

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JULY 14, 2021 — except where noted



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**SUSTAINABILITY:** Over the last 10 to 15 years, "sustainability" has become a hot topic. However, the definition of sustainability may be different depending on the individual asked. A simple definition prior to 15 years ago might have been the ability to maintain something at a certain rate, or for a dairy farmer, sustainability may be the ability to transition to the next generation when that time comes. Since then, the definition has evolved into something much more detailed than simply maintaining the status quo. Sometimes, we in the dairy industry feel threatened by the way sustainability is defined by activist groups or even by average consumers who do not understand agriculture. Now, sustainability encompasses so much more than just simply succeeding into the future.

As I try to define sustainability, I found numerous definitions from multiple sources online. They all have three general things in common: 1. Environment, 2. Social and, 3. Economy. Environment and economy are straightforward, but not without controversy. However, the social aspect of sustainability may not be as clear and has become a key component over the last several years. Unfortunately, it has also been a source of frustration to many in the dairy industry as it pertains to the ability to manage dairy operations across the country, including Pennsylvania. Social sustainability in agriculture is linked to society's perception and/or reality of how their food is produced, how employees are treated, and how livestock animals have been treated.

The national F.A.R.M. Program was started about 10 years ago by dairy farmers, veterinarians, and other industry leaders. They saw that the dairy industry needed a program based on science that would help satisfy social and environmental sustainability in the eyes of the consumers which keeps them buying dairy products and leads to more sustainable economics at the farm level. This was a proactive program to keep social perception from dictating farming practices that may be driven more by emotion than science.

There have been several companies that recently established sustain-

ability initiatives, and three of those companies are well represented by the Pennsylvania dairy industry. Hershey, Land O'Lakes, and Cargill have all recently announced sustainability initiatives to reduce their environmental footprints. Each company points to the historical success of grassroots dairy farmers and their ability to become more efficient as the key to their success. In addition to best management practices at the farm level, these companies will be addressing further efficiencies across the entire supply chain including transport, processing, packaging, and transport back to retail or foodservice with the final product.

Hershey and Land O'Lakes will be collaboratively working together along with the Alliance for the Chesapeake Bay at the farm level with the Sustainable Dairy PA initiative to help identify and implement best management practices to reduce greenhouse gas emissions and improve water quality in the Chesapeake Bay Watershed. Cargill's Dairy Beef Accelerator initiative is a 3-year program to "accelerate learning and support producers in better understanding the opportunities of dairy-beef crossbreeding." Beef animals are more efficient at converting nutrients to muscle. Therefore, the offspring of a dairy/beef cross is more efficient at producing meat than a purebred dairy animal. The increased efficiency results in GHG reductions. Advancements in management, nutrition, and genetics result in more milk production per cow and added longevity to the animal. This means fewer heifers are needed for replacements, and beef/dairy cross calves can be sold at a premium compared to purebred bulls. Cargill aims to reduce its North American supply chain greenhouse gas emissions by 30% by 2030.

Sustainability does not have to be a source of frustration for the dairy industry. However, we do need to be present in the discussions to make sure outcomes will make our industry sustainable environmentally, economically, and socially.

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 14, 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			
<b>CLASS III MILK FUTURES (\$/CWT)</b> vs. wk ago: <i>July off \$0.20, Aug-Dec \$0.50-1.00 higher, 2022 \$0.05-20 higher</i>	16.79	17.73	18.06	18.50	18.45	18.10	17.83	17.80	17.77	17.78	17.77	17.75	↑↑			
<b>CLASS IV MILK FUTURES (\$/CWT)</b> vs. week ago: <i>2021 contracts \$0.20-30 higher; 2022 fully steady.</i>	15.93	16.03	16.15	16.32	16.64	16.74	16.80	17.00	17.10	17.35	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					
<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 1.03	0.95	0.79	0.60	0.79	1.17	0.62	1.53	2.29	1.82	1.58	0.99				
<b>*AVG</b>	1.31	1.15	0.67	0.74	1.38	0.85	1.67	2.55	2.15	1.66	1.45	1.25				
<b>DMC OFFICIAL GROSS MARGINS</b> 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
<b>U.S. AVG MILK MARGIN</b> 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
<b>PA AVG MILK MARGIN</b> 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																							
16.75	0.05	17.75	0.54	18.00	0.77	18.50	0.97	18.50	1.03	18.00	1.00	17.75	1.05	17.75	1.02	17.75	1.11	17.75	1.04	17.75	1.08	17.75	1.08
SEP-21		DEC-21		MAR-22		JUL-22		Example		JUL-21		OCT-21		DEC-21		MAR-22							
CORN (\$/BU) OPTIONS — CALLS				Daily Strike		SOYMEAL (\$/TON) OPTIONS — CALLS		Price / Premium		310		350		360		360							
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	360	36.20						
6.50	06.40	9.90	03.50	9.00	08.30	9.50	09.40	355	00.90	520	02.45	520	03.75	520	03.75	520	03.75						

