

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — DEC. 22, 2020 — except where noted



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DECEMBER: It is hard to believe that this is my last column of the year and that I have been in Pennsylvania for two years already. December 10th marked my second anniversary working at the Center. It has been a big transition from dairy farmer to risk management consultant. I look forward to another year here at the Center and in the Commonwealth of Pennsylvania.

Unfortunately, we are ending the year with overall milk and dairy product prices declining. As of December 17, average Class III and IV milk futures prices are mixed. Class III futures prices continue to decline, while Class IV futures have reversed trend and have increased compared to this time last month. Current 12-month average Class III milk futures prices have declined \$0.42 per cwt since last month to \$16.83 behind reduced demand for cheese and increasing inventory. Class IV prices have increased to \$15.34 per cwt, 61 cents per cwt higher than last month's average. Although Nov. nonfat dry milk powder stocks are nearly 8% higher than last November, current stocks are 235 million pounds, down 40% compared to the April 2020 high of 393 million pounds. Record powder exports helped to reduce stocks even though production is increasing due to the increasing milk supply. The drawdown of stocks and the expectation of continued strong international demand is helping to bolster Class IV prices in the coming months.

Nov. U.S. milk production was up 3% over last year. Milk production has increased 2% or greater for the last three months. Nov. milk production was 18.025 billion pounds. As was the case for October's increase, November's milk production growth was driven by both increased cow numbers and production per cow. The U.S. dairy herd grew 0.66% to 9.407 million cows and is at its highest since Feb. 2018. The U.S. has added 57,000 cows since the June low of 9.350 million. Milk production per cow increased 2.3% to 73.4 pounds per lactating cow per day, 1.6 pounds per cow higher than last November.

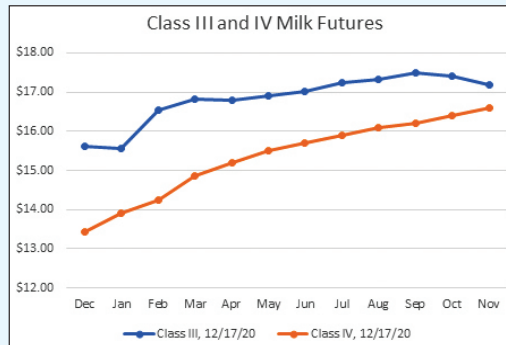
Pennsylvania milk production followed the same trends as the U.S. with total milk production and milk per cow increases. Milk production in the Commonwealth increased nearly 1% in November compared to last year to 815

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

million pounds. Milk per cow increased 1.5% to 64.8 pounds per cow, 1.0 pound per cow more than last November. Cow numbers were 0.6% lower in Nov. 2020 compared to Nov. 2018 but it was the sixth month in a row to maintain 482,000 head. Pennsylvania's increased milk production continues to be driven by improved output per cow.

The Dec. USDA Livestock, Dairy, and Poultry report yielded disappointing projections for the upcoming year. Class III, IV and U.S. all-milk prices were revised downward. Class III milk price is projected to average \$15.60 per cwt because of weakening cheese prices. This represents a drop of \$1.65 compared to last month's projections. The Class IV price is now projected to average \$13.60 per cwt, 40 cents less than last month's projection. Because of lower Class III and IV projections, the average U.S. all-milk price for 2021 was revised down by \$1.10 per cwt to \$16.60 for the year.

By the time this edition reaches you, it will be after Christmas. However, I hope you can take some extra time this week to spend with your family. In a week it will be 2021. Based on USDA projections, it may be a good year to have your pork roast, black eyed peas, and greens on New Year's Day. I hope you all have a Merry Christmas and Happy New Year!



