

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — SEPT. 1, 2021 — except where noted

Fluid milk sales: The Coronavirus Pandemic certainly made its mark on the U.S. dairy industry last year, and it continues to influence dairy markets even now. The result of business shutdowns and stay-at-home requests by local, state, and federal governments had mixed results on dairy sales. When food service, a major user of cheese and butter products, was severely limited last year, overall sales of these products declined. However, with the dramatic shift in food service sales to retail sales, all major dairy products, including fluid milk, experienced periodic growth compared to 2019 in the retail sector. Each August, the USDA releases a spreadsheet that lists fluid milk sales data for the previous year by category back to 1975. That spreadsheet was published this week, and overall, the results are encouraging for at least 2020.

Annual fluid milk sales during 2020 totaled 46.356 billion pounds. This was basically flat relative to 2019, down only 0.1% or 51 million pounds. This slight decline represents the lowest decline since 2009 when fluid milk sales were up by about 0.5%. Fluid milk sales from 2010 to 2019 averaged a decline of 1.8% year-over-year (YOY). Unfortunately, since 2009, fluid milk sales have dropped over 9 billion pounds. The 55.433 billion pounds of fluid milk sold in 2009 represents the highest sales volume total since 1975.

The USDA spreadsheet separates fluid milk into eight categories: whole milk, 2%, 1%, skim, flavored whole, flavored other than whole, buttermilk and eggnog. Three categories experienced YOY growth that was nearly enough to offset the loss in sales from the other five categories. Interestingly, the category that experienced the most growth was 2% milk at 15.835 billion pounds up 554 million pounds (+3.6%). Whole milk was second up 529 million pounds (+3.2%). Eggnog sales were relatively flat but did increase to 132 million pounds (+0.2%) from 121 million pounds in 2019.

For the five declining sales categories, flavored whole milk declined the least at -1.9%, while flavored other than whole milk sales declined the most at -23%. Flavored whole milk declined 14 million pounds compared to 2019 to 765 million pounds, while flavored other than whole milk sales declined

869 million pounds to 2.876 billion pounds. Skim milk had the second highest decline dropping 475 million pounds (-13%) to 3.068 billion pounds, buttermilk dropped 25 million pounds (-5.5%) to 420 million, and 1% milk sales dropped 258 million pounds (-4.3%) to 5.808 billion pounds. I know everyone in the dairy industry would like to see the dietary guidelines for schools changed to allow higher fat fluid milk offerings. However, school milk is historically 6-8% of the fluid milk market and most of the milk sold at schools is flavored milk that is mainly fat free but perhaps 1% flavored in some cases. The rest of school milk sales are skim or 1% white milk. It would be interesting to see these categories split out in more detail. I would suspect that the absence of in-person school is a large reason why those three categories performed so poorly last year.

Mark your calendar. On Tues., Sept. 14 from 12:30 – 1:30 p.m., the Center for Dairy Excellence will be hosting a Dairy Industry Conference Call. We will have panelists representing National Milk Producers Federation (NMPF) and the USDA's Farm Service Agency (FSA) and Agricultural Marketing Service (AMS) on the call to talk about the recent relief payments authorized by the USDA as part of the Administration's Pandemic Volatility Assistance Program and recent changes to the Dairy Margin Coverage program. To join the conference call, dial toll free (978) 990-5000 and enter the access code 553371, followed by the # sign, when prompted. You will be automatically entered into the conference call.



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2020 Fluid Milk Sales (millions of pounds)

	Whole Milk	2%	1%	Skim	Flavored, whole	Flavored, not whole
2020 Total	16,649	15,835	5,808	3,068	765	2,876
Volume Change from 2019	529	554	-258	-475	-14	-869
%change	3.3%	3.6%	-4.3%	-13.4%	-1.9%	-23.2%

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



*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

*USDA APR-21 NEW * ALL-MILK BF * MAILBOX

Price averages do not include lower-end 'common'

Average to high dressing

CME DAILY FUTURES & OPTIONS TRADING — SEPT. 3, 2021 AT THE CLOSE

SEP-21 OCT-21 NOV-21 DEC-21 JAN-22 FEB-22 MAR-22 APR-22 MAY-22 JUN-22 JUL-22 AUG-22 TREND

CLASS III MILK FUTURES (\$/CWT) vs. wk ago: *Sept. down \$0.60, remainder 2021 \$0.20-0.40 lower; 2022 mixed, far-off higher* **12-Month Avg. 17.33↑↑**

CLASS IV MILK FUTURES (\$/CWT) vs. week ago: *\$0.15-0.50 higher across the board* **12-Month Avg. 16.93↑↑**

