

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, MAR. 31, 2020 — except where noted

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COVID-19 Dairy Crisis: We are certainly in unprecedented times, at least in my lifetime, with the COVID-19 pandemic. This worldwide disease is wreaking havoc on economies across the globe. The U.S. has not been immune to this. The national economy has taken a huge hit with businesses closing and travel and work restrictions across the country. There is tremendous confusion and fear in the dairy industry as prices drop and no end of this crisis in sight. I thought now was a relevant time to address some of those fears and confusion.

Last week, the Senate and House approved legislation that would provide an unprecedented \$2.2 trillion to help curb the economic impact to the citizens and businesses of the U.S. It was signed by President Trump last Friday evening. Included in the legislation is \$23.5 billion dollars earmarked for agriculture. The USDA will receive \$9.5 billion in discretionary funds that it can use to help mitigate agriculture economic losses.

The other \$14 billion replenishes the Commodity Credit Corporation (CCC). The CCC money funds programs like the Market Facilitation Program (MFP). Last year, in response to economic losses due to retaliatory tariffs, the MFP provided payments to dairy farmers equal to \$0.20 per hundredweight for established Dairy Margin Coverage (DMC) Production History. Details on how the money will be spent are not yet available, but the National Milk Producers Federation and International Dairy Foods Association are working with the USDA on behalf of American dairy farmers to make sure the U.S. dairy industry gets its fair share of the relief money.

Another confusion is that grocery stores have empty dairy cases and are limiting the purchase of dairy products when dairy farmers are being asked to reduce production and/or dump milk. The answer to why milk is being dumped is not easily answered. According to recent re-

tail sales data, fluid milk sales have increased over 30% compared to one year ago. However, other categories have fallen dramatically in sales.

Food service is the largest user of manufactured dairy products like cheese and butter. With restaurants and other food service establishments either closed or offering limited service, food service dairy sales have drastically decreased. Before COVID-19, consumer data showed that 50% of all meals were consumed away from home. Unfortunately, the increase in fluid milk sales has not offset the crash in sales of other dairy products from food service. It takes time for processors to adjust to drastic demand changes. These drastic swings in demand, in the middle of spring flush with a surging milk supply, are causing an imbalance in normal supply and demand fundamentals. Milk plants do not have the sales to clear current inventories and are unable to continue to manufacture the same volume of dairy products.

According to an announcement on March 25, 2020 from Federal Milk Marketing Orders 1 and 33, the "USDA will provide flexibility for the disposal of milk and limit the financial impact to producers. Milk historically associated with a FMMO will be allowed to be dumped at the farm and still priced and pooled on the FMMO. The pooling handler will need to notify the FMMO of any dumped milk." Therefore, if you must dump milk, make sure to record the volume of milk dumped and report it to your milk marketer so you may receive any relief made available for that dumped milk.

During these uncertain and unprecedented times, try not to give in to fear and uncertainty and look out for misinformation. Make sure you know the facts so you can make the best decisions to get through this crisis. The Center has resources that can help. Visit our COVID-19 resource page at centerfordairyexcellence.org/covid-19-farm-resources/.

CME DAILY FUTURES & OPTIONS TRADING — MAR. 31, 2020 AT THE CLOSE

	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)	16.22	14.49	12.74	13.06	13.82	14.35	14.61	14.73	14.65	14.65	14.66	14.80	↓↓			
WEEK AGO	16.26	16.08	15.09	15.38	15.83	16.10	16.24	16.24	16.10	15.86	15.66	15.73				
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	14.49 03/20	12.74 03/20	13.06 03/20	13.82 03/20	14.35 03/20	14.61 03/20	14.52 11/18	14.52 11/18	14.65 03/20	14.66 03/20	14.80 03/20				
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, com/alfalfa hay & Illinois soybean prices, feed for all classes of dairy cattle on the farm)	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	*FEB-20	
	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	*10.06	↓↓	
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)	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 com & 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	14.50	0.25	12.75	0.53	13.00	0.61	13.75	0.68	14.25	0.74	14.50	0.81	14.75	0.89	14.75	0.91	14.75	0.93	14.75	0.98	14.75	0.83
JUL-20				SEP-20				DEC-20				MAR-21				Example Daily Strike Price / Premium							
CORN (\$/BU) OPTIONS — CALLS																							
3.35	17.00	3.50	16.50	3.80	12.50	3.70	21.70	3.80	03.50	4.30	02.70	4.60	02.70	4.30	07.60	295	20.85	285	29.85	290	23.80	290	26.60
SOYMEAL (\$/TON) OPTIONS — CALLS																							
325	02.85	340	04.00	370	02.20	390	02.45																

CORN FUTURES (\$/BU)													
3.346	3.386	3.406	3.472	3.590	3.652	3.690	3.640	3.686	3.816	3.874	3.912	3.912	↓↓
WEEK AGO													
3.484	3.534	3.582	3.672	3.770	3.814	3.834	3.764	3.824	3.950	4.004	4.046		
SOYMEAL FUTURES (\$/TON)													
314.9	312.2	309.0	307.0	305.8	307.6	305.7	297.0	294.9	297.3	297.5	296.6	296.6	↓↓
WEEK AGO													
321.7	318.3	313.9	311.0	309.6	310.9	308.2	298.5	298.0	301.0	301.2	300.9		

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *FEB. 2020					CME DAIRY CASH-SETTLED FUTURES (\$/LB) 03/31/20									
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	*FEB.	*PREV MO	MAR	APR	MAY	JUN	JUL	AUG	SEP	SPOT	TREND	03/31/20
*7.12	*9.69	*12.93	7.19	9.82	13.09	11.34	1.123	0.871	0.865	0.882	0.900	0.914	0.936	0.8850
7.19	9.82	13.09	1.372	1.419	1.435	1.442	1.465	1.505	1.542	1.589	1.3350	0.3300	1.3350	
6.56	8.51	11.34	1.706	1.553	1.374	1.423	1.510	1.558	1.589	1.589	1.589	1.589	1.589	
			CME SPOT CHEESE: BARRELS 1.2050 / 40 LB BLOCKS 1.3300											

*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 MAR. 1-28, 2020	PRODUCT	VALUE	MAKE	ALLOW	NET	*MAR. 2020	COMPONENTS	
*16.64	*16.75	*16.25	*14.87	*18.90	*19.40	*CHEESE	1.7091	2.0003	1.5088	1.5088	1.5088	*PROT	2.8424	
17.46	16.84	17.00	16.20	19.60	20.20	*BUTTER	1.7751	0.1715	1.6036	1.6036	1.6036	*B.FAT	1.9177	
15.76	16.61	15.04	15.71	16.80	17.90	*NFDM	1.1160	0.1678	0.9485	0.9485	0.9485	*N.FAT	0.9387	
						*DRYWHEY	0.3748	0.1991	0.1757	0.1757	0.1757	*OTHER	0.1810	

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 26-31, 2020										
CULL MARKET COWS (\$/CWT LIVEWEIGHT)										
Premium White	Breakers	Boners	Lean							
N/A	66.60	66.50	57.85							
WEEK AGO										
N/A	75.00	70.75	67.60							
YEAR AGO										
N/A	58.00	55.50	45.75							

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