

CDE DAIRY MARKETS & MANAGEMENT UPDATE

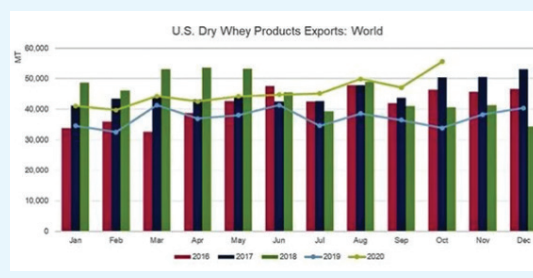
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OCTOBER EXPORTS: There is no doubt 2020 has been a volatile year for dairy markets. The milk price swings we have seen are unprecedented, with domestic demand a rollercoaster ride. Restaurant closures led to a loss of nearly 50% of dairy product purchases in just two weeks. The resulting shift from eating out to eating at home caused a dramatic shift in retail sales that only partially offset food service sale declines. The result was the lowest Class III and IV milk prices in over 10 years followed by the highest Class III price since the record-setting year of 2014. However, during this volatility, there have been some positives that have helped dairy farmers across the country mitigate losses.

increased 42% compared to last year thanks to substantial growth (+2,847 MT) in sales to Vietnam. Southeast Asia was also a destination of growth for nonfat dry milk (NDM) and skim milk powder (SMP). Total NDM/SMP exports were up an additional 6,056 MT (9%) driven by a 5,125 MT (5%) increase in volumes to Southeast Asia that offset a 3,195 MT (10%) decline in volumes to Mexico.

Record high cheese prices caught up with exports during October, reducing cheese exports by 13% to 24,646 MT. This was the lowest monthly cheese volume shipped across U.S. borders since September 2018. Cheese exports to Mexico, alone, plummeted 46% (-4,135 MT). The recent decrease in cheese prices over the last month puts the domestic cheese price in line with other international cheese suppliers and should help encourage cheese exports in the coming months.

Through Oct. 2020, total exports are up 16% compared to last year. With Oct. growth, the U.S. continues to be on pace to set a new export volume record in 2020. Total value of exports through Oct. was estimated at \$5.54 billion. This has certainly been a rough year, but with adversity sometimes comes opportunity. The U.S. currently exports the equivalent of about one day's national production each week. Where would milk prices be if that production had to stay at home?



Risk management opportunities like Dairy Margin Coverage and Dairy Revenue Protection helped program participants offset some of the drastic drops in milk price. The U.S. government also provided help to the dairy industry in direct payments to dairy farmers through the CFAP Program. In addition to direct support, USDA purchased hundreds of millions of dollars' worth of surplus dairy products to redistribute to increasing numbers of American families challenged by higher than normal unemployment caused by the pandemic.

Another bright spot in 2020 has been dairy exports. According to the United States Dairy Export Council (USDEC), October exports finished as the 14th month in a row of year-over-year growth and set a new Oct. exports volume record. Export volume reached 201,902 metric tons (MT), a 14% increase over last Oct., and was the third month this year to exceed the 200,000-metric ton mark in a single month. The USDA valued Oct. exports at almost \$554 million.

USDEC reported that a rebound in whey sales to China and strong sales of skim milk powder to Southeast Asia offset sluggish demand in Mexico across all dairy product categories and decreased cheese sales to most other international markets. U.S. whey sales to China increased over 20,000 MT to hit an all-time high of 56,655 MT, 64% more than October 2019 and 3% more than the previous record set in December 2017. Southeast Asia was also a significant region of growth for whey exports. Exports to that geographical area

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. 15, 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: 25 cents to \$1 higher across the board, strongest advance on Feb-April 2021 contracts.																
15.79	16.32	17.81	17.55	17.35	17.36	17.40	17.49	17.50	17.69	17.55	17.35	↑↑				
CLASS IV MILK FUTURES (\$/CWT) Vs. week ago: 15 to 50 cents lower, except Q-4 2021 steady to 20 cents higher.																
13.46	13.87	14.28	14.86	15.21	15.50	15.70	15.90	16.00	16.20	16.40	16.60	↓↓				
----- 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	17.55 12/20	17.35 12/20	17.36 12/20	17.31 12/20	17.49 12/20	17.50 12/20	17.69 12/20	17.55 12/20	17.35 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	14.41 03/20	14.50 03/20	14.50 03/20	14.50 03/20	14.50 03/20	14.19 03/20					
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)																
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	TREND	
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	TREND
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	↑↑

