

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, JAN. 28, 2020 — except where noted

JANUARY: January has been an active month for the dairy industry. The new U.S.-Japan trade agreement started on January 1st. Barring something unforeseen, the President will have signed the USMCA trade agreement by the time this article reaches you. Phase 1 of the new U.S.-China trade deal, which promises increased purchases of U.S. agricultural products, was also signed by the U.S. and Chinese Administrations. Domestic demand is relatively strong, and production is still growing at a rate slower than recent history. Initial numbers reported by the USDA show 2019 production was just 0.3% higher than 2018. The average rate of growth for the prior 10 years has been 1.5%, year over year. These factors have helped to increase the average milk price over the next 12 months compared to the end of December.

Average Class III and IV milk futures prices are higher than this time last month. Class III is averaging \$17.90 per hundredweight, 37 cents higher than the end of December. Class IV is averaging \$17.94 for the next 12 months, 18 cents higher than December. Class III and IV milk futures prices inverse in May, and Class IV continues to trade higher than Class III for the rest of 2020.

December U.S. milk production increased 0.67% over December 2018 driven by over a half pound increase in milk production per cow. Cow numbers were 9.339 million, a 0.15% drop compared to last December. However, cow numbers reached a 2019 low of 9.317 million in August and have increased month over month since then. Dairy cow slaughter was up 1.61% compared to December 2018.

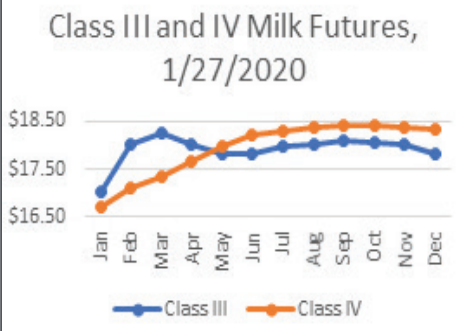
Pennsylvania milk production fell another 1.5% compared to December 2018, while cow numbers fell another 4.4% compared to last December. After holding at 485,000 head for five months, the

Pennsylvania herd decreased by 2,000 head in December, falling to 483,000. However, production per cow continued to increase compared to last year. Production per cow per day increased 3%, resulting in an increase of 1.9 pounds per cow across all mature dairy cows.

November export value showed growth compared to December 2018, increasing 22.14% to over \$530 million. We will have to wait and see what happens to exports in 2020. Some of dairy product prices are becoming expensive relative to our main export competitors. This may put downward pressure on the volume of dairy products that we are able to move overseas.

The latest USDA Livestock, Dairy, and Poultry Outlook shows a mix of increases and decreases in dairy product prices for 2020. The USDA is forecasting an All Milk price of \$19.25. This estimate is 15 cents


less than what was published last month but is still 65 cents higher than the 2019 estimated All Milk price of \$18.60. Hopefully, the futures prices will continue to increase, and we will see estimates looking favorable for the rest of the year.



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 — JAN. 28, 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)														
17.04	17.39	17.73	17.59	17.49	17.53	17.72	17.76	17.85	17.87	17.81	17.55	↓↓		
WEEK AGO														
17.03	17.54	17.78	17.69	17.62	17.73	17.85	17.95	18.05	18.01	17.95	17.67			
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	17.62 01/20	17.73 01/20	17.85 01/20	17.95 01/20	18.05 01/20	18.01 01/20	17.95 01/20	17.67 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	15.00 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 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	*NOV-19
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	12.21
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)														
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	0.02	17.50	0.30	17.75	0.44	17.50	0.46	17.50	0.58	17.50	0.60	17.75	0.56	17.75
CORN (\$/BU) OPTIONS — CALLS														
3.70	20.40	3.80	30.60	4.00	25.00	4.00	28.30			300	06.40	320	08.65	300
4.60	00.20	5.20	01.60	5.00	04.60	5.50	03.10			335	00.35	360	02.10	350



