

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, JUNE 9, 2020 — except where noted



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



Cheese and Butter Rally: Pennsylvania has 46 counties in the green phase of the reopening process and 21 counties in the yellow phase. All counties in Pennsylvania are now out of the red phase. The red phase was the strictest, and only businesses considered essential could remain open. Restaurants could only provide carry-out or delivery services. Some businesses, such as retail stores that were previously considered non-essential, could reopen in the yellow phase. However, plans to maintain social distancing and store sanitization guidelines must be followed. Restaurants can provide outdoor seating in the yellow phase. Businesses where close contact with others is unavoidable or sanitation guidelines are not feasible must remain closed – for example, barber shops, hair salons and gyms. The green phase allows all remaining businesses to reopen, but social distancing guidelines must be followed, and the use of personal protection equipment (PPE) is still recommended. State and local health officials will continue to monitor the spread of COVID-19 and will adjust policies, as necessary. Other states and countries are also in various stages of the reopening process.

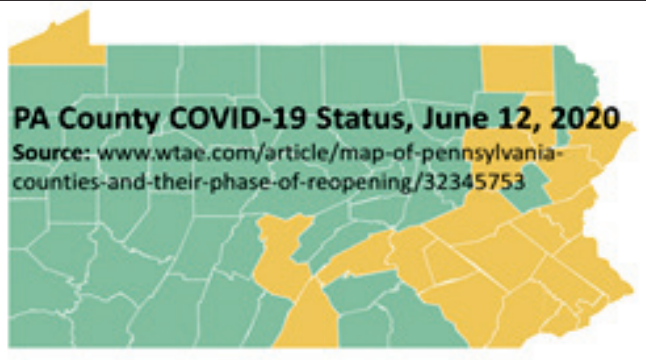
For the dairy industry, the net result of this reopening process is the demand for dairy is starting to increase. So much so, that there is a temporary short supply of milk perhaps due, in part, to dairy industry efforts to reduce the milk supply early in the crisis. Class III and Class IV milk futures prices have steadily increased over the last three weeks. The average Class III price for the next 12 months as of June 5, 2020 was \$16.98 per cwt, up about 60 cents compared to the previous week. Much of the increase was driven by block cheese prices as restaurants across the country buy cheese to refill their supply line with more restaurants opening and consumers eating out again. Block cheese prices ended trading on Friday, June 5 at \$2.5525 per pound, which represents the highest closing price ever recorded. Consensus is the current price spike is temporary. As restaurants fill their pipelines, buying will slow and there could be a price correction that reduces cheese price, thus Class III price.

Class IV price has also increased. Class IV ended last week averaging \$15.56 per cwt for the next 12 months, up nearly \$1.00 per cwt from the previous week. The recent Class IV increase can be attributed largely to increased butter demand. Spot

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

butter price dropped to around \$1.10 per pound in April before rebounding by the end of May to \$1.66 per pound. According to the last USDA Dairy Products report released on June 4, butter production in April reached 215.7 mil. pounds. This is a new record high. Cream was cheap and abundant in April, perhaps because some milk was being skimmed, cream sold, and the skim milk dumped to try to reduce losses associated with dumped milk. The cream market tightened in May, and prices started to increase. Spot butter price dropped to around \$1.10 per pound in April and has since increased to just over \$2 per pound on June 4 before settling at \$1.9250 to end last week.

Although recent demand in cheese is expected to plateau soon, price is not expected to drop like it did during the peak of the pandemic. However, recent sales data shows that retail butter sales represent a shift in usage that may outlast the COVID-19 pandemic, helping to bolster the Class IV price. The volatility in the dairy market seems to have stabilized. Hopefully, current trends will continue and milk prices, overall, will continue to improve.



CME DAILY FUTURES & OPTIONS TRADING — JUNE 9, 2020 AT THE CLOSE

	JUN-20	JUL-20	AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	TREND		
CLASS III MILK FUTURES (\$/CWT)															
	20.56	19.60	17.92	17.49	17.14	16.97	16.55	16.20	16.25	16.22	16.28	16.32	↑↑		
*AVG = Average basis for North-East and Mid-East	19.60	18.26	17.10	16.86	16.68	16.55	16.35	16.10	16.10	16.06	16.10	16.14			
WEEK AGO															
	19.60	18.26	17.10	16.86	16.68	16.55	16.35	16.10	16.10	16.06	16.10	16.14			
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED															
	20.56 06/20	19.60 06/20	18.26 06/20	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	17.30 01/20			
	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	14.56 03/20			
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)															
*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered	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			
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	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	*APR-20
		8.66	8.82	9.00	8.63	9.27	9.85	10.41	10.88	12.21	11.95	10.72	10.06	9.15	*6.03
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)															
	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	*APR-20
	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	*12.23	*7.98
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)															
	10.46	10.37	11.21	11.54	11.52	11.48	12.73	13.17	13.09	13.76	13.78	13.10	*12.20	*11.24	*7.61

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																								
	20.50	0.31	19.50	0.82	18.00	0.87	17.50	0.88	17.25	0.91	17.00	0.91	16.50	0.95	16.25	0.85	16.25	0.82	16.25	0.91	16.25	0.93	16.25	0.94
CORN (\$/BU) OPTIONS — CALLS				Example Daily Strike Price / Premium				SOYMEAL (\$/TON) OPTIONS — CALLS																
	3.05	18.20	3.20	18.60	3.40	18.60	3.60	18.00	265	20.90	270	21.85	280	20.75	280	21.55								
	3.35	03.70	3.80	03.20	4.10	03.60	4.40	03.40	295	02.80	320	03.00	340	03.70	360	03.40								

CORN FUTURES (\$/BU)													
	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	JUL-21	SEP-21	DEC-21	MAR-22	TREND
	3.262	3.316	3.414	3.532	3.600	3.654	3.662	3.730	3.830	3.880	3.920	3.830	↑↑
	WEEK AGO												
	3.240	3.284	3.382	3.504	3.572	3.624	3.620	3.686	3.780	3.832	3.870	3.782	
SOYMEAL FUTURES (\$/TON)													
	JUL-20	AUG-20	SEP-20	OCT-20	DEC-20	JAN-21	MAR-21	MAY-21	JUL-21	AUG-21	SEP-21	OCT-21	TREND
	288.8	291.3	293.4	295.1	298.5	299.4	298.2	297.5	299.8	300.5	299.8	298.4	↑↑
	WEEK AGO												
	286.3	288.4	290.0	291.3	294.3	295.3	294.8	294.8	297.5	298.3	297.9	296.6	

*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES — *MAY 2020				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/09/20											
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JUN	JUL	AUG	SEP	OCT	NOV	DEC	SPOT	TREND			
	*MAY	*7.50↑↑	*4.61↓↓	*6.41↓↓	0.940	0.973	0.993	1.020	1.047	1.074	1.095	↓↓ 0.9525↓↓			
IOFC = \$/COW	*PREV MO	7.48	5.71	7.61	0.363	0.345	0.350	0.356	0.351	0.347	0.350	↑↑ 0.3275↑↑			
	YR AGO	7.06	8.65	11.54	1.880	2.030	2.040	2.044	2.050	2.050	2.040	↑↑ 1.9225↑↑			
					CHEESE	2.162	2.063	1.890	1.833	1.805	1.791	1.751	↑↑ See Below		
					CME SPOT CHEESE:	BARRELS 2.4250 / 40 LB BLOCKS 2.5400						↑↑ / ↑↑			

*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 MAY 1-30, 2020	PRODUCT	VALUE	MAKE ALLOW	NET	MAY 2020 COMPONENTS
11.42(JUN)	12.30(MAY)	12.14(MAY)	10.67(MAY)	14.40(APR)↓↓	15.30(APR)↓↓	CHEESE	1.2990	0.2003	1.0987	↓↓	PROT 2.0918
MONTH AGO						BUTTER	1.3074	0.1715	1.1359	↑↑	B.FAT 1.3756
12.95	13.87	13.07	11.40	18.00	18.90	NFDM	0.8492	0.1678	0.6814	↓↓	N.FAT 0.6746
YEAR AGO						DRYWHEY	0.3818	0.1991	0.1827	↓↓	OTHER 0.1882
17.01	16.48	16.38	16.29	17.70	18.30						

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. APRIL 1, 2020 sale New Holland, PA)											
NO REPORT since 4/1/20											
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 lbs)											
	1125	800	N/A	775	N/A	875	260	N/A	425	N/A	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 Auction Markets June 4-9, 2020											
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)						BULL CALVES:					
Choice & Prime 1250-1550 lbs light test						No. 1 & 2, 90-130 lbs					
CURRENT 84.00						70-85 lbs 97.00					
8 WEEKS AGO 89.00						72.00					
YR AGO 84.35											
TREND ↓↓											
55.00											
TREND ↑↑											
N/A											
TREND ↑↑											

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