

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, MAY 12, 2020 — except where noted



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**Retail sales and export updates:** Despite the negative impacts COVID-19 has had on the U.S. economy and especially the dairy economy, there have been some positive outcomes that hopefully will continue after things return to a new normal. Several states, including Pennsylvania, have started the process of reopening their economies and slowly and strategically lifting some of the restrictions imposed during the peak of the COVID-19 pandemic.

One such positive has been in retail sales of milk products. All five main dairy product categories (cheese, butter, yogurt, ice cream, and fluid milk) experienced growth in March compared to last year, and four of the five categories continued year over year growth through April. Yogurt sales at the end of April were basically flat down only 1.1% compared to April 2019. This is especially significant for fluid milk. Fluid milk sales at retail have been in a decades-long decline. Fluid milk sales increased 34% the last half of March to end the month up over 15% compared to March 2019, and April was up 11% over last year.

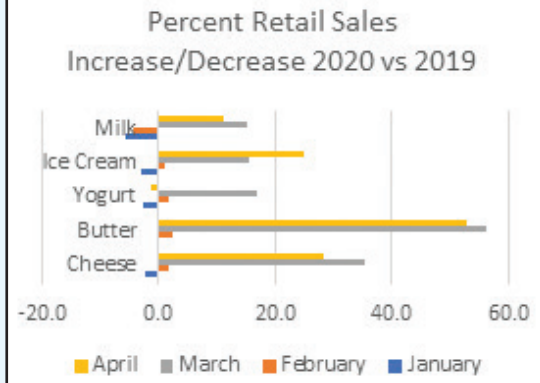
Unfortunately, the increase in retail sales has not been enough to offset the decline of dairy product sales from food service. Although, food service sales are starting to increase as people become more accustomed to ordering takeout and delivery. Food service sales should continue to increase as states continue to restart their economies. Hopefully some of the retail growth will be retained as eating habits have changed because of the economic shut-down. Food service business will not rebound overnight and will take time as social distancing and service restrictions will prevent a quick return to normal business.

Exports for the first three months of 2020 have been surprising. According to the United States Dairy Export Council (USDEC), dairy exports have performed well through March. Exports experienced increased growth year over year for the seventh month in March. Exports were up 3% on a solids basis over last year and were valued at \$592 million. This is 10% more than March 2019 and the highest value since August 2014. Most of these orders were made before COVID-19 had disrupted the economies of many major trading

partners. April export statistics are expected to start showing how COVID-19 has impacted international trade. USDEC says the recovery of export market will depend on sound trade policy. New trade agreements with China and Japan started earlier this year and the much anticipated United States Mexico Canada Agreement (USMCA) will begin on July 1, 2020. Other trade agreement discussions set to begin this year include the United Kingdom, European Union, Brazil, and Kenya. Dairy industry leaders will be working to ensure U.S. dairy industry needs are included in these discussions.

It is understandably difficult to remain positive when the milk price has crashed as badly as it has. There are some bright spots to this. Retail sales are strong and food service sales are starting to increase. The dairy industry will learn lessons from this experience and will be better prepared in the future

to handle catastrophes more effectively in the future. Thank you for your continued resilience and hard work in keeping nutritious, safe dairy products on the market.



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 — MAY 12, 2020 AT THE CLOSE

