

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 17, 2020 — except where noted

Cheese Markets: Dairy Market volatility has taken its toll on cheese prices over the last month, even more drastic over the last two weeks. Fears surrounding the increasing infection rate of COVID-19 during this second wave of the pandemic have cheese buyers wary of what will happen if a second shutdown or partial shutdown occurs in the coming days and weeks. Prior to COVID-19, over half of cheese and butter sales occurred at foodservice.

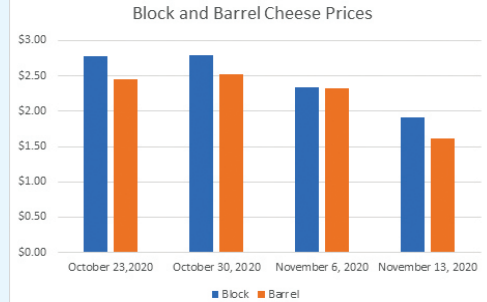
Even though foodservice sales continue to be lower than a year ago, they had been increasing month-over-month through the summer and early fall, until recently. Blackbox Intelligence, a firm that tracks sales at restaurant chains, reported that restaurant sales the week ending Nov. 1 were the lowest in more than two months. With cheese prices falling, large cheese buyers are reluctant to purchase cheese until prices settle. The USDA's Food Box program was extended through the end of the year. However, USDA dairy purchases have slowed from an estimated equivalent of nearly 4% of the U.S. milk production to 1.5 to 2%, adding more milk supply that regular markets must now clear.

This downward pressure has caused cheese prices to plummet. Block cheese prices settled at \$2.7825 per pound on Oct. 30 and dropped 86.5 cents in two weeks to close at \$1.9175 on Nov. 13. This represents a 2-week record drop in block cheese price. Barrel cheese has not fared much better. During the same period, barrel cheese price fell from \$2.5300 per pound to \$1.6100, representing a 2-week loss of 92 cents. Although this was not a record 2-week price drop, it is not far off the 99.5-cent record established between late July and mid-August of this year.

There is growing evidence that if a vaccine is not readily available soon and state governments place further restrictions on businesses and foodservice establishments, there may be some kind of stimulus package introduced early next year to try to provide a boost to the economy. If this happens, hopefully dairy farms will receive some additional relief mon-

ey. However, you should not count on federal aid for your milk price risk management for 2021 as it is not guaranteed. Instead, take advantage of one of the grants the Center for Dairy Excellence offers to help you form a strategy to get your dairy through this trying time. The Center is offering three different Team Program grants to help you improve profitability and make decisions using a team approach. If you are a Pennsylvania dairy farmer and would like to get a group of your closest advisors together to forge a path forward, the Profit Team grant offers up to \$1,500 for reimbursement of expenses for getting that group of advisors around the table. Whether you are looking at transitioning your business to the next generation or an outside partner, or transforming into a new business model, you could access up to \$3,500 in reimbursement for putting together a team through either the Transformation Team or Transition Team grant programs. If you would like to be paired with an experienced dairy consultant, the Center also offers a one-time Dairy Decisions Consultant grant up to \$3,500 to pay for a knowledgeable consultant to analyze your operation, find bottlenecks, and share ideas to improve profitability. For more information, visit www.centerfordairyexcellence.org or contact Melissa Anderson at 717-636-0779.

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CME DAILY FUTURES & OPTIONS TRADING — NOV. 17, 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: *Nov-Feb \$0.75-3.50 lower, Mar-Apr 10-25 cents lower; remainder 2021 15-25 cents higher.*

CLASS IV MILK FUTURES (\$/CWT) Vs. week ago: *5 to 30 cents lower across the board.*

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

MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)

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)

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)

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)

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

CORN (\$/BU) OPTIONS — CALLS

SOYMEAL FUTURES (\$/TON)

CORN FUTURES (\$/BU)

SOYMEAL FUTURES (\$/TON)

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *SEP. 2020

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/17/20

***USDA JULY NEW * ALL-MILK BF * MAILBOX**

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

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 lbs)

PREMIUM WHITE BREAKERS BONERS LEAN

8 WEEKS AGO

YEAR AGO

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)

BULL CALVES:

DRYWEIY

WEIGHTED AVG. 4-WK SEP 29-OCT 30, 2020

PRODUCT VALUE MAKE ALLOW NET

CHEESE 2.2921 0.2003 2.0918

BUTTER 1.5248 0.1715 1.3533

NFDM 1.0670 0.1678 0.8992

DRYWEIY 0.3480 0.1991 0.1489

CHEESE 2.421 1.707 1.756 1.740 1.736 1.740 1.749

CME SPOT CHEESE: BARRELS 1.4000 / 40 LB BLOCKS 1.7700

PROT 5.0146

B.FAT 1.6388

N.FAT 0.8902

OTHER 0.1534

Choice & Prime 1250-1550 lbs light test 88.00

No. 1 & 2, 90-130 lbs 100.00 190.00

70-85 lbs 90.00 165.00

8 WEEKS AGO 86.25 60.00 70.00

YEAR AGO 86.75 40.00 30.00

Choice & Prime 1250-1550 lbs light test 88.00

No. 1 & 2, 90-130 lbs 100.00 190.00

70-85 lbs 90.00 165.00

8 WEEKS AGO 86.25 60.00 70.00

YEAR AGO 86.75 40.00 30.00

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*AVG = Average basis for North-East and Mid-East
*MARGIN = Milk Price over Feed Cost
per cwt. YELLOW = payment triggered



Average to high dressing