

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — DEC. 1, 2020 — except where noted

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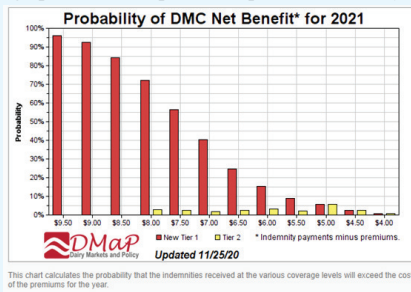
Last call for DMC and CFAP-2: Dairy markets are certainly difficult to predict, and a global pandemic makes it nearly impossible. In December 2019, milk prices were forecasted to build on the momentum gained in the latter half of 2019 to be decent in 2020. Of course, there are no guarantees with projections. As we all know, 2020 dairy markets did not behave as predicted last year. COVID-19 reshaped the dairy markets this year and continue to negatively influence milk price futures into 2021. Last April and May experienced the lowest Class III and IV prices since 2009. Then June, July and October had the highest Class III prices since 2014. The July spread between Class III and IV prices reached a record \$10.78 per cwt with the two classes of milk continuing to trade at an abnormal spread. 2020 has experienced the most volatile markets in recent memory, if not ever.

There have been two rounds of federal relief provided to dairy farmers to help lessen the impact of these unpredictable markets. The latest program, Coronavirus Food Assistance Program Round 2 (CFAP2), is still accepting applications through Friday, December 11, 2020. By the time this article reaches your mailboxes, you will just have a few days to get your application in before you miss out on this opportunity. CFAP2 pays approved dairy applications \$1.20 per cwt for total April through August 2020 production and an additional \$1.20 per cwt for projected September through December 2020 production. Applications can be completed and submitted online at www.farmers.gov/cfap. Alternatively, applications can be requested by calling your local Farm Service Agency (FSA) office. If completing the application process via U.S. Postal Service, the application must be postmarked no later than December 11, 2020. To date, 2,184 Pennsylvania dairy applications have been approved and received nearly \$55 million. This is an average of over \$25,000 per dairy for those 2,184 dairies.

USDA's Dairy Margin Coverage Program (DMC) also helped provide relief. However, participation this year was not nearly as high as the previous year. In 2019, 62% of U.S. dairy farms and 37% of Pennsylvania dairy farms

enrolled in DMC. Participation in 2020 fell drastically with only 36% of U.S. dairies and 15% of Pennsylvania dairies enrolling. Unfortunately, that means that most dairy farmers in the U.S. did not receive the net \$0.54 per cwt benefit that DMC 2020 has provided through October at the maximum \$9.50 per cwt coverage. DMC has provided additional revenue of \$16,700 per dairy for the Pennsylvania dairies that enrolled this year. Based on market conditions on Nov. 25, 2020, the USDA and Dairy Markets and Policy forecasted a greater than 95% chance that 2021 DMC would yield a net benefit for production history enrolled in DMC at the maximum \$9.50 margin coverage.

Like CFAP-2, DMC enrollment ends on Dec. 11, 2020, making time very limited. Pennsylvania FSA offices are currently closed for in-person appointments due to COVID-19. To enroll in DMC for 2021, you must call your FSA office to let them know you intend to enroll. Once you contact your FSA office, you will be given the option to complete your application by email, U.S. Postal Service or OneSpan (an electronic signature service). If you plan to mail your application, it must be postmarked no later than December 11, 2020 to be accepted. For dairy farms enrolling up to 5 million pounds of production history, DMC is currently the cheapest risk management option that sets the highest milk price floor. Based on current DMC projections, a U.S. all-milk price floor of \$19.34 per cwt can be set for just \$0.15 per cwt or about \$1,500 per one million pounds of production history for up to 5 mil pounds of production.



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 — DEC. 1, 2020 AT THE CLOSE

	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	SEP-21	OCT-21	NOV-21	TREND				
CLASS III MILK FUTURES (\$/CWT) Vs. week ago: <i>Dec 2020 - Feb 2021 - 10 to mostly 50 cents lower, Mar-Nov. 2021 - 5 to 25 cents higher.</i>	15.24	15.88	16.31	16.50	16.64	16.71	16.82	16.97	17.01	17.21	17.11	16.94	↑↑				
CLASS IV MILK FUTURES (\$/CWT) Vs. week ago: <i>35 cents to \$1.25 higher across the board.</i>	13.56	14.20	14.49	15.00	15.32	15.51	15.63	15.90	15.95	16.13	16.15	16.17	↑↑				
----- HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED -----																	
	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	17.01 12/20	17.21 12/20	17.11 12/20	16.94 12/20					
	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	14.19 03/20					
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — <i>YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</i>	PA 2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87	1.70					
*AVG	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82	1.65					
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	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUNE-20	JULY-20	AUG-20	SEP-20	*OCT-20		
	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	*11.13	↑↑	
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)																	
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	*OCT-20		
	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	*14.86	↑↑
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)																	
	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	*13.68	↑↑

