

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JUNE 30, 2021 — except where noted



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**High Feed Cost:** In general, the largest expense on a dairy operation is by far the feed cost. Maybe a grazing herd's feed costs are lower, but in the Northeast, cows cannot graze year-round and feed cost increases in the winter with grasses dormant and perhaps covered by snow. Unfortunately, commodity prices began to rise last fall and continue to trend up. The Center for Dairy Excellence holds a "Protecting Your Profits" webinar the fourth Wednesday of each month that I host. Dr. Jud Heinrichs, Professor of Dairy Nutrition at Penn State University, joined me for the June "Protecting Your Profits" webinar to talk about strategies dairy producers can use to manage high feed costs. In the next few paragraphs, I will highlight three of the points Dr. Heinrichs made to help you start thinking about what you can do to implement some of his recommendations during this and future high feed commodities, low milk price markets.

The first and most important point Dr. Heinrichs made was about forage quality. Unfortunately, it is difficult to do anything about this currently, but it will be very important later this year as you start to think about harvesting corn silage. According to Dr. Heinrichs, the quality of your forage will have the largest impact on your feed costs. I have experienced this firsthand when I was dairy farming. Some years our corn would get too dry in the field before we could chop. It may have been a tropical storm that dumped inches of rain, or it could have been waiting our turn for the custom harvester to make it to us. Either way, the result was poorer quality forage. An older, dry plant meant more lignin, and more lignin meant lower fiber digestibility, which meant I would have to buy more ground corn and/or soybean hulls to make up for the lack of digestible energy and indigestible fiber. Dr. Heinrichs suggests that

harvesting corn for silage at the proper maturity is the best way to maximize digestibility. However, if your corn has gone through hot, dry weather, or gets too dry before you start chopping, he encourages you to chop it finer than you would in a normal year. Decreasing particle size makes up for some of the reduction in digestibility by increasing the surface area rumen bacteria have to attach to feed particles and break down the fiber present. Dr. Heinrichs explained that corn silage should not be cut shorter than six millimeters as smaller particle sized forage can escape the rumen too quickly and end up in the cow's feces.

Another point Dr. Heinrichs made was to ensure as consistent of a rumen environment as possible. He explained that it takes a cow a minimum of two days for her rumen to adjust to feed changes. If you need to make a ration change, do it gradually to minimize the "shock" effect it will have on the rumen environment. If you have multiple people feeding your cows or have a relief feeder on the weekend, make sure that everyone mixing feed does it the same way and at the same time. Any deviation from the normal schedule can affect her rumen environment and decrease milk production.

The last point I will include from Dr. Heinrichs' presentation is that he too often sees Pennsylvania dairy rations balanced for 65 pounds of milk per cow. He explains that with today's genetics, housing and management, we must aim for 80 pounds or higher to be able to continue to compete with our neighboring dairy states. To listen to the full June, "Protecting Your Profits" webinar, go to [www.centerfordairyexcellence.org/pyp](http://www.centerfordairyexcellence.org/pyp), click on the "Webinars" tab, and then the "June 2021" link.

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 30, 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				
<b>CLASS III MILK FUTURES (\$/CWT)</b> vs. wk ago: <i>Jun off \$0.40, Jul-Oct. up \$0.25-60; Nov-Dec down \$0.40, Jan-May weak \$0.10 lower</i> <b>12-Month Avg. 17.62</b> <b>↓</b>	16.91	17.13	17.34	18.11	18.10	17.90	17.60	17.62	17.67	17.69	17.70	17.61	MIXED				
<b>CLASS IV MILK FUTURES (\$/CWT)</b> vs. week ago: <i>Jun off \$0.40, Jul-Oct. weak, Nov-May weak to \$0.20 lower</i> <b>12-Month Avg. 16.90</b> <b>↓</b>	16.13	16.17	16.33	16.60	16.76	16.86	17.13	17.27	17.40	17.40	17.40	17.40	↓				
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					
<b>MILK BASIS (\$/CWT) — PA BASIS &amp; 2016-19 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</b>																	
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					
<b>DMC OFFICIAL GROSS MARGINS per cwt. (USDA All-Milk, com/alfalfa hay &amp; Illinois soybean prices, feed for all classes of dairy cattle on the farm)</b>																	
DMC	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	*MAY-21		
	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	*6.89	↓	
<b>U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg &amp; USDA's All-Milk price, USDA-reported com &amp; alfalfa hay &amp; Ill. soybean prices (lactating feed only)</b>																	
	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	MAY-21	
	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	*12.31	↑
<b>PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA com &amp; alfalfa hay &amp; Buff., NY soybean prices (lactating feed only)</b>																	
	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	MAY-21	
	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	*11.43	↑

