

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — SEPT. 15, 2021 — except where noted



ZACH MYERS
Risk Education
Manager
336-468-0726
zmyers@centerfordairyexcellence.org

PA Dairy Industry Conference Call: There have been a lot of developments in the dairy industry as it relates to relief payments and changes to the Dairy Margin Coverage (DMC) program. On Tuesday, September 14, the Center hosted a Dairy Industry Conference Call to discuss these developments and answer participants' questions. Paul Bleiberg, Senior Vice President of Government Relations at the National Milk Producers Federation (NMPF) and Erin Taylor, Director of Order of Order Formulation and Enforcement at the Agricultural Marketing Service (AMS) joined us to talk about the new Pandemic Market Volatility Assistance Program (PMVAP). Cynthia Walters, Dairy Program Specialist, Pennsylvania State Farm Service Agency (FSA) office also joined us to talk about the DMC feed cost price formula change that will benefit farmers once finalized.

On the conference call, Bleiberg explained that PMVAP was created to partially reimburse dairy farmers for Class I revenue loss incurred during the second half of 2020 caused by pandemic market conditions and the Class I price formula change made in May 2019. Bleiberg explained that the Class I price formula change was meant to be revenue neutral for dairy farmers while providing better risk management opportunities for Class I processors and farmers in high Class I utilization regions. Historical Class III and IV price data were analyzed from 2000 through 2017 to come up with the current Class III and IV average plus 74 cents per cwt. The 74 cents was the average difference between Class III and IV over the 18-year timeframe analyzed and was intended to make the change revenue neutral. Of course, nothing like COVID-19 happened during those 18 years to cause the spread to get larger than what was normal during that timeframe.

Taylor explained that the PMVAP payrate will be based on actual pooled losses in a region by the milk handler during July through December 2020 and will reimburse 80% of that loss to dairy farmers. An individual dairy farmer's payment production base is capped at 5

million pounds for that July – December period. This means the payrate will not be the same for each milk handler as each handler will have pooled different amounts of milk and experienced different losses. Taylor also explained that this is not a Federal Order program. AMS recognizes that milk handlers in unregulated regions may have pooled milk on an Order, thus will be eligible for the payment on the pooled milk. She mentioned that if any producer is not sure if their milk handler is participating in the program, the first step is to contact the milk handler and ask. If any milk handler refuses to participate, AMS will work with farmer members on an individual basis to make sure they get the payment due to them.

According to Taylor, all eligible milk handlers have been contacted and notified of the opportunity to participate in PMVAP. If you are an independent or on-farm processor and believe you should qualify for payment but have not been contacted, Taylor said you should email AMS at pmvap@usda.gov to receive further help. If there are any questions or concerns about the program that your milk handler cannot answer, you are encouraged to send an email to the above address. If you do not have email, you may call the AMS Dairy Programs Office directly at 202-720-4392. Taylor reassured participants that each milk handler that participated in the program would be audited after payments had been made to make sure funds were distributed as intended.

To learn more about PMVAP, hear about the alfalfa hay price DMC change, and to hear my analysis of the net benefit of DMC this year and what the hay price change means to Pa. dairy farm families, you can listen to the recording at centerfordairyexcellence.org/conference-calls. It is the tenth call on the list of recordings. You may also call in and listen to the recording by dialing toll free: 978-990-5099, enter access code: 553371#, then reference number 12#.

