

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, MAY 28, 2019 — except where noted



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



**MAY:** May has been a busy month for the U.S. dairy industry. We have seen improvement in Class III and IV futures prices. Significant progress has also been made in trade, with the U.S. lifting aluminum and steel tariffs and the subsequent lifting of Mexico's and Canada's countermeasures. This will allow dairy trade to resume at pre-tariff NAFTA rules. The next step for our three North American countries is to approve the United States-Mexico-Canada (USMCA) Trade Agreement.

April is considered the start of "Spring Flush," but milk production was 18,430 billion pounds, up only 0.22% (virtually unchanged) over April 2018. Total production for the first quarter 2019 is up 0.19% over first quarter 2018. Historically, milk production increases around 2% per year. It will be interesting to see what production looks like after May numbers are reported, and if the slowdown continues through next month.

National cow numbers declined to 9.328 million head this April (0.78% lower than April 2018). The good news for Pennsylvania is that cow numbers held steady for only the second time in the last 14 months. April 2019 cow numbers were 495,000 head, the same as March 2019. Pennsylvania cow numbers declined the other 12 months and have declined 5.71% (29,000 head) since April 2018.

U.S. dairy cow slaughter was down 33,900 head in April compared to March, but it was 7.87% higher year-over-year than April 2018. Increased dairy cow slaughter is certainly helping bring the national herd size down.

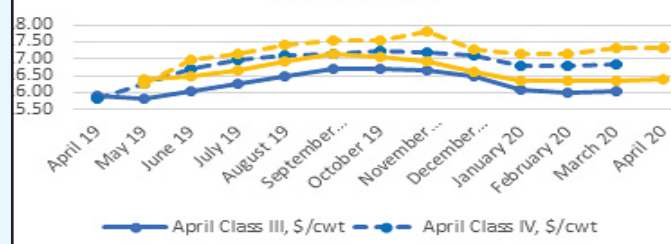
Class III and Class IV milk futures are currently trading higher than they were at the end of April. Current Class III futures prices for the next 12 months average \$16.63 per hundredweight, 36 cents per hundredweight more than this time last month. Class IV futures for the next 12 months are averaging \$17.24 per hundredweight, 41 cents better than this time last month. Hope-

Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, using CME and USDA reports and the CDE Scorecard.

fully, futures prices will continue to improve as export lines are reopened to Mexico.

Last week, the USDA announced that it would be providing \$16 billion dollars in agricultural trade relief to help offset lost revenue due to the latest tariff increase on Chinese imports. China has said that it will target agriculture products in its countermeasures. \$14.5 billion of the total \$16 bil. is expected to be used for direct payments to farmers. The first-round of direct payments is scheduled to be paid in July with an additional two payments later, if trade agreements with China are not reached. The USDA will use \$1.4 billion to purchase surplus commodities and the remaining \$100 million to invest in programs that promote U.S. agriculture products overseas.

Third Week of April 2019 Futures Versus Third Week of May 2019 Futures Comparison



## CME DAILY FUTURES & OPTIONS TRADING — MAY 28, 2019 AT THE CLOSE

	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	TREND	
<b>CLASS III MILK FUTURES (\$/CWT)</b>	16.38	16.08	16.40	16.70	16.95	16.92	16.78	16.50	16.25	16.25	16.24	16.35	↓↓	
WEEK AGO	16.29	16.44	16.63	16.93	17.14	17.06	16.92	16.61	16.30	16.30	16.25	16.30		
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED	16.90 02/17	16.85 02/17	16.90 02/17	16.99 05/17	17.18 05/17	17.14 05/19	16.96 05/19	16.65 05/19	16.28 05/19	16.30 05/19	16.26 05/19	16.33 05/19		
13.85 01/18	13.75 01/18	13.62 01/18	13.62 01/18	13.55 01/18	13.75 01/18	14.08 11/18	14.60 11/18	14.62 11/18	14.63 11/18	14.59 11/18	14.65 11/18	14.65 11/18		
<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 1.60	1.28	1.01	0.85	1.33	1.87	1.70	2.75	2.30	1.81	1.58	1.19		
*AVG 2.14	1.80	1.12	0.90	1.32	1.82	1.65	2.72	2.70	2.25	2.02	1.25			
<b>EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of Dec. 13, 14 and 15, 2018</b>	N/A	5.97	6.53	6.92	7.10	7.27	7.51	7.72	7.93	7.80	7.73	N/A		
<b>3-YR. AVG LGM ACTUAL GROSS MARGINS (at 0.00 deductible) per cwt. based on historical futures contract close-out prices Class III milk, soybeans and corn</b>	6.85	5.99	6.65	6.33	6.06	5.72	4.94	4.15	5.26	5.62	6.52	6.85		
<b>MPP/DMC OFFICIAL GROSS MARGINS &amp; 1-MO 2018 ON per cwt. (USDA All-Milk, corn/alfalfa hay &amp; Illinois soybean prices, feed for all classes of dairy cattle on the farm)</b>	MAR-18	APR-18	MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	
6.77	6.62	6.78	7.37	6.72	7.43	8.26	8.96	8.66	7.85	7.99	8.22	*8.85	↑↑	
<b>U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg &amp; USDA's All-Milk price, USDA-reported corn &amp; alfalfa hay &amp; Ill. soybean prices (lactating feed only)</b>	APR-18	MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	*FEB-19	*MAR-19	*APR-19	
9.82	10.04	10.40	9.62	10.24	11.00	11.73	11.40	10.63	10.79	*11.00	*11.22	↑↑ estimated 11.60		
<b>PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA corn &amp; alfalfa hay &amp; Buff., NY soybean prices (lactating feed only)</b>	10.25	10.71	11.10	10.26	10.04	11.01	11.68	11.29	10.46	10.37	*11.34	*11.90	↑↑ estimated 11.93	

