

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOV. 23, 2021 — except where noted



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



NOVEMBER: Residual effects of high feed cost extremes continue to impact milk production across the nation. Year-over-year (YOY) milk production growth has been slowing since its peak in April 2021. Growth fell below 1% in August and was basically flat in September. For the first time since May 2020, October YOY milk production shrank due to decreased cow numbers and reduced milk production per cow. Milk production in the three largest European milk producing countries, Germany, France, and the United Kingdom, have had multiple months of declining YOY milk production. Milk production in Oceania is not on par with previous years either. All these factors point to a tightening in the world milk supply that is helping to bolster domestic prices.

October milk production in the U.S. fell 0.5% to 18.515 billion pounds, 88 mil. pounds less than Oct. 2020. The drop in production is because of a 14,000 head decrease in cow numbers and 6-pound drop per month in milk production per cow to 1,970 pounds. The average U.S. cow produced 73.0 pounds per day in October, 3/10ths of a pound less than last year. This is not a large drop in milk production per cow, but coupled with decreased cow numbers, it amplified the milk production decline. High feed costs are receiving most of the blame for both the production and cow number declines. The reduction in cow numbers is the first YOY reduction since May 2020. However, the U.S. herd has been constricting month-over-month since its high of 9.507 million cows in May, declining by 107,000 head since then.

October cow numbers in Pennsylvania remained at 475,000 for the 10th month in a row but is 7,000 (-1.5%) head less than last October. Unfortunately, milk production per cow also fell compared to last Oct. by 30 pounds per month (-1.7%) to 1,760 pounds. The average Keystone cow produced 64.2 pounds per day this past October, 1.0 pounds less than last year. The declines in Oct. cow numbers and output per cow resulted in a reduction in total milk output across the state of 26 mil. pounds (-3.1%) to 822 mil. pounds compared to Oct. 2020.

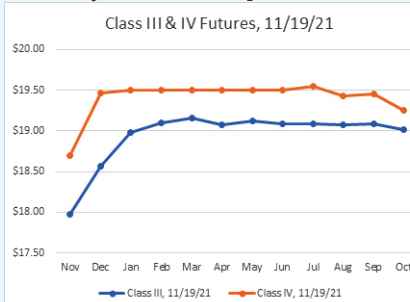
The result of declining milk production in the U.S. and other main dairy

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

countries is increasing milk prices here and abroad. As of Nov. 19, the average 12-month Class III milk price improved \$0.37/cwt since the end of Oct. to \$18.95. The average 12-month Class IV milk price took a larger jump of \$1.14 per cwt to \$19.40. Since the end of October, Class III and IV milk prices have inverted for the foreseeable future with Class IV higher than Class III in Nov. 2021 through at least Oct. 2022. U.S. dairy product prices for butter, nonfat dry milk, and cheese are currently cheaper or comparable to EU and Oceania product prices. Barring a worsening of shipping delays at western U.S. ports, this should help keep U.S. dairy exports favorable.

U.S. dairy exports through Sept. continued at a record pace with an additional 186,020 (+16% YOY) metric tons (MT) of milk solid equiv. of dairy products leaving the U.S. for foreign markets. Nonfat dry milk and skim milk powder products (+9,760 MT YOY) led the charge followed by cheese (+5,793 MT YOY) and butterfat (+4,483 MT YOY). Sept. exports were estimated to be valued at \$655.0 million, nearly 28% more than year-earlier.

The increased value was driven by both increased price and increased volume relative to a year ago. With shipping delays at western U.S. ports, the rebound in the Mexican market has been especially important for U.S. dairy products. Exports to Mexico are up 19% through Sept. compared to the same timeframe last year and nearly flat compared to pre-pandemic 2019.



CME DAILY FUTURES & OPTIONS TRADING — NOV. 23, 2021 AT THE CLOSE

NOV-21	DEC-21	JAN-22	FEB-22	MAR-22	APR-22	MAY-22	JUN-22	JUL-22	AUG-22	SEP-22	OCT-22	TREND
CLASS III MILK FUTURES (\$/CWT) vs. wk ago: Dec-Feb \$1.00 higher; remainder generally steady to \$0.10 higher, spots \$0.05 lower. 12-Month Avg. 18.77 ↑↑												
17.94	18.33	18.75	18.94	18.95	18.90	18.87	18.97	18.92	18.90	18.94	18.86	↑↑
CLASS IV MILK FUTURES (\$/CWT) vs. wk ago: \$0.35-0.70 higher across the board. 12-Month Avg. 19.35 ↑↑												
18.70	19.47	19.42	19.40	19.50	19.36	19.39	19.37	19.45	19.47	19.43	19.27	↑↑

