

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JULY 7, 2021 — except where noted

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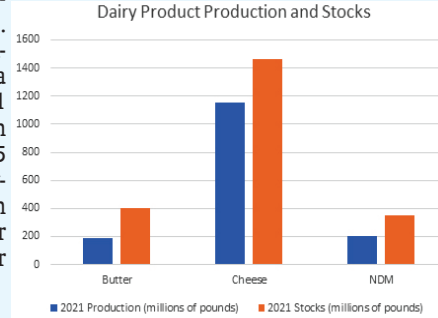
Dairy production and stocks: May's U.S. milk production posted a 4.6% year-over-year (YOY) increase to 19.9 bil. pounds. This was the largest YOY growth in nearly 10 years. With the release of the USDA Dairy Products report July 2, we have a full picture of what May dairy product stocks and production looked like because of a near 10-year high in YOY milk production growth. Unsurprisingly, dairy product production and stocks grew.

Production of all major dairy products experienced YOY growth in May. Butter production topped out at 185.4 mil. pounds (+7.6%), and was, according to one source, the largest monthly butter output since May 1943. Total cheese production was 1.16 bil. pounds (+5.0%). Some of this growth can be attributed to new production capacity resulting from a large new plant in Michigan reaching full capacity early this spring. Announcements recently from other cheese manufacturers across the country have been made that will further boost cheese-making capabilities in the coming months and into next year. Nonfat dry milk (NDM) rose to 205.3 mil. pounds (+30.6%). This was the largest monthly output of NDM since December 2020. Generally, NDM and other Class IV powders are used to balance the milk supply. NDM is normally a lower value product compared to butter or Class III products. When milk supply is abundant, production shifts to powder when higher value butter and cheese manufacturing capacity is full. Supply management implemented last year early in the pandemic led to a reduction in milk supply. This is partly responsible for the YOY milk production, product production and stocks increase this year.

Major dairy product inventories also increased through May. Despite the largest monthly output of butter since 1943, butter stocks only grew by 6.9% to 401.8 mil. pounds. Although domestic usage of butter will not be available for another week, exports in the month of May were the second highest monthly volume at 9.7 mil. pounds since 2014. Much more butter is used domestically than is exported so it seems that, along with strong exports, domestic usage must have helped keep butter inventories

ries somewhat in check. May cheese inventories only rose 0.74% despite a 5% increase in production. On the export side, May cheese exports were the only major dairy product to fall compared to last year. Cheese export volume was down 13% YOY. This indicates that with foodservice sales continuing to improve and retail cheese sales still strong, domestic usage may have helped to keep cheese stocks from growing to match increased production. Like butter, domestic usage will not be available until later this month. NDM stocks only grew 2.7% YOY even though production jumped over 30%. The U.S. exports much more powder than used domestically. So, May exports help explain why production can jump so much but inventories only grow slightly. NDM and skim milk powder (SMP) increased 12% compared to last year. At 195.2 mil. pounds exported, May NDM/SMP exports represent a new monthly record.

The May DMC margin was announced as \$6.89 per cwt. This is the 4th straight month that the announced margin fell below \$7.00. DMC has triggered an indemnity each month this year. At the maximum \$9.50 per cwt coverage, the DMC payment was equal to \$2.61. After the 5.7% sequestration fee, this represents a payment of \$1,950 per 1 mil. pounds of production history for up to the first 5 mil. pounds. Total net payment this year through May exceeds \$10,300 per 1 mil. pounds history or about \$0.94 per cwt.



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 — JULY 7, 2021 AT THE CLOSE

	JUL-21	AUG-21	SEP-21	OCT-21	NOV-21	DEC-21	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	TREND			
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: July-Aug off \$0.20-0.40, Sept off \$1.00, Oct-Dec Steadyish; No pattern thereafter	16.95	16.92	17.16	18.03	18.02	17.77	17.60	17.60	17.64	17.72	17.72	17.65	MIXED			
CLASS IV MILK FUTURES (\$/CWT) vs. week ago: July off a nickel, Aug - Mar \$0.40-0.60 lower, Apr - Jun Steady	16.12	15.70	15.84	16.18	16.39	16.55	16.80	17.00	17.12	17.38	17.38	17.38	↓			
HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED																
	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					
	14.31 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 1.03	0.95	0.79	0.60	0.79	1.17	0.62	1.53	2.29	1.82	1.58	0.99				
*AVG	1.31	1.15	0.67	0.74	1.38	0.85	1.67	2.55	2.15	1.66	1.45	1.25				
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 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	
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)	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
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)	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

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
17.00	0.14	17.00	0.60	17.25	0.81	18.00	0.91	18.00	0.97	17.75	1.04	17.50	1.04	17.50	1.02	17.50	1.03	17.75	1.08	17.75	1.09	17.75	1.14
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

CORN FUTURES (\$/BU)													
7.200	5.992	5.884	5.954	6.000	5.992	5.302	5.070	5.136	5.160	5.190	4.700		

SOYMEAL FUTURES (\$/TON)													
375.5	377.5	379.0	378.8	381.7	380.1	374.1	371.8	373.7	369.6	362.9	352.1		

*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES — *MAY 2021				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/07/21											
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)		JUL	AUG	SEP	OCT	NOV	DEC	JAN	SPOT CASH	TREND	07/07/21		
*APR (estimated) 8.72	8.57	11.43		NFDM	1.233	1.221	1.235	1.250	1.264	1.277	1.293	↓	1.2275		
*PREV MO 8.74	7.77	10.35		WHEY	0.604	0.532	0.505	0.490	0.487	0.450	0.475	↓	0.4975		
YR AGO 7.21	5.40	6.79		BUTTER	1.752	1.727	1.735	1.770	1.790	1.820	1.837	↓	1.7400		
				CHEESE	1.640	1.682	1.735	1.820	1.825	1.808	1.789	Mixed	See Below		
				CME SPOT CHEESE: BARRELS 1.5500 / 40 LB BLOCKS 1.7100										↑ / ↑	

*NEW 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								
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		
18.29	16.22	18.96	16.16	18.40	18.40	*CHEESE	1.6439	0.2003	1.4436	↓	↓	*PROT	2.5834	↓
16.56	12.99	21.04	12.90	13.60	14.00	*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	↓

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. July 7, 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)													
	1050	915	1055	875	N/A	925	400	N/A	650	825	1000		
	1150	1015	930	875	N/A	960	340	N/A	600	910	1150		
MONTH AGO COMPARISON													

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)				BULL CALVES:			
Choice & Prime	1250-1550 lbs light test	91.00	98.00	No. 1 & 2, 90-130 lbs	115.00	170.00	115.00
			78.00	70-85 lbs	70.00	120.00	70.00
			105.00				95.00
			78.00				95.00

brought to you by:





*AVG = Average basis for North-East and Mid-East

*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered

*NEW FEED = \$/CWT. IOFC = \$/COW. YR AGO

Average to high dressing