DEC-20	MAR-21	SEP-21	DEC-21	Example Daily Strike Price / Premium	DEC-20	MAR-21	JUL-21	OCT-21
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium								
15.75 0.08	16.25 0.59	17.75 1.05	17.50 1.12	17.25 1.12	17.25 1.16	17.50 1.31	17.50 1.21	17.50 1.14
CORN (\$/BU) 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
4.30 02.20	5.40 02.40	6.10 03.60	6.30 03.50		400 01.50	485 02.85	550 02.35	520 02.25

MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	MAR-22	MAY-22	JUL-22	SEP-22	DEC-22	MAY-23	JUL-23	TREND
CORN FUTURES (\$/BU)												
4.272	4.296	4.304	4.154	4.134	4.190	4.202	4.200	3.966	3.972	3.972	4.076	↑↑
----- WEEK AGO -----												
4.236	4.264	4.274	4.144	4.104	4.162	4.174	4.044	3.920	3.936	4.042	4.122	
SOYMEAL FUTURES (\$/TON)												
JAN-21	MAR-21	MAY-21	JUL-21	AUG-21	SEP-21	OCT-21	DEC-21	JAN-22	MAR-22	MAY-22	JUL-22	TREND
394.5	393.9	390.9	389.5	381.1	367.8	354.9	352.6	349.4	341.9	339.6	339.8	↑↑
----- WEEK AGO -----												
379.1	381.4	381.6	380.3	373.2	360.7	348.9	348.0	345.4	339.6	337.4	337.2	

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *OCT. 2020				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 12/15/20							SPOT CASH	TREND	
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)		DEC	JAN	FEB	MAR	APR	MAY	JUN	12/15/20		
*OCT. *6.97NC	*10.26 ↑↑	*13.68 ↑↑		NFDM 1.093	1.125	1.157	1.165	1.180	1.199	1.210	↓	1.1425	↓
*PREV MO *6.97	*7.70	*10.26		WHEY 0.426	0.452	0.457	0.451	0.449	0.445	0.445	↑	0.4675	↓
YR AGO 7.01	9.81	13.09		BUTTER 1.470	1.525	1.570	1.660	1.721	1.760	1.770	↑	1.5350	↓
				CHEESE 1.647	1.679	1.830	1.805	1.785	1.788	1.792	↑	See Below	
				CME SPOT CHEESE: BARRELS 1.4575 / 40 LB BLOCKS 1.6525							↑ / ↑		

* = NEW 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 NOV 1-28, 2020	PRODUCT	VALUE	MAKEALLOW	NET	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
----- MONTH AGO -----							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
----- YEAR AGO -----							DRYWHEY	0.3830	0.1991	0.1839	↑↑	OTHER 0.1894
19.33	16.85	20.45	16.60	20.00	20.20							

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. DEC. 16, 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)				
1200	850	1035	N/A	N/A	N/A	N/A	N/A	N/A	900
----- MONTH AGO COMPARISON -----									
1250	1275	1000	875	775	1075	225	N/A	450	N/A
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)									
Choice & Prime 1250-1550 lbs light test					CURRENT Beef X 2 WEEKS AGO YR AGO				
					81.00 83.00 80.00 81.00 84.75				
BULL CALVES: No. 1 & 2, 90-130 lbs									
					83.00 200.00 80.00 81.00 81.00				
70-85 lbs					80.00 175.00 80.00 28.00				

Average to high dressing

Premium White	Breakers	Boners	Lean
54.35	↓	54.60	↓
2 WEEKS AGO			
N/A	57.50	55.35	46.75
YEAR AGO			
N/A	52.00	50.00	43.00

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