

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 10, 2020 — except where noted

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



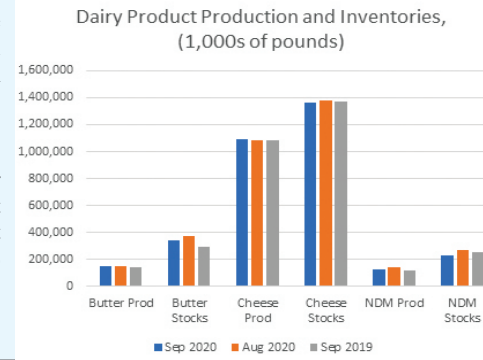
Dairy product production and inventory: Dairy markets have certainly behaved strangely this year. We have had milk price extremes for Class III. While Class IV milk prices have been less volatile after an initial plunge earlier this year, they continue to struggle to catch up to Class III or reach pre-COVID-19 prices. It looks like the spread between Class III and IV does not approach normalcy until next summer. I thought I would take a brief glance at how dairy product production and stocks are currently influencing milk prices.

Both September dairy product stocks and production are mixed compared to August 2020 and year-over-year (YOY) amounts. Butter, cheese, and nonfat dry milk (NDM) production are higher than last September. Butter and NDM are both up 5% and cheese is up 1% compared to last year. This makes sense considering milk production has been up every month, YOY, since June 2020. With a larger milk supply, more milk is being manufactured into these dairy products than it was last year. Strong retail sales, exports, and government spending to purchase dairy products for the USDA Food Box program likely incentivized increased production as well. Comparing production to last month tells a slightly different story. Only NDM production is below last month, down 14%. Butter and cheese production were up slightly compared to last month to 0.3% and 0.6%, respectively.

Butter, cheese and NDM stocks declined unexpectedly during September 2020 compared to last month. Butter stocks fell 7.4%, cheese fell 1.3%, and NDM fell 13.8% during September. The drawdown in butter from August to September is not unusual for this time of year as retailers begin to prepare for the holiday season. Despite this decline, butter stocks are still up a massive 18.3% compared to September 2019. The unexpected month-to-month contraction of butter and cheese supply is partially due to increased foodservice sales and dairy's ability to be a great addition as an ingredient to carry out and delivery foods. Foodservice sales continue lower than pre-COVID-19 sales.

Nonfat dry milk stocks were down during September and YOY. Perhaps low Class IV milk price is shifting production away from cheaper powders into more valuable Class IV and Class III products as evident from the butter and cheese production numbers compared to last month. Domestic powder demand is relatively strong, and powder exports continue to surprise analysts each month. U.S. low powder prices continue to be very attractive to international markets. The result of these factors were net declines in stocks of 13.8% compared to last month and 7% compared to September 2019. During the initial phase of the pandemic, April 2020 NDM stocks were 393 million pounds and were the highest monthly ending stocks in at least two years. September ending NDM stocks were 233 million pounds, 41% below the April 2020 stocks.

Milk pricing is more complex than production and inventories, but these and other factors contribute to how your milk price is determined. Although milk price is determined by the USDA, it is still largely based on supply and demand. If you would like to have a better understanding of your milk check, do not hesitate to contact me and I will try to help you. My contact information is listed above.



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 — NOV. 10, 2020 AT THE CLOSE

	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	SEP-21	OCT-21	TREND
CLASS III MILK FUTURES (\$/CWT) Vs. week ago: <i>Nov-Dec 5 to 50 cents lower; 2021 board 5 to 75 cents higher.</i>	23.81	19.81	18.44	17.23	16.72	16.52	16.50	16.50	16.59	16.57	16.72	16.65	↑↑
CLASS IV MILK FUTURES (\$/CWT) Vs. week ago: <i>steady to 15 cents higher Nov. 2020 - Apr 2021; steady to 20 cents lower May-Oct. 2021</i>	13.62	13.65	13.89	14.11	14.53	14.79	15.00	15.19	15.44	15.76	16.20	16.24	MIXED

