling faces. Even though we were separated by 400 miles for a brief period, we were able to feel closer because of being able to see each other virtually. I use that same technology to talk to my parents and brother in North Carolina, and my sister who lives in Germany.

The technologies that have improved and sped up transportation have allowed for goods to travel much further distances and arrive much more quickly than ever before. As a result of this "smaller" world, the U.S. economy is not reliant only upon itself. As was emphasized over the last year, our economy is tied to the world economy. This provides both opportunities and challenges, and we must be able to adapt to be successful. Over the last 20 years, U.S. dairy has become a major player in the world market. However, there certainly have been some glitches along the way and problems will arise again in the future.

The ability of the U.S. to compete on the world market is driven partly by what milk production is doing in other parts of the world. Right now, milk production in three of the largest exporting countries is growing or improving. U.S. milk production has grown year-over-year (YOY) each month this year and represents a 2.2% increase through April compared

to last year. New Zealand's milk production season is coming to an end as winter approaches the Southern Hemisphere, but March season-to-date totals show that their milk production is up 2.1% over last year. They have already set a new season milk production record of 43.8 billion pounds. This does not seem like much when you compare that to the U.S. annual milk production of 223 billion pounds in 2020, but there is one key difference between the U.S. and New Zealand: they export 90% (about 39 million pounds) of their total production compared to about 16% (36 billion pounds) of U.S. milk production exported.

March milk production in the European Union (EU) was down compared to last year but is improving. January EU milk production declined 0.7% compared to last January, but only declined 0.6% in February. EU milk production through the first quarter 2021 is basically flat at -0.2% compared to first quarter 2020. Continued improvement is expected. In general, U.S. dairy product prices remain below international prices. However, if milk production continues to grow, it will put downward pressure on international prices and those prices will likely become more competitive with U.S. prices.

The April Dairy Margin Coverage (DMC) margin was announced as \$6.94 per cwt. This is \$0.48 higher than March. The U.S. all-milk price increased \$1.00 per cwt to \$18.40 compared to March, overcoming increased corn, soybean, and alfalfa hay prices that totaled \$11.46 per cwt. The DMC feed cost increased \$0.52 per cwt compared to March. The April DMC margin triggers an indemnity payment at the \$7.00 and higher DMC margin coverages. The April payment at the maximum \$9.50 margin coverage is \$2.56 per cwt or about \$1,900 per 1 million pounds of production history enrolled up to the 5-million-pound cap.

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 — JUNE 2, 2021 AT THE CLOSE

	JUN-21	JUL-21	AUG-21	SEP-21	OCT-21	NOV-21	DEC-21	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	TREND
CLASS III MILK FUTURES (\$/CWT) vs. week ago: <i>\$0.30-0.60 lower Jun-Nov, steady to 10 cents lower Dec-May</i>	17.32	17.89	18.34	18.78	18.90	18.83	18.55	17.97	17.90	17.85	17.80	17.83	MIXED
CLASS IV MILK FUTURES (\$/CWT) vs. week ago: <i>Mostly steady to a nickel lower, except Oct. 10 cents higher</i>	16.65	16.88	17.25	17.45	17.62	17.70	17.70	17.80	17.80	17.82	17.82	17.82	↓

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

19.96 04/21	20.02 04/21	20.08 05/21	20.04 05/21	19.97 05/21	19.66 05/21	19.29 05/21	18.95 05/21	18.42 04/21	18.21 05/21	18.16 05/21	18.21 05/21
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	14.75 03/20

MILK BASIS (\$/CWT) — PA BASIS & 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)

PA	0.99	1.03	0.95	0.79	0.60	0.79	1.17	0.62	1.53	2.29	1.82	1.58
*AVG	1.25	1.31	1.15	0.67	0.74	1.38	0.85	1.67	2.55	2.15	1.66	1.45

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	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	MAR-21	*APR-21
	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	6.46	*6.94

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)

	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	*MAR-21	APR-21
	13.86	13.18	12.23	8.77	8.06	12.59	15.04	13.43	12.33	14.44	15.47	12.51	*11.25	*10.51	*10.66	*11.25

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)

	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	*MAR-21	APR-21
	13.10	12.20	11.24	8.27	6.79	9.44	12.67	11.10	10.91	11.31	12.36	10.53	*8.56	*8.15	*9.24	*10.35

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium

17.25 0.14	17.75 0.55	18.50 0.86	18.75 0.90	19.00 1.10	18.75 1.07	18.50 1.14	18.00 1.16	18.00 1.19	17.75 1.11	17.75 1.16	17.75 1.16
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CORN (\$/BU) OPTIONS — CALLS

5.60 39.70	5.70 35.60	6.20 28.40	6.10 35.30
7.90 04.60	7.50 08.10	7.70 09.10	7.70 11.20

CORN FUTURES (\$/BU)

JUL-21	SEP-21	DEC-21	MAR-22	MAY-22	JUL-22	SEP-22	DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	TREND
6.750	5.932	5.726	5.792	5.824	5.822	5.170	4.970	5.030	5.056	5.070	4.620	↑

SOYMEAL FUTURES (\$/TON)

JUL-21	AUG-21	SEP-21	OCT-21	DEC-21	JAN-22	MAR-22	MAY-22	JUL-22	AUG-22	SEP-22	OCT-22	TREND
394.0	395.3	394.9	392.1	393.2	392.1	386.0	384.2	384.9	380.4	373.9	363.5	↑

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *APR. 2021

FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)
*APR. (estimated) *8.74↑	*7.77↑	*10.35↑

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/02/21

NFDM	1.280	1.295	1.325	1.342	1.355	1.372	1.365	↓	1.2950	↑
WHEY	0.646	0.632	0.607	0.590	0.570	0.550	0.530	↓	0.6025	↓
BUTTER	1.825	1.857	1.885	1.890	1.904	1.910	1.910	↑	1.8050	↑
CHEESE	1.653	1.718	1.781	1.835	1.861	1.865	1.846	↓	See Below	

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)

CL I ADV	CL II	CL III	CL IV	*ALL-MILK-U.S.	*ALL-MILK-PA
*18.29(JUN)	15.56(APR)	17.67(APR)	15.42(APR)	*18.40(APR)↑	*18.40(APR)↑

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. May 19, 2021 sale New Holland, PA)

COWS: Fresh Bred Springing	HEIFERS: Bred Beef x Springing	Open: 300-600 lbs	Beef X 600-900 lbs	900-1000 lbs	BULLS (1100-1300 lb)
1115	950	1125	975	935	1050

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)

Choice & Prime 1250-1550 lbs light test	88.00	90.00	No report	↓
BULL CALVES: No. 1 & 2, 90-130 lbs	120.00	250.00	140.00	↓
70-85 lbs	110.00	250.00	85.00	↓

Price averages do not include lower-end common

Average to high dressing

SALES REPORTED BY USDA DUE TO COVID SHUT DOWN

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