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
15.25	0.22	15.75	0.69	16.25	0.70	16.50	0.76	16.50	0.75	16.75	0.92	16.75	0.91	17.00	1.04	17.00	1.02	17.25	1.07	17.00	0.99	17.00	1.03
DEC-20	MAR-21	SEP-21	DEC-21	Example Daily Strike Price / Premium		DEC-20	MAR-21	JUL-21	OCT-21	SOYMEAL (\$/TON) OPTIONS — CALLS													
4.05	20.70	4.40	17.70	4.60	19.10	4.60	18.70	375	20.00	400	18.10	400	21.30	380	16.95	400	01.50	485	02.85	550	02.35	520	02.25
4.30	02.20	5.40	02.40	6.10	03.60	6.30	03.50																

CORN FUTURES (\$/BU)													
4.190	4.236	4.264	4.266	4.266	4.102	4.080	4.134	4.140	4.126	3.920	3.924	4.042	↓↓
----- WEEK AGO -----													
4.256	4.324	4.356	4.364	4.146	4.122	4.170	4.180	4.174	3.942	3.946	4.052		
SOYMEAL FUTURES (\$/TON)													
398.3	389.5	385.6	384.2	381.6	379.6	372.1	359.4	346.6	344.8	341.7	335.0	↓↓	
----- WEEK AGO -----													
398.3	396.9	396.0	393.2	391.4	383.9	370.9	356.1	354.1	352.4	345.7	343.5		

* = NEW PA MILK MARGIN & IOFC — LATEST PSU VALUES — *OCT. 2020				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 12/01/20 SPOT CASH TREND 12/01/20											
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)		DEC	JAN	FEB	MAR	APR	MAY	JUN	Trend		12/01/20	Trend	
*OCT. *6.97NC	*10.26 ↑↑	*13.68 ↑↑		NFDM 1.108	1.144	1.159	1.175	1.190	1.200	1.210	↑↑	1.1450	↑↑		
*PREV MO *6.97	*7.70	*10.26		WHEY 0.419	0.418	0.420	0.415	0.402	0.400	0.396	↑↑	0.4400	↑↑		
YR AGO 7.01	9.81	13.09		BUTTER 1.465	1.540	1.559	1.660	1.720	1.732	1.755	↑↑	1.4100	↑↑		
				CHEESE 1.591	1.657	1.699	1.720	1.735	1.748	1.756	↓↓	See Below			
				CME SPOT CHEESE: BARRELS 1.4125 / 40 LB BLOCKS 1.6200											

* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)														CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW			
CL I ADVT	*CL II	*CL III	*CL IV	*ALL-MILK-U.S.	*ALL-MILK-PA	WEIGHTED AVG. 4-WK NOV 1-28, 2020				*NOV. 2020 COMPONENTS							
19.87(DEC)	*13.86(NOV)	*23.34(NOV)	*13.30(NOV)	*20.20(OCT) ↑↑	*18.80(OCT) ↑↑	*CHEESE	2.4535	0.2003	2.2532	↑↑	*PROT	5.6226	↑↑				
				4.02F	4.01F	*BUTTER	1.4558	0.1715	1.2843	↓↓	*B.FAT	1.5553	↓↓				
18.04	13.63	21.61	13.47	17.90	18.00	*NFDM	1.0816	0.1678	0.9138	↑↑	*N.FAT	0.9047	↑↑				
19.33	16.85	20.45	16.60	20.00	20.20	*DRYWHEY	0.3830	0.1991	0.1839	↑↑	*OTHER	0.1894	↑↑				

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				88.00				88.00				84.75		↑↑
BULL CALVES: No. 1 & 2, 90-130 lbs														
70-85 lbs				100.00				100.00				70.00		↑↑
80-85 lbs				90.00				90.00				35.00		↑↑

Price averages do not include lower-end "common" cows and heifers.

Average to high dressing

Premium White	Breakers	Boners	Lean
59.25 ↑↑	59.35 ↑↑	50.10 ↑↑	
----- 8 WEEKS AGO -----			
N/A	59.25	59.35	50.10
----- YEAR AGO -----			
N/A	57.50	54.75	48.75

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