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

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 18.19 05/21 18.25 05/21 17.95 05/21
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 14.71 03/20 14.62 03/20 14.69 03/20

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

PA 0.79 0.60 0.79 1.17 0.62 1.53 2.29 1.82 1.58 0.99 1.03 0.95

*AVG 0.67 0.74 1.38 0.85 1.67 2.55 2.15 1.66 1.45 1.25 1.31 1.15

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 MAY-20 5.37 JUN-20 9.99 JUL-20 12.41 AUG-20 10.83 SEP-20 9.40 OCT-20 11.13 NOV-20 11.87 DEC-20 8.78 JAN-21 7.14 FEB-21 6.22 MAR-21 6.46 APR-21 6.94 MAY-21 6.89 JUN-21 6.24 JUL-21 5.68

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)

MAR-20 12.23 APR-20 8.77 MAY-20 8.06 JUN-20 12.59 JUL-20 15.04 AUG-20 13.43 SEP-20 12.33 OCT-20 14.44 NOV-20 15.47 DEC-20 12.51 JAN-21 11.25 FEB-21 10.51 MAR-21 10.66 APR-21 11.31 MAY-21 11.53 JUN-21 10.77

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)

MAR-20 11.24 APR-20 8.27 MAY-20 6.79 JUN-20 9.44 JUL-20 12.67 AUG-20 11.10 SEP-20 10.91 OCT-20 11.31 NOV-20 12.36 DEC-20 10.53 JAN-21 8.56 FEB-21 8.15 MAR-21 9.37 APR-21 9.76 MAY-21 10.20 JUN-21 11.19

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

16.75 0.22 16.75 0.59 17.25 0.80 17.50 0.99 17.25 0.95 17.25 0.95 17.25 0.94 17.50 1.03 17.50 1.01 17.50 1.04 17.50 1.06 17.75 1.19

CORN (\$/BU) OPTIONS — CALLS

5.15 36.30 5.50 31.60 5.60 40.00 5.60 51.40 5.70 04.00 7.00 03.00 7.70 03.60 8.30 04.70

CORN FUTURES (\$/BU)

SEP-21 5.154 DEC-21 5.226 MAR-22 5.316 MAY-22 5.372 JUL-22 5.376 SEP-22 5.124 DEC-22 5.036 MAR-23 5.104 MAY-23 5.132 JUL-23 5.142 SEP-23 4.852 DEC-23 4.736

WEEK AGO

5.512 5.516 5.586 5.630 5.614 5.284 5.212 5.280 5.320 5.342 4.982 4.854

SOYMEAL FUTURES (\$/TON)

SEP-21 343.7 OCT-21 340.8 DEC-21 343.5 JAN-22 344.7 MAR-22 347.2 MAY-22 350.0 JUL-22 352.8 AUG-22 352.5 SEP-22 350.4 OCT-22 346.1 DEC-23 347.1 JAN-24 345.2

WEEK AGO

352.3 350.1 352.8 353.2 353.9 355.7 358.2 356.9 353.0 346.6 347.0 344.6

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *JUNE 2021

FEED COST (\$/CWT milk) IOFC (\$/COW @ 75 lbs milk) PA MILK MARGIN (\$/CWT milk)

*JUN (estimated) 8.90 7.65 10.20

*PREV MO 9.54 7.32 9.76

YR AGO 7.25 9.48 12.65

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 09/03/21

SEP OCT NOV DEC JAN FEB MAR

NFDM 1.282 1.308 1.330 1.342 1.345 1.348 1.347

WHEY 0.525 0.484 0.465 0.468 0.461 0.472 0.477

BUTTER 1.736 1.747 1.765 1.785 1.784 1.795 1.822

CHEESE 1.669 1.703 1.756 1.775 1.760 1.766 1.764

CME SPOT CHEESE: BARRELS 1.3800 / 40 LB BLOCKS 1.7100

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)

CL I ADV 16.90 (SEP) CL II 16.51 (AUG) CL III 15.95 (AUG) CL IV 15.92 (AUG) ALL-MILK-U.S. 17.90 (JUN) ALL-MILK-PA 18.50 (JUN)

MONTH AGO

16.90 16.83 16.49 16.00 18.40 19.10

YEAR AGO

19.78 13.27 19.77 12.53 20.60 19.30

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. AUG. 25, 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)

900 875 950 700 N/A 925 325 300 575 725 1225

MONTH AGO COMPARISON

1150 1015 930 875 N/A 960 Ltd 340 N/A 600 910 1150

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)

Choice & Prime 1250-1550 lbs light test 108.35 90.35 85.00

BULL CALVES: No. 1 & 2, 90-130 lbs 92.00 85.00 110.00

70-85 lbs 75.00 75.00 95.00

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