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 — SEPT. 15, 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: 2021 contracts down \$0.15-0.55, 2022 contracts fully steady	16.58	17.15	17.06	17.40	17.35	17.40	17.47	17.50	17.64	17.62	17.72	17.78	12-Month Avg. 17.39 ↓														
CLASS IV MILK FUTURES (\$/CWT) vs. week ago: 2021 contracts steady to 25 cents lower; 2022 steady to 15 cents lower	16.40	16.81	16.94	16.94	17.03	17.15	17.19	17.31	17.48	17.50	17.50	17.45	MIXED 12-Month Avg. 17.14 ↓														
----- 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	JUNE-20	JULY-20	AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	*JUL-21												
	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	6.24	*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)																											
	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	JUN-21	*JUL-21											
	8.77	8.06	12.59	15.04	13.43	12.33	14.44	15.47	12.51	11.25	10.51	10.66	11.31	*11.53	*10.77	*10.09	↓										
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)																											
	8.27	6.79	9.44	12.67	11.10	10.91	11.31	12.36	10.53	8.56	8.15	9.24	9.37	9.76	*10.20	*9.79	↓										
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																											
	16.50	0.03	17.25	0.49	17.00	0.65	17.50	0.90	17.25	0.85	17.50	0.96	17.50	0.97	17.50	1.00	17.75	1.09	17.50	0.99	17.75	1.13	17.75	1.12			
	DEC-21		MAR-22		JUL-22		Example		OCT-21		DEC-21		MAR-22														
	CORN (\$/BU)		OPTIONS — CALLS		Daily Strike		SOYMEAL (\$/TON)		OPTIONS — CALLS																		
	5.20	30.40	5.40	33.20	5.60	37.00	Price / Premium	305	30.95	305	35.60	320	30.50														
	6.50	02.70	7.50	02.50	7.70	04.70		335	03.85	360	04.40	390	04.55														
CORN FUTURES (\$/BU)																											
	DEC-21	MAR-22	MAY-22	JUL-22	SEP-22	DEC-22	MAR-23	MAY-23	JUL-23	SEP-23	DEC-23	JUL-24	TREND														
	5.334	5.406	5.446	5.434	5.124	5.074	5.146	5.174	5.186	4.822	4.720	4.810	↑														
	WEEK AGO																										
	5.102	5.196	5.260	5.264	4.986	4.972	5.040	5.074	5.094	4.802	4.684	4.605															
SOYMEAL FUTURES (\$/TON)																											
	OCT-21	DEC-21	JAN-22	MAR-22	MAY-22	JUL-22	AUG-22	SEP-22	OCT-22	DEC-22	JAN-23	MAR-23	TREND														
	335.9	339.6	342.0	344.9	348.4	352.3	352.2	350.2	344.8	345.0	344.9	341.6	↑														
	WEEK AGO																										
	334.9	337.8	339.6	343.1	346.6	350.4	350.6	348.6	343.8	344.4	343.4	340.7															

* = NEW PA MILK MARGIN & IOFC - LATEST PSU VALUES - * JULY 2021

	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)
*JUL (estimated)	9.23↑	7.34↓	9.79↓
*PREV MO	8.90	7.65	*10.20
YR AVG	6.63	9.48	12.67

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

	SEP	OCT	NOV	DEC	JAN	FEB	MAR	SPOT CASH TEND
NFDM	1.280	1.310	1.325	1.335	1.345	1.350	1.355	↓ 1.3300 ↓
WHEY	0.530	0.520	0.492	0.485	0.477	0.477	0.477	Mixed 0.5250 ↑
BUTTER	1.787	1.822	1.827	1.832	1.820	1.805	1.860	↑ 1.8275 ↑
CHEESE	1.649	1.715	1.725	1.763	1.760	1.760	1.771	↓ See Below ↓

CME SPOT CHEESE: BARRELS 1.4925 / 40 LB BLOCKS 1.7950 ↑ / ↑

* = NEW **ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)**

	CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA
	16.90 (SEP)	16.51 (AUG)	15.95 (AUG)	15.92 (AUG)	17.90 (JUN) ↓	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. SEP. 8, 2021 sale New Holland, PA)

	975	750LTD	1025	800	925	425	675	850	1125	
COWS: Fresh Bred Springing				N/A		N/A				
HEIFERS: Bred	975	750LTD	1025	800	925	425	675	850	1125	
Open: 300-600 lbs										
Beef X 600-900 lbs										
900-1000 lbs										
BULLS (1100-1300 lb)										
MONTH AGO COMPARISON										
1050	1015	930	875	N/A	960 ltd	340	N/A	600	910	1150

Avg. of prices reported by USDA Market News for PA Auction Markets Sep. 9-14, 2021

	Premium White	Breakers	Boners	Lean
Week Ago	N/A	73.05↑	66.75↑	54.85↓
Year Ago	N/A	71.60	65.00	55.50
		62.00	61.35	52.50

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)

	Choice & Prime 1250-1550 lbs light test	Current	Week Ago	Yr Ago
		107.85	107.10	84.00

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

	70-85 lbs	100.00	175.00	96.00	90.00	180.00	76.00	45.00
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Price averages do not include lower-end common

Average to high dressing

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