CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — **TUESDAY, MAR. 24, 2020** — except where noted

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

MARCH: The unknowns surrounding COVID-19 and how rapidly it may spread are certainly having a negative effect on milk prices. While prices were still relatively favorable in January and the first of February, they have fallen dramatically over the past few weeks. Those farms that locked in the higher prices through risk management are better prepared to weather this storm. For those that didn't, now is the time to think about risk management and learn more about what options are available. Unfortunately, Dairy Revenue Protection price floors have probably fallen below most farms' cost of production but learning the programs and watching the market can help you be ready when the market rebounds.

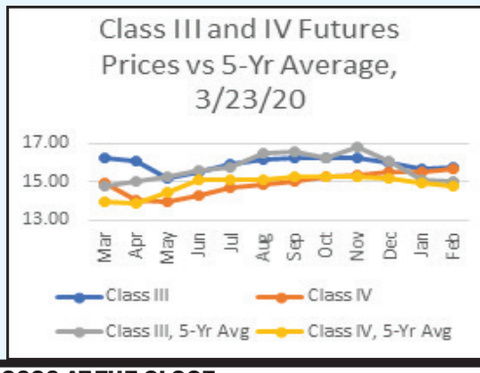
Average Class III and IV milk futures prices have continued to decline since the end of February. Class III price for the next 12 months now averages $15.92 per hundredweight, $1.10 less than at the end of last month. Average Class IV price for the next 12 months is $14.91, a drop of $1.45 compared to the end of February. However, according to sales data reported by MilkPEP, the milk processor check-off program, dairy sales are up 55% as a result of the short-term increase in demand caused by COVID-19 and more people eating at home compared to eating out.

February U.S. milk production was up 1.58% over last February, adjusted for leap year. The increase in production was driven by a 0.2% increase in cow numbers and a 1.5% increase in production per cow. The U.S. dairy herd is now 9.370 million, up 19,000 head from last February, and milk production is up 1.1 pounds per cow over last year. Dairy cow slaughter was down 4.6% compared to last February at 266,100 head.

Pennsylvania milk production was up 0.2% from last year, adjusted for leap year. Increased production was driven by increased milk production per cow. The average Pennsylvania dairy cow produced 2.5 pounds more milk per day than she did last February. The Pennsylvania dairy herd is 3.4% less than last year, down 17,000 head to 483,000. However, this is 3,000 head more than January 2020.

January export value gained 29.5% compared to January 2019 to $546.2 million. The near future of the export market is unknown as a result of COVID-19 and the uncertainty about how it is affecting countries to which the U.S. exports dairy products. Once this pandemic is better controlled, there is opportunity for exports to grow because of new trade agreements and other market factors. New Zealand milk production growth is hampered by drought and as the domestic price falls, our price becomes more favorable in terms of exports to other countries.

Unfortunately, the 2020 dairy picture does not look as promising as it did two months ago, but the current market underscores why risk management is so important. Please reach out to me at the contact information printed above or the Center office at 717-346-0849 to see how we can help you learn about risk management and the options available.



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 — MAR. 24, 2020 AT THE CLOSE

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

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

	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	TREND
CLASS III MILK FUTURES ($/CWT)													
	16.26	16.08	15.09	15.38	15.83	16.10	16.24	16.24	16.10	15.86	15.66	15.73	↓↓
WEEK AGO	16.33	15.99	15.47	15.56	15.91	16.15	16.33	16.45	16.42	16.23	16.13	16.17	

HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT *AND MONTH/YEAR IT OCCURRED*

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	17.67 01/20
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	15.60 01/19

MILK BASIS ($/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — *YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)*

PA	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87	1.70	2.75	2.30
*AVG	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82	1.65	2.72	2.70

MPP/DMC OFFICIAL GROSS MARGINS *per cwt.(USDA All-Milk, corn/alfalfa hay & Illinois soybean prices, feed for all classes of dairy cattle on the farm)*

MPP 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	DEC-19	*JAN-20
7.85		7.71	7.91	8.66	8.82	9.00	8.63	9.27	9.85	10.41	10.88	12.21	11.95	*10.72 ↓↓

U.S. AVG MILK MARGIN *per 100 lbs milk based on 75-lb herd avg & USDA's All-Milk price, USDA-reported corn & alfalfa hay & Ill. soybean prices (lactating feed only)*

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	JAN-20	*FEB-20
10.63	10.79	11.00	11.63	11.61	11.76	11.82	12.52	12.94	13.39	13.98	15.29	14.94	13.86	*12.82 ↓↓

PA AVG MILK MARGIN *per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA corn & alfalfa hay & Buff., NY soybean prices (lactating feed only)*

11.29	10.46	10.37	11.34	11.39	11.21	11.54	11.52	11.48	12.73	13.17	13.09	13.78	13.10	*12.93

CLASS III MILK ($/CWT) OPTIONS — PUTS — Daily Strike Price / Premium

16.25	0.01	16.00	0.24	15.00	0.55	15.50	0.83	15.75	0.77	16.00	0.80	16.25	0.91	16.25	0.90	16.00	0.85	15.75	0.83	15.75	0.90	15.75	0.86

CORN ($/BU) OPTIONS — CALLS								Example Daily Strike Price / Premium	SOYMEAL ($/TON) OPTIONS — CALLS							
MAR-20		JUL-20		SEP-20		DEC-20			APR-20		JUL-20		SEP-20		DEC-20	
3.50	24.60	3.70	19.20	3.90	15.70	3.70	28.20		280	21.80	285	23.50	290	22.20	300	20.50
3.90	01.10	4.50	02.30	4.80	03.00	4.50	07.70		305	02.50	335	03.20	360	02.40	380	02.70