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
16.25	0.00	16.00	0.10	16.50	0.30	16.75	0.36	17.00	0.43	17.00	0.49	16.75	0.47	16.50	0.54	16.25	0.61	16.25	0.63	16.25	0.66	16.25	0.62
JUL-19				DEC-19				MAR-19				MAY-20				Example Daily Strike Price / Premium							
CORN (\$/BU) OPTIONS — CALLS																							
3.65	54.40	3.90	56.10	4.20	45.70	4.10	53.10	300	20.20	310	20.00	320	21.25	320	21.90								
4.70	03.40	6.30	03.40	6.40	03.70	6.20	03.40	330	03.60	355	04.55	420	02.00	410	02.60								

CORN FUTURES (\$/BU)												
4.186	4.280	4.356	4.444	4.470	4.490	4.204	4.190	4.266	4.324	4.360	4.180	↑↑
3.944	4.036	4.126	4.226	4.262	4.290	4.122	4.132	4.212	4.264	4.306	4.164	
SOYMEAL FUTURES (\$/TON)												
319.0	320.1	321.7	323.1	326.2	327.4	327.1	327.9	329.7	329.8	329.6	328.7	↑↑
298.3	299.9	301.7	303.4	306.5	307.8	308.5	309.7	312.1	312.5	312.6	312.1	

* = NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *MAR. 2019				CME DAIRY CASH-SETTLED FUTURES (\$/LB)										05/28/19 SPOT CASH		TRENDS	
*FEED COST (\$/CWT milk)	*IOFC (\$/COW @ 75 lbs milk)	*PA MILK MARGIN (\$/CWT milk)		MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN
*MAR 6.73 ↓↓	*8.93 ↑↑	*11.90 ↑↑		1.015	1.039	1.042	1.055	1.075	1.092	1.109	1.109	1.109	1.109	1.109	1.109	1.0450	1.0450
*PREV MO 6.56	*8.51	*11.34		0.383	0.369	0.359	0.351	0.354	0.355	0.350	0.350	0.350	0.350	0.350	0.350	0.3575	0.3575
YR AVG 6.10	7.43	9.90		2.294	2.397	2.422	2.438	2.452	2.431	2.385	2.452	2.431	2.385	2.452	2.452	2.4075	2.4075
				1.693	1.665	1.704	1.742	1.764	1.766	1.750	1.750	1.750	1.750	1.750	1.750	1.750	1.750
				CME SPOT CHEESE: BARRELS 1.5425 / 40 LB BLOCKS 1.6825										1.6825	1.6825	1.6825	1.6825

**USDA JAN. 2019** ALL-MILK MAILBOX													* = 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. 2-WK MAY 1-18, 2019	*PRODUCT	*VALUE	*MAKE-UP	*NET	*FEB. 2019	*COMPONENTS								
17.01 (JUNE)	16.38 (APR)	15.96 (APR)	15.72 (APR)	17.50 (MAR)↑↑	18.50 (MAR)↑↑	1.7007	1.7007	2.0003	1.5004	1.5004	1.9890	1.9890								
16.42	16.61	15.04	15.71	3.99F	3.91F	2.2883	2.2883	0.1715	2.1168	2.1168	2.5375	2.5375								
15.25	14.03	14.47	13.48	15.70	16.00	1.0167	1.0167	0.1678	0.8489	0.8489	0.7883	0.7883								
						0.3839	0.3839	0.1991	0.1848	0.1848	0.1990	0.1990								

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. May 29, 2019 sale New Holland, PA) *MOST RECENT REPORT												
COWS Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open:	300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1800 lb)			
1150	1000	1100	1050	1085		325	695	N/A	800			
FOUR WEEK RUNNING AVG												
1150	950	1000	975	1050		350	600	600	800			
Avg. of prices reported by USDA Market News for PA & NY Auction Markets May 23-28, 2019						FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)			CURRENT	WEEK AGO	YR AGO	TREND
CULL MARKET COWS (\$/CWT LIVEWEIGHT)						Choice & Prime 1250-1550 lbs light test			84.00	88.50	82.00	↓↓
Premium White						BULL CALVES: No. 1 & 2, 90-130 lbs			160.00	115.00	106.00	↑↑
Breakers						80-90 lbs			75.00	75.00	67.00	stdy
Boners												
Lean												
WEEK AGO												
YEAR AGO												
N/A												