

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — SEPT. 29, 2021 — except where noted



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SEPTEMBER: Fall is officially here. Cooler weather, a little color in the trees, and a shortening of daylight hours are confirming the season change. Hot weather, drought conditions, and high feed costs have compounded over the summer to slow the milk production growth the U.S. dairy industry experienced through the first half of the year. Along with strong domestic and international demand for dairy, current Class III and IV milk futures are showing improvement relative to the end of August through the next 12 months.

After stabilizing some in August, Class III and IV futures for the next 12 months are showing improvement for the first time in several months. Average Class III price for the next 12 months is up 18 cents per cwt from last month to \$17.47. Behind strong domestic and international demand as well as a shortage of powders coming from other than U.S. sources, Class IV average prices have increased 78 cents to \$17.17 per cwt. If this trend continues and these Class IV prices become reality, these will be the highest Class IV prices since 2014 when Class IV averaged \$22.09 per cwt.

Why the recent uptick in prices? One thing is a slowdown in milk production growth which makes buyers unsure about future milk supply and gives them incentive to procure more milk to ensure plants continue operating at capacity. August U.S. production increased 1.1% to 18.840 billion pounds compared to Aug. 2020. This is the lowest year-over-year (YOY) growth since June 2020 when production was only up 0.5% YOY. Cow numbers increased 1.1% to 9.480 million head in Aug., but it was the third month in a row to decrease month-over-month. The national herd size has fallen 29,000 head since May's high of 9.509 million with 19,000 head of the decrease coming in Aug. The increased production growth came solely from increased cows compared to last year as milk production per cow was the same at 73.7 pounds. The large drop in cow numbers from July is largely due to increased dairy cow slaughter. August dairy cow slaughter increased by 16% YOY and equaled 261,400 head.

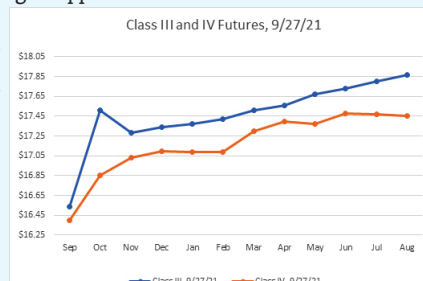
August Pennsylvania production was even with last year at 841 million pounds. Cow numbers decreased another 1.5% YOY but was the 8th month

in a row to maintain 475,000 head. Since milk production was the same YOY with fewer cows, production per cow growth helped to maintain the total pounds of milk produced across the state. The average Pennsylvania cow produced almost 1 pound per cow (+1.5%) more this August compared to last year at 65.6 pounds.

Exports are on track to set a volume record for the second year in a row. If milk prices continue to improve, there is a shot of breaking 2014's record value as well. Nearly all major categories of dairy products experienced export growth in July. The total volume of exports was 195,029 metric tons, up 7% from July 2020. Dairy export value increased an astounding 21% YOY in July, reaching an estimated \$668 million. The U.S. exported a total 17.7% of its total production in July.

The Pa. DEP has announced an Agricultural Energy Efficiency Rebate Program for agricultural producers, with up to \$100,000 available for this program through State Energy Program funding from the US Department of Energy. The program is offering funding as a rebate voucher program for projects focusing on energy efficiency on the farm. All projects must be approved by DEP in advance by submitting an application. Vouchers will be awarded on a first come, first serve basis.

For complete application instructions and program guidelines, visit the DEP agriculture and farming energy webpage at www.dep.pa.gov/agricultureenergy. You can also call 570-327-3783 or email RA-EP-AgEnergyPrograms@pa.gov with questions.



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. 29, 2021 AT THE CLOSE

	OCT-21	NOV-21	DEC-21	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	TREND
CLASS III MILK FUTURES (\$/CWT) vs. week ago: \$0.05-0.35 higher, with Oct-Nov \$0.50-1.00 higher	17.87	17.88	17.56	17.51	17.55	17.59	17.67	17.77	17.87	17.86	17.95	17.98	12-Month Avg. 17.76↑↑
CLASS IV MILK FUTURES (\$/CWT) vs. week ago: steady to 10 cents higher	16.93	17.16	17.24	17.19	17.20	17.42	17.48	17.47	17.55	17.49	17.52	17.46	12-Month Avg. 17.34↑↑

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

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	17.98 09/21
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	14.92 03/21

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

PA	0.60	0.79	1.17	0.62	1.53	2.29	1.82	1.58	0.99	1.03	0.95	0.79
*AVG	0.74	1.38	0.85	1.67	2.55	2.15	1.66	1.45	1.25	1.31	1.15	0.67

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	JUN-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)

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
8.27	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

DEC-21	MAR-22	JUL-22	Example Daily Strike Price / Premium	OCT-21	DEC-21	MAR-22
18.00 0.28	17.75 0.57	17.50 0.74	17.50 0.85	17.50 0.88	17.50 0.88	17.75 1.03

CORN (\$/BU) OPTIONS — CALLS

DEC-21	MAR-22	JUL-22	Example Daily Strike Price / Premium	OCT-21	DEC-21	MAR-22
5.20 30.40	5.40 33.20	5.60 37.00	5.20 30.40	305 30.95	305 35.60	320 30.50

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
5.390	5.470	5.516	5.514	5.256	5.200	5.266	5.296	5.310	4.896	4.780	4.872	↑↑

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
338.1	341.2	343.6	345.5	348.5	351.4	351.3	349.6	345.3	345.8	345.1	340.1	↓↓

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 AGO 6.63	9.48	12.67

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 09/29/21 SPOT CASH TRENDS 09/29/21

NFDM	1.340	1.375	1.387	1.390	1.385	1.384	1.384	↑↑	1.3800	↑↑
WHEY	0.545	0.541	0.532	0.511	0.507	0.503	0.492	↑↑	0.5800	↑↑
BUTTER	1.780	1.772	1.772	1.759	1.763	1.827	1.840	↑↑	1.7450	↑↑
CHEESE	1.777	1.772	1.755	1.757	1.770	1.776	1.785	↑↑	See Below	

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)

CL I ADV↑↑	*CL II↑↑	*CL III↑↑	*CL IV↑↑	ALL-MILK-U.S.	ALL-MILK-PA
17.08(OCT)	*16.89(SEP)	*16.53(SEP)	*16.36(SEP)	17.90(JUN)↓↓	18.50(JUN)↓↓

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. SEP. 23, 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)
950	900 LTA	1000	450	N/A	650
975	1025	800 N/A	925	425	N/A

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)

Choice & Prime 1250-1550 lbs light test	CURRENT	Beef X	WEEK AGO	YR AGO
	108.50		107.85	84.85

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

70-85 lbs	CURRENT	175.00	WEEK AGO	105.00	YR AGO	76.00
	100.00	180.00	100.00	40.00	↑↑	