CORN FUTURES (\$/BU)													TREND
MAR-20	MAY-20	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	JUL-21	SEP-21		
3.884	3.920	3.972	3.944	3.974	4.072	4.112	4.136	4.054	4.062	4.142	4.146		
					WEEK AGO								
3.886	3.942	3.992	3.980	4.006	4.104	4.144	4.166	4.082	4.084	4.156	4.162		

SOYMEAL FUTURES (\$/TON)													
MAR-20	MAY-20	JUL-20	AUG-20	SEP-20	OCT-20	DEC-20	JAN-21	MAR-21	MAY-21	JUL-21			TREND
297.6	301.9	306.2	307.6	308.7	309.3	312.3	312.6	310.8	311.7	313.6	313.6		↓
WEEK AGO													
297.9	302.5	306.9	308.4	309.5	309.9	312.9	313.0	309.4	308.5	309.7	308.4		

* CME DAIRY CASH-SETTLED FUTURES (\$/LB) 01/28/20						SPOT CASH TREND			
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PA MILK MARGIN & IOFC-LATEST PSU VALUES — *DEC. 2019														
FEED = \$/CWT	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)											
*DEC.	*6.84	*11.12	*14.83											
*PREV MO	*6.87	11.17	*14.89											
YR AGO	6.71	8.47	11.29											

CME DAIRY CASH-SETTLED FUTURES (\$/CWT)										CME DAIRY CASH-SETTLED FUTURES (\$/LB)											
*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)										*CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW											
ALL-MILK MAILBOX		CL I ADV		CL II		CL III		CL IV		ALL-MILK-U.S.		ALL-MILK-PA		WEIGHTED AVG. 4-WK DEC 1 - 30, 2019				*DEC. 2019			
														PRODUCT VALUE MAKE ALLOW NET				COMPONENTS			
CL	\$22.50	\$19.81												CHEESE	2.0509	0.2003	1.8506	↓	PROT	3.6515	↓
U.S.	\$19.90	\$19.60												BUTTER	1.9842	0.1715	1.8127	↓	B.FAT	2.1952	↓
ENGL	\$19.70	\$19.39												NFDM	1.2161	0.1678	1.0483	↑	N.FAT	1.0378	↑
ENGL	\$20.70	\$19.12												DRYWHEY	0.3293	0.1991	0.1302	↑	OTHER	0.1341	↑
PPAL	\$20.10	\$18.85																			
J.S.	\$19.30	\$18.58																			
PA	\$19.60	\$18.50																			
U.S.	\$19.40	\$18.43																			
ENGL	\$18.80	\$18.35																			
ENGL	\$19.30	\$18.34																			
OH	\$17.90	\$17.15																			

Price averages do not include power-end common cows and heifers.	CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. JAN. 29, 2020 sale New Holland, PA)										
	COWS			HEIFERS:							BULLS
	Fresh	Bred	Springing	Bred	Beef x (bred)	Springing	Open: 300-600 lbs	Beef X	600-800 lbs	800-1200 lbs	(600-1800 lb)
	900	825	975	750	N/A	900	250	N/A	450	N/A	950
	----- FOUR WEEK RUNNING AVG -----										
	950	850	1050	650	N/A	900	250	N/A	425	600	900
	Avg. of prices reported by USDA Market News for PA & NY Auction Markets Jan. 23-28, 2020				FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)				CURRENT	WEEK AGO	YR AGO
CULL MARKET COWS (\$/CWT LIVELWEIGHT)				Choice & Prime 1250-1550 lbs light test				88.60	83.25	83.50	↑↑
Premium White				BULL CALVES: No. 1 & 2, 90-130 lbs				85.00	64.00	45.00	↑↑
Breakers				70-85 lbs				73.00	22.00	45.00	
Boners											
Lean											
N/A											

Average to high dressing	N/A	59.85	58.85	50.85	<div><div></div><div><div>CENTER FOR</div><div>DairyEXCELLENCE</div></div></div> <div><div>brought to you by:</div><div></div><div></div></div>
	N/A	60.60	56.35	50.00	
	N/A	60.50	55.75	51.00	
	WEEK AGO				
	YEAR AGO				



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



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