<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>																							
17.00	0.00	17.00	0.25	17.25	0.70	18.00	1.18	18.00	0.89	18.00	0.95	17.50	0.85	17.50	1.00	17.75	1.03	17.50	1.00	17.75	1.11	17.50	0.98
SEP-21	DEC-21	MAR-22	JUL-22	Example Daily Strike Price / Premium				JUL-21	OCT-21	DEC-21	MAR-22	SOYMEAL (\$/TON) OPTIONS — CALLS											
6.15	38.30	6.60	35.20	7.00	31.70	7.30	32.50	310	35.85	360	31.70	360	36.20	360	36.20	355	00.90	520	02.45	520	03.75	520	03.75

<b>CORN FUTURES (\$/BU)</b>													
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	
7.200	5.992	5.884	5.954	6.000	5.992	5.302	5.070	5.136	5.160	5.190	4.700	↑	
WEEK AGO													
6.642	5.510	5.356	5.426	5.474	5.492	4.996	4.846	4.922	4.954	4.980	4.474		

<b>SOYMEAL FUTURES (\$/TON)</b>													
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	
375.5	377.5	379.0	378.8	381.7	380.1	374.1	371.8	373.7	369.6	362.9	352.1	↑	
WEEK AGO													
354.2	354.5	355.9	355.8	359.6	359.8	354.9	353.6	356.0	353.2	348.1	340.2		

<b>*NEW PA MILK MARGIN &amp; IOFC—LATEST PSU VALUES — *MAY 2021</b>				<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/30/21 SPOT CASH TREND</b>											
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JUN	JUL	AUG	SEP	OCT	NOV	DEC	06/30/21	06/30/21			
*APR (estimated)	8.72	8.57	11.43	1.242	1.300	1.309	1.335	1.354	1.369	1.377	↑	1.2699	↑		
*PREV MO	8.74	7.77	10.35	0.607	0.555	0.532	0.528	0.520	0.500	0.492	↓	0.5600	↓		
*YR AGO	7.21	5.40	6.79	1.743	1.766	1.770	1.805	1.825	1.841	1.856	↑	1.7400	↓		
				1.634	1.680	1.727	1.800	1.822	1.804	1.789	Mixed	See Below			
<b>CME SPOT CHEESE: BARRELS 1.5025 / 40 LB BLOCKS 1.5525 ↑ / ↑</b>															

<b>*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>														
CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA	CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW								
17.42	16.66	17.21	16.35	19.20	19.30	WEIGHTED AVG. 4-WK *JUNE 1-26, 2021	PRODUCT	VALUE	MAKE	ALLOW	NET	*JUNE 2021 COMPONENTS		
						*CHEESE	1.6439	0.2003	1.4436	↓	↓	*PROT	2.5834	↓
						*BUTTER	1.7934	0.1715	1.6219	↓	↓	*B.FAT	1.9641	↓
						*NFDM	1.2696	0.1678	1.1018	↑	↑	*N.FAT	1.0908	↑
						*DRYWHEY	0.6437	0.1991	0.4446	↓	↓	*OTHER	0.4579	↓

<b>CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. June 16, 2021 sale New Holland, PA)</b>													
<b>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)</b>													
1150	1015	930	875	N/A	960	340	N/A	600	910	1150			
MONTH AGO COMPARISON													
985	900	900	875	550	910	450	550	650	N/A	1000			

<b>FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)</b>													
Choice & Prime	1250-1550 lbs light test	98.00	92.50	80.00	↑								
<b>BULL CALVES: No. 1 &amp; 2, 90-130 lbs</b>													
70-85 lbs	115.00	170.00	125.00	100.00	↓								
70-85 lbs	70.00	120.00	95.00	90.00	↓								