CME DAILY FUTURES & OPTIONS TRADING — DEC. 22, 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: 10 to 50 cents higher, except Dec., Feb. and Mar. 5 to 50 cents lower.																
15.70	16.38	17.20	17.53	17.56	17.63	17.74	17.74	17.70	17.80	17.65	17.45	↑↑				
CLASS IV MILK FUTURES (\$/CWT) Vs. week ago: steady to 15 cents lower through May, steady to 20 cents higher June-Nov.																
13.42	13.95	14.25	14.81	15.16	15.51	15.82	16.08	16.21	16.31	16.60	16.60	MIXED				
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	17.56 12/20	17.63 12/20	17.74 12/20	17.74 12/20	17.70 12/20	17.80 12/20	17.65 12/20	17.45 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 — 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	↑↑

MAR-21	SEP-21	DEC-21	MAR-22	Example Daily Strike Price / Premium	MAR-21	JUL-21	OCT-21	DEC-21			
15.75 0.10	16.50 0.81	17.25 1.12	17.50 1.20	17.50 1.25	17.50 1.25	17.75 1.38	17.75 1.27	17.75 1.22	17.75 1.17	17.75 1.13	17.50 1.10
CORN (\$/BU) OPTIONS — CALLS					SOYMEAL (\$/TON) OPTIONS — CALLS						
4.20 29.70	4.40 29.10	4.70 20.00	4.80 20.20		410 20.40	420 24.80	380 20.65	400 17.40			
4.70 08.10	6.00 05.10	6.00 05.20	6.00 05.50		500 01.95	500 02.85	550 02.45	540 03.75			

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
4.434	4.444	4.442	4.264	4.196	4.244	4.256	4.250	3.990	3.964	3.972	3.972	↑↑
WEEK AGO												
4.272	4.296	4.304	4.154	4.134	4.190	4.202	4.200	3.966	3.972	3.972	4.076	
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
415.0	414.3	411.6	409.8	398.6	379.8	361.0	359.7	356.9	350.2	347.5	347.3	↑↑
WEEK AGO												
394.5	393.9	390.9	389.5	381.1	367.8	354.9	352.6	349.4	341.9	339.6	339.8	

FEED = \$/CWT	*OCT.	IOFC = \$/COW	*PREV MO	YR AGO	DEC	JAN	FEB	MAR	APR	MAY	JUN	SPOT CASH 12/22/20	TREND
	6.97NC	10.26 ↑↑	7.70	13.09	1.093	1.128	1.146	1.164	1.179	1.199	1.219	1.1475	↑↑
	6.97	7.70	7.70	10.26	0.412	0.454	0.453	0.445	0.440	0.447	0.447	0.4675	↑↑
	7.01	9.81	9.81	13.09	1.470	1.515	1.559	1.665	1.690	1.740	1.775	1.5200	↑↑
					1.636	1.688	1.775	1.802	1.812	1.821	1.835	Mixed	See Below
CME SPOT CHEESE: BARRELS 1.6250 / 40 LB BLOCKS 1.6750 ↑↑ / ↑↑													

CL I ADV	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) ↑↑	PRODUCT VALUE MAKE ALLOW NET	PROT 5.6226 ↑↑
MONTH AGO						CHEESE 2.4535 0.2003 2.2532 ↑↑	B.FAT 1.5553 ↓↓
18.04	13.63	21.61	13.47	17.90	18.00	BUTTER 1.4558 0.1715 1.2843 ↓↓	N.FAT 0.9047 ↑↑
YEAR AGO						NFDM 1.0816 0.1678 0.9138 ↑↑	OTHER 0.1894 ↑↑
19.33	16.85	20.45	16.60	20.00	20.20	DRYWHEY 0.3830 0.1991 0.1839 ↑↑	

1200	850	1035	N/A	N/A	N/A	N/A	N/A	900		
1250	1275	1000	875	775	1075	225	N/A	450	N/A	1000

Premium White	Breakers	Boners	Lean	FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)	CURRENT Beef X	WEEK AGO	YR AGO	
54.50 ↑↑	52.35 ↓↓	48.35 ↑↑		Choice & Prime 1250-1550 lbs light test	N/A	81.00	84.75	
WEEK AGO				BULL CALVES: No. 1 & 2, 90-130 lbs	100.00	245.00	83.00	81.00
YEAR AGO				70-85 lbs	88.00	245.00	80.00	28.00

brought to you by:

*AVG = Average basis for North-East and Mid-East

*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered



**USDA AUG. NEW * ALL-MILK BF * MAILBOX

Price averages do not include lower-end common

Average to high dressing