

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, JAN. 7, 2020 — except where noted



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



Risk management tools for 2020: Milk prices are down somewhat from 30 days ago, but milk price through 2020 still appears to remain profitable for most dairy farms across the country. Even though the price is looking good for 2020, it certainly is not a guarantee.

Dairy Margin Coverage (DMC) enrollment for 2020 ended last month, but if you decided not to enroll or missed the enrollment deadline, there are still dairy risk management tools available to help manage financial risk this year. Options include traditional futures trading through private brokers, futures contracting through a milk cooperative, and the Risk Management Agency's (RMA) Dairy Revenue Protection Program (DRP).

Dairy Revenue Protection is a federal crop insurance program that allows a dairy farmer to set a price floor for his/her milk price. DRP premiums are subsidized by the federal government at 44 to 55%, making it cheaper compared to traditional futures trading with private brokers or through cooperatives. It is a little more restrictive, but extremely customizable to fit each dairy's needs within the guidelines of the program.

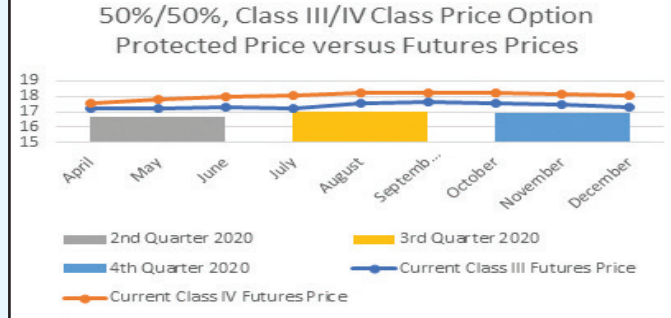
This program can be confusing to understand. What does DRP do? DRP policies provide protection against unexpected drops in revenue on milk produced at a dairy farm. It covers the difference between your final revenue and the guaranteed revenue as determined by the elections made by the dairy farmer in the policy.

DRP can be purchased on a quarterly basis up to 5 quarters in advance. Policies are available for second quarter 2020 through second quarter 2021 until March 15, 2020. Two policy options are available for purchase, Class Pricing and Component Pricing. The Class Price options allow dairy farmers to insure revenue based from the average quarterly Class III, Class IV or a combination of Class III and Class IV futures prices for each quarter as determined by the farmer.

The Component Option allows a farmer to protect quarterly revenue based on average quarterly Butterfat, Protein and Other Solids prices relative to component content of milk shipped. The Component Option allows dairies with high components to protect a higher revenue value because of the higher value of high component milk.

Dairy Revenue Protection can only be purchased through an Authorized Insurance Provider. The RMA webpage has an agent locator page at <https://www.rma.usda.gov/informationtools/agentlocator>, or if you do not have Internet access, you can call the Regional USDA office in Raleigh, NC at 919-875-4880 for help locating an insurance provider near you.

For many years the Center has hosted a monthly "Protecting Your Profits" call the fourth Wednesday of every month. Starting this month, we will be transitioning to a webinar format and will occasionally have guest presenters to cover dairy-related topics. I will be hosting the webinar and will be providing monthly updates on dairy market trends and risk management opportunities. I will include more information on our January 22, 2019 webinar in next week's column.



CME DAILY FUTURES & OPTIONS TRADING — JAN. 7, 2020 AT THE CLOSE

	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	TREND			
CLASS III MILK FUTURES (\$/CWT)	17.10	17.19	17.41	17.34	17.30	17.39	17.53	17.62	17.66	17.62	17.59	17.36	MIXED			
2 WEEKS AGO	17.26	17.38	17.43	17.37	17.35	17.39	17.55	17.62	17.70	17.65	17.53	17.32				
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED	19.34 12/19	18.92 12/19	18.16 12/19	17.76 12/19	17.50 12/19	17.39 12/19	17.59 11/19	17.64 11/19	17.73 11/19	17.65 12/19	17.59 01/20	17.36 01/20				
	14.62 11/18	14.63 11/18	14.59 11/18	14.65 11/18	15.12 11/18	15.01 11/18	15.01 11/18	14.99 11/18	14.52 11/18	14.52 11/18	15.02 11/18	15.50 01/19				
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	PA 2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87	1.70	2.75				
*AVG	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82	1.65	2.72				
MPP/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)	MPP SEP-18	OCT-18	NOV-18	DEC-18	DMC	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	*OCT-19	
	8.26	8.96	8.66	7.85		7.71	7.91	8.66	8.82	9.00	8.63	9.27	9.85	10.41	*10.88	↑↑
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)	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	*OCT-19	*NOV-19	*DEC-19	
	11.73	11.40	10.63	10.79	11.00	11.63	11.61	11.76	11.82	12.52	12.94	13.39	*13.98	*14.40	*14.23	↓↓
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)	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	*OCT-19	*NOV-19	*DEC-19	
	11.68	11.29	10.46	10.37	11.34	11.39	11.21	11.54	11.52	11.48	12.73	13.17	*13.09	*14.89	*14.83	

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
17.00	0.12	17.25	0.36	17.50	0.46	17.25	0.37	17.25	0.42	17.50	0.53	17.50	0.49	17.50	0.47	17.75	0.61	17.75	0.64	17.50	0.54	17.25	0.54
MAR-20				JUL-20				SEP-20				DEC-20				Example Daily Strike Price / Premium							
CORN (\$/BU) OPTIONS — CALLS																							
3.60	29.40	3.60	45.30	4.00	25.10	4.10	23.70																
4.30	01.30	5.00	03.10	5.30	03.20	5.00	06.40																

CORN FUTURES (\$/BU)													
MAR-20	MAY-20	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	JUL-21	SEP-21		TREND
3.842	3.912	3.976	3.982	4.006	4.102	4.142	4.170	4.082	4.090	4.170	4.250		↓↓
2 WEEKS AGO													
3.882	3.952	4.014	4.014	4.030	4.120	4.164	4.194	4.100	4.114	4.176	4.176		

SOYMEAL FUTURES (\$/TON)													
JAN-20	MAR-20	MAY-20	JUL-20	AUG-20	SEP-20	OCT-20	DEC-20	JAN-21	MAR-21	MAY-21	JUL-21		TREND
296.9	301.8	306.2	310.8	312.3	313.2	313.0	314.8	314.8	314.9	313.7	312.6		MIXED
2 WEEKS AGO													
297.5	302.3	306.1	309.8	311.1	311.8	311.2	312.9	311.9	309.8	309.8	311.0		

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *DEC. 2019				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 01/07/20 SPOT CASH TRENDS											
FEED = \$/CWT	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JAN	FEB	MAR	APR	MAY	JUN	JUL	01/07/20	SPOT CASH	TRENDS		
*DEC.	*6.84	*11.12	*14.83	1.239	1.251	1.256	1.272	1.283	1.296	1.305	↑↑	1.2550	↑↑		
*PREV MO	*6.87	11.17	*14.89	0.340	0.357	0.377	0.391	0.396	0.400	0.414	↑↑	0.3250	↑↑		
YR AGO	6.71	8.47	11.29	1.970	2.003	2.054	2.090	2.120	2.150	2.160	↓↓	1.8800	↓↓		
				1.810	1.807	1.813	1.799	1.791	1.797	1.808	↓↓	See Below			
				CME SPOT CHEESE: BARRELS 1.6425 / 40 LB BLOCKS 1.8800 ↓↓ / ↓↓											

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)										*CURRENT FEDERAL ORDER VALUES (\$/LB) * = *NEW					
CL I ADV	CL I	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK DEC 1 - 30, 2019					*DEC. 2019 COMPONENTS			
19.01	*16.81	(DEC)	*19.37	(DEC)	*16.70	(DEC)	21.00	(NOV)	↑↑	21.00	(NOV)	↑↑	*PROT	3.6515	↓↓
MONTH AGO															
19.33	16.85	20.45	16.60	19.30	20.10		PRODUCT VALUE MAKEALLOW NET					*B.FAT	2.1952	↓↓	
YEAR AGO															
15.12	15.63	14.43	15.06	17.00	18.00		*BUTTER 1.9842 0.1715 1.8127 ↓↓					*N.FAT	1.0378	↑↑	
							*NFDM 1.2161 0.1678 1.0483 ↑↑					*OTHER	0.1341	↑↑	
							*DRYWHEY 0.3293 0.1991 0.1302 ↑↑								

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. DEC. 18, 2019 sale New Holland, PA)													
COWS Fresh	Bred	Springing	HEIFERS: Bred	Beef x (bred)	Springing	Open: 300-600 lbs	Beef X	600-800 lbs	800-1200 lbs	BULLS (600-1800 lb)			
1050	875	N/A	650	N/A	925	350	N/A	485	N/A	775			
FOUR WEEK RUNNING AVG													
1100	925	1250	650	N/A	950	300	N/A	425	650	825			
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Dec. 26-31, 2019													
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)													
Choice & Prime 1250-1550 lbs light test													
CURRENT 80.50 2 WEEKS AGO 80.50 YR AGO 83.00													
BULL CALVES: No. 1 & 2, 90-130 lbs													
CURRENT 63.00 2 WEEKS AGO 81.00 YR AGO 45.00													
CULL MARKET COWS (\$/CWT LIVEWEIGHT)													
70-85 lbs													
CURRENT N/A 2 WEEKS AGO 28.00 YR AGO 12.00													

Price averages do not include lower-end common cows and heifers. Average to high dressing

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