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

19.66 05/21	19.29 05/21	18.95 05/21	18.94 11/21	18.95 11/21	18.90 11/21	18.90 11/21	18.97 11/21	18.92 11/21	18.90 11/21	18.94 11/21	18.86 11/21
14.21 03/20	14.19 03/20	14.00 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	15.22 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	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	*SEP-21
	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	*6.93

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
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
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																							
18.00	0.08	18.25	0.36	18.75	0.78	19.00	0.95	19.00	1.04	19.00	1.12	18.75	1.06	19.00	1.15	19.00	1.23	19.00	1.27	19.00	1.27	18.75	1.15

DEC-21			MAR-22			JUL-22			Example Daily Strike Price / Premium			DEC-21			MAR-22			MAY-22					
CORN (\$/BU) OPTIONS — CALLS									SOYMEAL (\$/TON) OPTIONS — CALLS														
5.40	35.50	5.70	32.70	6.00	41.50	340	35.00	335	35.80	340	35.40	5.90	02.50	7.00	03.10	8.10	05.30	385	03.25	415	05.50	430	06.65

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
5.804	5.882	5.926	5.934	5.684	5.594	5.664	5.682	5.662	5.190	5.096	5.184	↑↑

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
362.2	356.1	354.1	355.8	359.4	359.0	357.8	355.2	356.3	354.8	347.4	344.5	↓↓

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *OCT 2021												
FEED = \$/CWT	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	NOV	DEC	JAN	FEB	MAR	APR	MAY	SPOT CASH 11/23/21	TREND 11/23/21
*OCT (estimated)	*8.52 ↓↓	*9.35 ↑↑	*12.47 ↑↑	1.478	1.525	1.525	1.530	1.530	1.511	1.505	↑↑	1.5675 ↑↑

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/23/21												
NFDM	1.478	1.525	1.525	1.530	1.530	1.511	1.505	↑↑	1.5675	↑↑		
WHEY	0.585	0.640	0.667	0.655	0.650	0.640	0.622	↑↑	0.7000	NC		
BUTTER	1.940	2.000	1.989	1.980	2.020	2.025	2.050	↑↑	1.9900	↑↑		
CHEESE	1.747	1.750	1.775	1.810	1.820	1.825	1.821	↑↑	See Below			

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)												
CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK	OCT. 1-30, 2021	OCT. 2021 COMPONENTS				
19.17(DEC)	17.08(OCT)	17.83(OCT)	17.04(OCT)	18.40(SEP) ↑↑	19.00(SEP) ↑↑	1.7698	0.2003	1.5695	↑↑	PROT	3.0130	↑↑

CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW												
PRODUCT	VALUE	MAKEALLOW	NET	BUTTER	1.7746	0.1715	1.6031	↑↑	B.FAT	1.9414	↑↑	
NFDM	1.3598	0.1678	1.1192	↑↑	N.FAT	1.1801	↑↑					
DRYWHEY	0.5447	0.1991	0.3456	↑↑	OTHER	0.3560	↑↑					

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. NOV. 17, 2021 sale New Holland, PA)														
COWS: Fresh	1250	1000	1050	HEIFERS: Bred	850	1100	975	Open: 300-600 lbs	300	N/A	625	925	BULLS (1000 lb)	700 (1)

TWO WEEKS AGO COMPARISON												
950	1100	1085	950	800	450	425	660	675	900	N/A		

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)												
Choice & Prime	1250-1550 lbs light test	N/A	94.85	88.00	N/A							
BULL CALVES:	No. 1 & 2, 90-130 lbs	105.00	175.00	105.00	100.00							
	70-85 lbs	90.00	175.00	90.00	90.00							

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. NOV. 17, 2021 sale New Holland, PA)														
COWS: Fresh	1250	1000	1050	HEIFERS: Bred	850	1100	975	Open: 300-600 lbs	300	N/A	625	925	BULLS (1000 lb)	700 (1)

PAUCTION MARKETS NOV. 23, 2021												
Premium White	54.75	Breakers	66.85 ↑↑	Boners	56.00 ↑↑	Lean	51.60 ↓↓					

TWO WEEKS AGO												
N/A	66.85	56.00	51.60									

YEAR AGO												
59.25	59.35	50.10										

brought to you by: