

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — OCT. 27, 2021 — except where noted



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



OCTOBER: The USDA updated August milk production and cow number data are showing a larger shrinkage in cow numbers that led to even slower growth in milk production compared to what was originally reported last month. After reporting an August herd size of 9.480 million head in September's Milk Production report, the USDA revised that down 33,000 head to 9.447 million. Total Aug. production was reduced by 101 million pounds to 18.739 billion. These revisions further reduced the Aug. milk production growth from 1.1% year-over-year (YOY) to just 0.6% growth. Further reductions in cow numbers relative to August and decreased milk production per cow led to further slowing in milk production during September compared to September 2020.

The U.S. dairy herd fell an additional 25,000 head in Sept. compared to August but is a slight 0.3% increase YOY. At 9.422 million head, the U.S. herd is up 27,000 head compared to Sept. 2020. Total milk production was up a slight 0.2% compared to one year ago to 18.075 billion pounds. This is the slowest growth rate in 16 months. However, Sept. milk production slipped 0.1% YOY to 1,918 pounds per cow. The average U.S. cow produced about three-tenths of a pound less per day in September than she did one year ago. For the 5th month in a row dairy cow slaughter increased YOY. At 264,600 head, 14,200 (+5.7%) more dairy cows went to market than in September 2020.

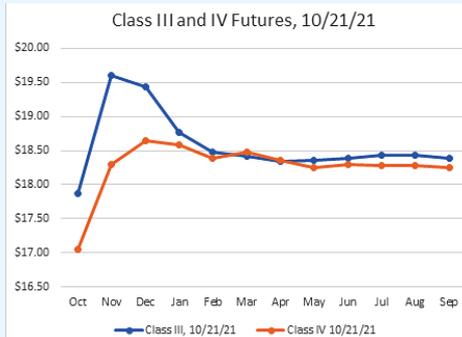
While the U.S. herd size has shrunk by 85,000 head since May's high of 9,507 million, Pennsylvania has been able to maintain 475,000 head for all of 2021 so far. Unfortunately, the current herd size is 1.5% less than last year. Despite maintaining cow numbers, total milk production across the state continues to decline. Total production in Sept. was 798 million pounds, 17 million (-2.1%) pounds less than last Sept. Milk production per cow also dropped and compounded the milk production decline. At 64.4 pounds per day, the average Keystone dairy cow produced 0.4 pounds less than she did one year ago.

The good news is that with a shrinking herd size and slower milk production growth across the country, milk supply is getting tighter. Couple this with increasing international demand and reduced international supply, and the potential for upward movement in milk price is present. Over the last month,

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

milk price has continued to improve. Class III and IV milk prices have both increased through October. As of Oct. 21 closing prices, the current 12-month average Class III milk price has improved \$1.11 per cwt to \$18.58 vs. this time last month. The 12-month average Class IV price jumped \$1.09/cwt compared to this time last month to average \$18.26.

For the 7th straight month, exports grew YOY. In August, U.S. dairy exports increased 13% over Aug. 2020 to 198,032 metric tons. 2021 exports continue to be on pace to surpass 2020's record volume. Aug. exports were valued at \$689.5 million. This represents a 26% increase in value compared to one year ago. If milk prices continue to improve, export value is likely to eclipse 2014's record. Although congestion at U.S. ports continue to dominate the headlines, to date, dairy exporters seem to be managing through the ordeal with dairy products not yet starting to back up waiting to leave U.S. borders. A lot of the growth in exports is attributed to continued recovery in the Mexican market. According to the U.S. Dairy Export Council (USDEC), increased exports into Mexico powered August's growth. At an increase of 11,903 metric tons of



CME DAILY FUTURES & OPTIONS TRADING — OCT. 27, 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. wk ago: <i>Yearend 2021 lost most of last week's advance, down \$0.30-0.50; 2022 up \$0.15-0.25</i>	17.97	18.84	18.71	18.50	18.37	18.37	18.35	18.39	18.43	18.46	18.48	18.43	12-Month Avg. 18.44↑↑
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: <i>\$0.15-0.50 higher, mainly \$0.35-0.40 higher across the board on 2022 contracts.</i>	17.05	18.29	18.70	18.51	18.48	18.59	18.49	18.46	18.46	18.45	18.38	18.25	12-Month Avg. 18.34↑↑

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/US — 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	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	*AUG-21
*AVG	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	*5.25	↓↓

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)	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	*AUG-21	*SEP-21	
PA AVG MILK MARGIN	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	*10.19	*9.79	*10.05	↑↑

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)	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	*AUG-21	*SEP-21	
PA AVG MILK MARGIN	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	*10.04	*9.82	*10.68	↑↑

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	DEC-21	MAR-22	JUL-22	Example Daily Strike Price / Premium	DEC-21	MAR-22	MAY-22
17.75 0.00	18.75 0.27	18.75 0.75	18.50 0.86	18.25 0.84	18.25 0.91	18.25 0.95	18.50 1.11
18.50 1.09	18.50 1.12	18.50 1.12	18.50 1.13	18.50 1.19			

CORN (\$/BU) OPTIONS — CALLS	DEC-21	MAR-22	JUL-22	Example Daily Strike Price / Premium	DEC-21	MAR-22	MAY-22
5.30 32.30	5.50 38.50	5.70 48.10		300 31.35	300 33.40	300 37.75	
6.10 02.40	7.70 02.10	8.30 05.40		340 03.85	365 05.00	380 06.00	