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

23.86	11/20	20.23	10/20	18.44	11/20	17.85	01/20	17.40	01/20	17.30	01/20	17.12	01/20	17.00	01/20	17.01	01/20	16.93	01/20	17.00	10/20	16.72	10/20		
14.65	03/20	14.66	03/20	14.80	03/20	14.82	03/20	14.62	03/20	14.56	03/20	14.52	03/20	14.31	03/20	14.50	03/20	14.50	03/20	14.50	03/20	14.21	03/20	14.20	03/20

MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)												
PA	1.70	2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87
*AVG	1.65	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82

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	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUNE-20	JUL-20	AUG-20	SEP-20
	9.27	9.85	10.41	10.88	12.21	11.95	10.72	10.06	9.15	6.03	5.37	9.99	12.41	10.83	9.40

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-19	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	SEP-20
	11.82	12.52	12.94	13.39	13.98	15.29	14.94	13.86	13.18	12.23	8.77	8.06	12.59	15.04	*13.43	*10.96

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-19	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	SEP-20
	11.52	11.48	12.73	13.17	13.09	13.76	13.78	13.10	12.20	11.24	8.27	6.79	9.44	12.67	*11.10	*10.26

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
23.75	0.31	19.75	1.33	18.50	1.38	17.25	1.08	16.75	1.10	16.50	1.12	16.50	1.13	16.50	1.07	16.50	1.03	16.50	1.03	16.75	1.05	16.75	1.09

CORN (\$/BU) OPTIONS — CALLS															
4.00	18.40	4.40	16.60	4.60	17.30	4.60	18.20	4.30	02.40	5.30	02.20	6.10	03.10	6.30	03.20

SOYMEAL FUTURES (\$/TON)																							
392.7	392.1	387.2	382.2	378.8	370.6	357.5	343.2	351.5	339.1	330.4	327.9	385.7	380.2	369.0	361.2	358.7	352.4	343.2	331.9	330.6	328.7	321.7	319.5

PA MILK MARGIN & IOFC-LATEST PSU VALUES — *SEP. 2020							CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/10/20									
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	NOV	DEC	JAN	FEB	MAR	APR	MAY	NOV	DEC	JAN	FEB	MAR	APR	MAY
*SEP. *6.97	*7.70	*10.26	1.076	1.075	1.090	1.102	1.093	1.112	1.123	0.383	0.385	0.390	0.382	0.380	0.380	0.380

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 SEP 29-OCT 30, 2020	PRODUCT	VALUE	MAKE ALLOW	NET	OCT 2020 COMPONENTS		
18.04(NOV)	*13.63(OCT)	*21.61(OCT)	*13.47(OCT)	*17.90(SEP)	*18.00(SEP)	*CHEESE	2.2921	0.2003	2.0918	*PROT	5.0146		

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. NOV. 4, 2020 sale New Holland, PA) *PRICES MOSTLY HIGHER

COWS: Fresh Bred	Springing	HEIFERS: Bred	Beef x (bred)	Springing	Open:	300-600 lbs	Beef X	600-900 lbs	800-1200 lbs	BULLS (1100-1300 lb)
1250	1275	1000	875	775	1075	225	N/A	450	N/A	1000
TWO WEEKS AGO COMPARISON										
1075	1125	1035	725	650	1025	250	275	525	N/A	800

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT) CURRENT Beef X WEEK AGO YR AGO

Choice & Prime 1250-1550 lbs light test **86.25** 80.00 85.00

BULL CALVES: No. 1 & 2, 90-130 lbs **60.00 150.00** 95.00 91.00

70-85 lbs **70.00 165.00** 90.00 50.00

CATTLE MARKET COWS (\$/CWT LIVEWEIGHT)

Premium White	Breakers	Boners	Lean
57.00	56.85	48.85	47.00

8 WEEKS AGO: N/A 55.75 54.50 47.00

YEAR AGO: N/A 57.50 55.00 49.85

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