|   | MAY-20      | JUN-20      | JUL-20      | AUG-20      | SEP-20      | OCT-20      | NOV-20      | DEC-20      | JAN-21      | FEB-21      | MAR-21      | APR-21      | TREND  |         |        |    |
|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--------|---------|--------|----|
| <b>CLASS III MILK FUTURES (\$/CWT)</b>  | 11.73       | 14.60       | 15.30       | 15.95       | 16.33       | 16.53       | 16.37       | 16.16       | 15.78       | 15.78       | 15.85       | 15.74       | ↑↑     |         |        |    |
|   | 11.50       | 13.62       | 14.72       | 15.58       | 16.06       | 16.37       | 16.26       | 15.98       | 15.71       | 15.72       | 15.78       | 15.61       |        |         |        |    |
| ----- WEEK AGO -----  |             |             |             |             |             |             |             |             |             |             |             |             |        |         |        |    |
|   | 11.50       | 13.62       | 14.72       | 15.58       | 16.06       | 16.37       | 16.26       | 15.98       | 15.71       | 15.72       | 15.78       | 15.61       |        |         |        |    |
| ----- HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED -----  |             |             |             |             |             |             |             |             |             |             |             |             |        |         |        |    |
|   | 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 | 17.85 01/20 | 17.40 01/20 |        |         |        |    |
|   | 10.39 04/20 | 11.16 04/20 | 13.11 04/20 | 14.31 04/20 | 14.61 03/20 | 14.52 11/18 | 14.52 11/18 | 14.65 03/20 | 14.66 03/20 | 14.80 03/20 | 14.82 03/20 | 14.62 03/20 |        |         |        |    |
| <b>MILK BASIS (\$/CWT) — PA BASIS &amp; 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</b>  | PA 1.19     | 1.60        | 1.28        | 1.01        | 0.85        | 1.33        | 1.87        | 1.70        | 2.75        | 2.30        | 1.81        | 1.58        |        |         |        |    |
|   | *AVG 1.25   | 2.14        | 1.80        | 1.12        | 0.90        | 1.32        | 1.82        | 1.65        | 2.72        | 2.70        | 2.25        | 2.02        |        |         |        |    |
| <b>MPP/DMC OFFICIAL GROSS MARGINS per cwt. (USDA All-Milk, com/alfalfa hay &amp; Illinois soybean prices, feed for all classes of dairy cattle on the farm)</b>                       | 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  | ↓↓     |    |
| <b>U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg &amp; USDA's All-Milk price, USDA-reported com &amp; alfalfa hay &amp; Ill. soybean prices (lactating feed only)</b> | 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 | MAR-20 |    |
|   | 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  | *13.18  | *11.82 | ↓↓ |
| <b>PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA com &amp; alfalfa hay &amp; Buff., NY soybean prices (lactating feed only)</b>  | 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 | MAR-20 |    |
|   | 10.46       | 10.37       | 11.34       | 11.39       | 11.51       | 11.54       | 11.52       | 11.48       | 12.73       | 13.17       | 13.09       | 13.78       | 13.10  | *12.20  | *11.80 | ↓↓ |

| CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium | JUL-20     | SEP-20     | DEC-20     | MAR-21     | Example Daily Strike Price / Premium | MAY-20     | JUL-20     | SEP-20     | DEC-20     |            |            |            |
|---|------------|------------|------------|------------|--------------------------------------|------------|------------|------------|------------|------------|------------|------------|
|   | 11.50 0.05 | 14.50 0.23 | 15.25 0.47 | 16.00 0.66 | 16.25 0.75                           | 16.50 0.85 | 16.50 0.90 | 16.25 0.89 | 15.75 0.82 | 15.75 0.75 | 15.75 0.77 | 15.75 0.86 |
| CORN (\$/BU) OPTIONS — CALLS  | JUL-20     | SEP-20     | DEC-20     | MAR-21     | Example Daily Strike Price / Premium | MAY-20     | JUL-20     | SEP-20     | DEC-20     |            |            |            |
|   | 3.20 17.50 | 3.40 16.70 | 3.60 16.70 | 3.50 28.30 |                                      | 270 22.40  | 270 28.45  | 270 29.50  | 280 25.95  |            |            |            |
|   | 3.80 03.50 | 4.20 02.70 | 4.50 03.40 | 4.30 07.00 |                                      | 295 03.35  | 315 04.65  | 350 02.65  | 360 03.50  |            |            |            |

| 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 |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
|                      | 3.202  | 3.182  | 3.224  | 3.324  | 3.452  | 3.530  | 3.584  | 3.570  | 3.636  | 3.734  | 3.794  | 3.830  | ↑↑    |
|                      | 3.116  | 3.142  | 3.202  | 3.312  | 3.446  | 3.526  | 3.580  | 3.562  | 3.620  | 3.722  | 3.790  | 3.830  |       |

| 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 |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
|                          | 285.2  | 290.6  | 291.2  | 292.3  | 292.9  | 295.4  | 296.5  | 292.8  | 290.4  | 292.7  | 293.6  | 293.2  | ↑↑    |
|                          | 283.1  | 288.1  | 289.4  | 290.9  | 291.7  | 294.0  | 294.0  | 289.6  | 288.3  | 290.7  | 291.4  | 291.4  |       |

| PA MILK MARGIN & IOFC—LATEST PSU VALUES — *MAR. 2020 | FEED COST (\$/CWT milk) | IOFC (\$/COW @ 75 lbs milk) | PA MILK MARGIN (\$/CWT milk) | CME DAIRY CASH-SETTLED FUTURES (\$/LB) | MAY                                  | JUN   | JUL     | AUG   | SEP   | OCT   | NOV   | SPOT CASH 05/12/20 | TREND     |
|--|-------------------------|-----------------------------|------------------------------|--|--------------------------------------|-------|---------|-------|-------|-------|-------|--------------------|-----------|
|  | *MAR. *7.17 ↓↓          | *8.87 ↓↓                    | *11.80 ↓↓                    | NFDM                                   | 0.860                                | 0.882 | 0.937   | 0.970 | 0.999 | 1.032 | 1.046 | ↑↑                 | 0.8600 ↑↑ |
|  | *PREV MO 7.20           | 9.15                        | 12.20                        | WHEY                                   | 0.378                                | 0.377 | 0.393   | 0.400 | 0.400 | 0.400 | 0.394 | ↑↑                 | 0.4000 ↑↑ |
|  | YR AGO 7.11             | 8.55                        | 11.39                        | BUTTER                                 | 1.225                                | 1.472 | 1.580   | 1.640 | 1.665 | 1.680 | 1.691 | ↑↑                 | 1.4025 ↑↑ |
|  |                         |                             |                              | CHEESE                                 | 1.260                                | 1.551 | 1.617   | 1.672 | 1.712 | 1.730 | 1.712 | ↑↑                 | See Below |
|  |                         |                             |                              | CME SPOT CHEESE:                       | BARRELS 1.4100 / 40 LB BLOCKS 1.4925 |       | ↑↑ / ↑↑ |       |       |       |       |                    |           |

| * = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)  | * = NEW CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW |
|--|--|
| *CL I ADV ↓↓ CL II ↓↓ CL III ↓↓ CL IV ↓↓ ALL-MILK-U.S. 12.95(MAY) 13.87(APR) 13.07(APR) 11.40(APR) 18.00(MAR) ↓↓ 18.90(MAR) ↓↓ | WEIGHTED AVG. 4-WK APR. 1-25, 2020                   |
|  | APR. 2020 COMPONENTS                                 |
|  | PRODUCE VALUE MAKEAOLLO NET                          |
|  | CHEESE 1.4026 2.0003 1.2023 ↓↓ PROT 2.4822 ↓↓        |
|  | BUTTER 1.2630 0.1715 1.0915 ↓↓ B.FAT 1.3218 ↓↓       |
|  | NFDM 0.9552 0.1678 0.7874 ↓↓ N.FAT 0.7795 ↓↓         |
|  | DRYWHEY 0.3732 0.1991 0.1741 ↓↓ OTHER 0.1793 ↓↓      |

| CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. APRIL 1, 2020 sale New Holland, PA)  | NO REPORT since 4/1/20 |  |  |  |  |  |  |  |  |  |
|--|------------------------|--|--|--|--|--|--|--|--|--|
| COWS Fresh 1125 Bred 800 Springing N/A HEIFERS: Bred 775 Beef x (bred) 875 Springing 260 Open: 300-600 lbs Beef X 425 600-900 lbs N/A 800-1200 lbs 700 |                        |  |  |  |  |  |  |  |  |  |
| FOUR WEEK RUNNING AVG  |                        |  |  |  |  |  |  |  |  |  |
| 1075 950 850 750 N/A 850 300 N/A 475 600 750   |                        |  |  |  |  |  |  |  |  |  |
| Avg. of prices reported by USDA Market News for PA & NY Auction Markets April 16-21, 2020  |                        |  |  |  |  |  |  |  |  |  |
| FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)  |                        |  |  |  |  |  |  |  |  |  |
| Choice & Prime 1250-1550 lbs light test No Report 75.00 YR AGO No Test   |                        |  |  |  |  |  |  |  |  |  |
| BULL CALVES: No. 1 & 2, 90-130 lbs No Report 82.00 125.00  |                        |  |  |  |  |  |  |  |  |  |
| 70-85 lbs No Report N/A 70.00  |                        |  |  |  |  |  |  |  |  |  |

| CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. APRIL 1, 2020 sale New Holland, PA)  | NO REPORT since 4/1/20 |  |  |  |  |  |  |  |  |  |
|--|------------------------|--|--|--|--|--|--|--|--|--|
| COWS Fresh 1125 Bred 800 Springing N/A HEIFERS: Bred 775 Beef x (bred) 875 Springing 260 Open: 300-600 lbs Beef X 425 600-900 lbs N/A 800-1200 lbs 700 |                        |  |  |  |  |  |  |  |  |  |
| FOUR WEEK RUNNING AVG  |                        |  |  |  |  |  |  |  |  |  |
| 1075 950 850 750 N/A 850 300 N/A 475 600 750   |                        |  |  |  |  |  |  |  |  |  |
| Avg. of prices reported by USDA Market News for PA & NY Auction Markets April 16-21, 2020  |                        |  |  |  |  |  |  |  |  |  |
| FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)  |                        |  |  |  |  |  |  |  |  |  |
| Choice & Prime 1250-1550 lbs light test No Report 75.00 YR AGO No Test   |                        |  |  |  |  |  |  |  |  |  |
| BULL CALVES: No. 1 & 2, 90-130 lbs No Report 82.00 125.00  |                        |  |  |  |  |  |  |  |  |  |
| 70-85 lbs No Report N/A 70.00  |                        |  |  |  |  |  |  |  |  |  |

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