CORN FUTURES ($/BU)

	MAY-20	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	JUL-21	SEP-21	DEC-21	TREND
	3.484	3.534	3.582	3.672	3.770	3.814	3.834	3.764	3.824	3.950	4.004	4.046	↑↑
WEEK AGO	3.352	3.416	3.482	3.576	3.690	3.376	3.762	3.706	3.782	3.910	3.966	4.016	

SOYMEAL FUTURES ($/TON)

	MAY-20	JUL-20	AUG-20	SEP-20	OCT-20	DEC-20	JAN-21	MAR-21	MAY-21	JUL-21	AUG-21	SEP-21	TREND
	321.7	318.3	313.9	311.0	309.6	310.9	308.2	298.5	298.0	301.0	301.2	300.9	↑↑
WEEK AGO	304.0	300.6	298.9	299.0	299.1	301.3	300.4	295.3	293.9	296.3	296.9	297.3	

*=NEW

FEED = $/CWT.

IOFC = $/COW

PA MILK MARGIN & IOFC–LATEST PSU VALUES - *FEB. 2020

	FEED COST ($/CWT milk)	IOFC ($/COW @ 75 lbs milk)	PA MILK MARGIN ($/CWT milk)
*FEB.	*7.12↓↓	*9.69 ↓↓	*12.93 ↓↓
*PREV MO	7.19	9.82	13.09
YR AGO	6.56	8.51	11.34

CME DAIRY CASH-SETTLED FUTURES ($/LB) 03/24/20 SPOT CASH TREND

	MAR	APR	MAY	JUN	JUL	AUG	SEP		03/24/20	
NFDM	1.125	0.988	0.977	0.995	1.015	1.031	1.050	↓↓	1.0000	↓↓
WHEY	0.370	0.357	0.345	0.338	0.342	0.350	0.346	MIXED	0.3300	↑↑
BUTTER	1.767	1.752	1.759	1.780	1.826	1.880	1.900	↓↓	1.7100	↓↓
CHEESE	1.713	1.701	1.610	1.643	1.685	1.708	1.717	↓↓	See Below	

CME SPOT CHEESE: BARRELS 1.4500 / 40 LB BLOCKS 1.8150 ↓↓ / ↓↓

USDA OCT. 2019

	ALL-MILK	BF	MAILBOX
WI	$20.50	3.95	$20.37
PAwestern PA only			$20.25
FL	$22.70	3.75	$20.08
OH	$19.70	3.88	$19.90
NENG	$20.00	3.96	$19.71
U.S.	$19.90	3.99	$19.38
IN	$19.30	3.91	$19.38
SE	$21.00	3.70	$19.37
APP	$20.40	3.83	$19.03
NY	$19.70	3.94	$18.89
PAeast	$20.10	3.93	$18.79
*MI	$18.30	3.86	$18.35

***=NEW ANNOUNCED FEDERAL ORDER PRICES ($/CWT)**

	*CL I ADV↓↓	CL II↓↓	CL III↓↓	CL IV↓↓	ALL-MILK-U.S	ALL-MILK-PA
	*16.64(APR)	16.84(FEB)	17.00(FEB)	16.20(FEB)	19.60(JAN)↓↓	20.20(JAN)↓↓
					4.03F	3.99F
MONTH AGO	17.46	17.05	17.05	16.65	20.70	20.90
YEAR AGO	15.76	16.13	13.89	15.86	16.60	17.70

***CURRENT FEDERAL ORDER VALUES ($/LB) * = *NEW**

WEIGHTED AVG. 4-WK FEB. 1-29, 2020

PRODUCT	VALUE	MAKE ALLOW	NET	
CHEESE	1.7884	0.2003	1.5881	↓↓
BUTTER	1.8076	0.1715	1.6361	↓↓
NFDM	1.2453	0.1678	1.0775	↑↑
DRYWHEY	0.3690	0.1991	0.1699	↑↑

*FEB. 2020 COMPONENTS		
PROT	3.0309	↑↑
B.FAT	1.9813	↓↓
N.FAT	1.0667	↑↑
OTHER	0.1750	↑↑

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

CATTLE - DAIRY PURPOSES($/HD) NORTHEAST (Avg. MARCH 18, 2020 sale New Holland, PA)

	COWS Fresh	Bred	Springing	HEIFERS: Bred	Beef x (bred)	Springing	Open: 300-600 lbs Beef X	600-900 lbs	800-1200 lbs	BULLS (600-1800 lb)
	1000	1125	850	700	N/A	825	350	N/A	540	N/A	700
FOUR WEEK RUNNING AVG	1000	1025	875	700	N/A	825	375	N/A	500	600	750

Avg. of prices reported by USDA Market News for PA & NY Auction Markets March 19-24, 2020

CULL MARKET COWS ($/CWT LIVEWEIGHT)

	Premium White	Breakers	Boners	Lean
	N/A	75.00↑↑	70.75↑↑	67.60↑↑
WEEK AGO	N/A	72.50	67.75	61.85
YEAR AGO	N/A	65.00	61.25	51.50

Average to high dressing

FED HOLSTEIN STEERS ($/CWT LIVEWEIGHT)

	CURRENT	WEEK AGO	YR AGO	
Choice & Prime 1250-1550 lbs light test	88.50	89.00	No Test	↑↑
BULL CALVES: No. 1 & 2, 90-130 lbs	76.00	110.00	110.00	↑↑
70-85 lbs	No Test	92.00	75.00	↑↑

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