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
5.572	5.660	5.696	5.694	5.504	5.466	5.532	5.546	5.534	5.160	5.070	5.152		↑↑

SOYMEAL FUTURES (\$/TON)	DEC-21	JAN-22	MAR-22	MAY-22	JUL-22	AUG-22	SEP-22	OCT-22	DEC-22	JAN-23	MAR-23	MAY-23	TREND
330.9	329.2	329.9	333.0	336.6	336.8	336.3	334.0	335.2	334.2	329.6	328.4		↑↑

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *SEP 2021	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)
*SEP (estimated)	*8.54 ↓↓	*8.01 ↑↑	*10.68 ↑↑
*PREV MO	8.58	7.36	9.92
YR AYO	7.09	8.32	10.91

CME DAIRY CASH-SETTLED FUTURES (\$/LB)	OCT	NOV	DEC	JAN	FEB	MAR	APR	SPOT CASH	TREND
NFDM	1.359	1.453	1.489	1.485	1.483	1.467	1.449	↑↑	1.5275 ↑↑
WHEY	0.547	0.580	0.607	0.615	0.616	0.618	0.605	Mixed	0.6225 ↑↑
BUTTER	1.765	1.890	1.900	1.870	1.886	1.920	1.937	↑↑	1.9400 ↑↑
CHEESE	1.771	1.851	1.813	1.793	1.781	1.780	1.786	Mixed	See Below

CME SPOT CHEESE: BARRELS	1.8475 / 40 LB BLOCKS	1.7575	↑↑ / ↑↑
--------------------------	-----------------------	--------	---------

USDA JULY-21 NEW ALL-MILK BF MAILBOX	*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	WEIGHTED AVG. 4-WK	*SEPT. 1 - 25, 2021	*SEPT. 2021 COMPONENTS	
*FL \$22.30 3.61 \$21.14	*CL I ADV↑↑	1.6411	0.2003	1.4408	↑↑
*SE \$20.70 3.56 \$18.96	CL III↑↑	1.6411	0.2003	1.4408	↑↑
*APP \$20.40 3.70 \$18.77	CL IIII↑↑	1.6411	0.2003	1.4408	↑↑
*MGO \$18.80 3.90 \$18.12	CL IV↑↑	1.6411	0.2003	1.4408	↑↑
*MO N/A N/A \$17.94	ALL-MILK-U.S.	1.6411	0.2003	1.4408	↑↑
*IL \$17.20 3.82 \$17.75	17.98(NOV)	1.6411	0.2003	1.4408	↑↑
*WI \$17.70 3.85 \$17.54	16.89(SEP)	1.6411	0.2003	1.4408	↑↑
*OH \$18.30 3.80 \$17.41	16.53(SEP)	1.6411	0.2003	1.4408	↑↑
*Pawestern PA only \$17.41	16.36(SEP)	1.6411	0.2003	1.4408	↑↑
*NY \$18.10 3.84 \$17.32	17.70(AUG) ↓↓	1.6411	0.2003	1.4408	↑↑
*CA \$18.20 3.78 \$17.16	18.40(AUG) ↓↓	1.6411	0.2003	1.4408	↑↑
*PA \$18.50 3.81 \$17.10	3.88F	1.6411	0.2003	1.4408	↑↑
*MOR \$19.00 3.89 \$17.08	3.84F	1.6411	0.2003	1.4408	↑↑
*MN \$17.80 4.02 \$17.04	17.08	1.6411	0.2003	1.4408	↑↑
*U.S. \$17.90 3.84 \$17.03	16.51	1.6411	0.2003	1.4408	↑↑
*IA \$17.90 4.02 \$17.01	15.95	1.6411	0.2003	1.4408	↑↑
*IN \$17.90 3.79 \$16.46	15.92	1.6411	0.2003	1.4408	↑↑
*MI \$17.00 3.76 \$16.13	17.90	1.6411	0.2003	1.4408	↑↑
*TX \$17.40 4.05 \$16.12	18.04	1.6411	0.2003	1.4408	↑↑
*NEKS \$16.40 3.88 \$15.49	13.16	1.6411	0.2003	1.4408	↑↑
*NM \$15.70 3.67 \$14.75	16.43	1.6411	0.2003	1.4408	↑↑

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. OCT. 20, 2021 sale New Holland, PA)	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Beef x	Open: 300-600 lbs	Beef X 600-900 lbs	900-1000 lbs	BULLS (1100-1300 lb)
	1035	950	1085	N/A	N/A	N/A	N/A	N/A	N/A	1050LTD

WEEK AGO COMPARISON	700	1000	N/A	400	300	575	600	1000LTD
	700	1000	N/A	400	300	575	600	1000LTD

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)	Choice & Prime 1250-1550 lbs light test	CURRENT	Beef X	WEEK AGO	YR AGO
BULL CALVES:	No. 1 & 2, 90-130 lbs	99.60	75.00	175.00	81.00
	70-85 lbs	60.00	135.00	55.00	90.00

Premium White	Breakers	Boners	Lean
N/A	69.60 ↓↓	59.50 ↑↑	53.25 ↑↑

Two Weeks Ago	Year Ago
N/A	55.75

brought to you by: **FARM SHINE** **CENTER FOR DAIRY EXCELLENCE** **PENNSYLVANIA DEPARTMENT OF AGRICULTURE**