CORN FUTURES (\$/BU)													
5.682	5.586	5.664	5.706	5.702	5.104	4.940	5.010	5.044	5.070	4.646	4.530		↑↑
----- WEEK AGO -----													
5.426	5.310	5.386	5.436	5.434	4.960	4.832	4.960	4.832	4.906	4.940	4.960		
SOYMEAL FUTURES (\$/TON)													
368.7	368.4	367.8	370.8	370.4	367.6	366.5	368.3	366.0	361.1	354.8	353.8		↑↑
----- WEEK AGO -----													
358.7	360.4	361.3	364.9	365.2	362.4	361.0	362.7	360.3	355.3	347.6	350.3		

*NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *MAY 2021				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/14/21													
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	SPOT CASH	TREND
*MAY (estimated) <b>8.72</b> ↓	<b>8.57</b> ↑	<b>11.43</b> ↑		NFDM 1.252	1.235	1.259	1.275	1.281	1.297	1.309						1.2400	↑↑
*PREV MO 8.74	7.77	*10.35		WHEY 0.600	0.555	0.537	0.525	0.502	0.504	0.490						0.5200	↑↑
*YR AVG 7.21	5.40	6.79		BUTTER 1.750	1.750	1.770	1.780	1.800	1.810	1.820						1.7100	↓↓
				CHEESE 1.627	1.754	1.798	1.860	1.875	1.835	1.802						See Below	
				CME SPOT CHEESE: BARRELS 1.5950 / 40 LB BLOCKS 1.7375 ↑↑ / ↑↑													

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)														CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW			
CL I ADV ↓↓	*CL II ↑↑	*CL III ↓↓	*CL IV ↑↑	*ALL-MILK-U.S.	*ALL-MILK-PA	WEIGHTED AVG. 4-WK *JUNE 1-26, 2021		PRODUCT VALUE		MAKE ALLOW NET		*JUNE 2021 COMPONENTS					
17.42 (JUL)	*16.66 (JUN)	*17.21 (JUN)	*16.35 (JUN)	*19.20 (MAY) ↑↑	*19.30 (MAY) ↑↑	3.93F	3.92F	*CHEESE 1.6439	0.2003	1.4436	↓↓	*PROT 2.5834	↓↓				
----- MONTH AGO -----						18.29	16.22	18.96	16.16	18.40	18.40	*BUTTER 1.7934	0.1715	1.6219	↓↓	*B.FAT 1.9641	↓↓
----- YEAR AGO -----						16.56	12.99	21.04	12.90	13.60	14.00	*NFDM 1.2696	0.1678	1.1018	↑↑	*N.FAT 1.0908	↑↑
----- MONTH AGO -----						16.56	12.99	21.04	12.90	13.60	14.00	*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			
----- MONTH AGO COMPARISON -----													
1150	1015	930	875	N/A	960	340	N/A	600	910	1150			
Avg. of prices reported by USDA Market News for PA Auction Markets July 8-13, 2021													
CATTLE MARKET COWS (\$/CWT LIVEWEIGHT)													
Premium White	Breakers	Boners	Lean	FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)		CURRENT Beef X		WEEK AGO		YR AGO			
N/A	76.60	66.85	56.41	Choice & Prime 1250-1550 lbs light test	97.85	91.00	83.50	↑↑					
----- WEEK AGO -----				BULL CALVES: No. 1 & 2, 90-130 lbs	95.00	165.00	115.00	57.00	↓↓				
N/A	79.75	68.85	58.10	70-85 lbs	75.00	155.00	70.00	45.00	↑↑				
----- YEAR AGO -----													
67.00	66.60	58.85											

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