

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, JUNE 11, 2019 — except where noted



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Dairy Margin Coverage enrollment: June 17, 2019 is the first day to enroll in the Dairy Margin Coverage (DMC) program. Dairy Margin Coverage is the 2018 Farm Bill program that replaces the Margin Protection Plan (MPP). Looking back at MPP, at the highest margin coverage (\$8.00/cwt), it would have paid out 8 months in 2015 and 4 months in 2016. In 2014 and 2017, margins did not drop below \$8.00. In 2018, the premiums were changed, margin calculations changed from every 2 months to monthly, and dairy farmers could retroactively enroll in MPP. If a farmer enrolled at the \$8.00 coverage last year, it paid 8 months out of the year.

Although margins are improved this year, the changes made in the new DMC program will benefit U.S. dairy farm families. If the last 5 years are indicative of the next 5, it will continue to be an effective risk management tool for the duration of the 2018 Farm Bill, especially for dairies in the Tier 1, or 5 million pounds of production history or less, production group.

Expected margins for this year, as of June 10, are expected to remain under the \$9.50/cwt margin coverage through August of this year. January through April margins are guaranteed at \$7.99, \$8.22, \$8.85 and \$8.96, respectively. The table (right) shows an example of what a Tier 1 dairy enrolling in the DMC program would look like this year.

There is a 25% discount on annual premiums available to farmers who are willing to enroll at the same coverage levels for the full 5-year term of the 2018 Farm Bill. I have been asked by several farmers what I think they should do. While I will provide the facts here, it is up to you, the farmer, to decide what you think is best.

The discount for the \$9.50 coverage level at 5 million pounds of production history brings the premium down from \$7,125 to \$5,343.25, a difference of \$1,781.25. Over 5 years, that is a savings of \$8,906.25, which pays for over one and a half years of premiums. The drawback is, you are locked in at the coverage and premium you choose for 5 years and will not be able to make any changes regardless of what the markets are doing each year.

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

Historically, 2014 was the only year in the last five where margins would not have triggered any indemnities based on DMC rules. 2015 through 2017 would have triggered indemnities that more than cover the premium. Signing up annually gives you the ability to make changes based on annual market projections, but you must pay the full premium. If margin projections show no expected indemnity for the year, you can elect to pay a \$100 administration fee to stay enrolled in the program and have \$4.00 margin coverage. We do not know what the next five years will bring, but you now have an option to help manage risk.

Dairy Margin Coverage, Tier 1 Coverage Example

	Tier 1 Dairy
Administration Fee	\$100
Production History	5,000,000
Margin Covered, \$/cwt	\$9.50
Percentage Covered	95%
Total Volume Covered	4,750,000
Premium, \$/cwt	\$0.15
Total Premium	\$7,225.00
Total Premium, 25% Discount	\$5,443.75
Expected Margin ¹ , \$/cwt	Expected Monthly Payment ²
January ²	\$5,977.08
February ²	\$5,066.67
March ²	\$2,572.92
April ²	\$2,137.50
May	\$1,583.33
June	\$1,820.83
July	\$1,464.58
August	\$672.92
September	\$0.00
October	\$0.00
November	\$0.00
December	\$0.00
2019 Total Payment	\$12,295.83
2019 Net Total Payment	\$14,070.83
2019 Net Total, 25% Discount	\$15,852.08

¹ USDA DMC Decision Tool website on June 10, 2019.
² January through April margins are actual margins.
³ Indemnity payments are subject to a 6.2 percent sequestration fee.

CME DAILY FUTURES & OPTIONS TRADING — JUNE 11, 2019 AT THE CLOSE

	JUN-19	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	TREND
CLASS III MILK FUTURES (\$/CWT)	16.35	16.84	17.15	17.39	17.38	17.24	16.80	16.43	16.30	16.27	16.39	16.51	↑↑
	15.92	16.31	16.78	17.09	17.10	17.00	16.65	16.36	16.30	16.28	16.39	16.42	
WEEK AGO													
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED													
	16.85 02/17	16.90 02/17	17.15 06/17	17.39 06/17	17.38 06/19	17.24 06/19	16.80 06/19	16.43 06/19	16.30 06/19	16.28 06/19	16.39 06/19	16.51 06/19	
	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	15.12 01/18	
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	PA 1.28	1.01	0.85	1.33	1.87	1.70	2.75	2.30	1.81	1.58	1.19	1.60	
*AVG 1.80	1.12	0.90	1.32	1.82	1.65	2.72	2.70	2.25	2.02	1.25	2.14		
MPP/DMC OFFICIAL GROSS MARGINS & 1-MO 2018 ON per cwt. (USDA All-Milk, com/alfalfa hay & Illinois soybean prices, feed for all classes of dairy cattle on the farm)													
	APR-18	MAY-18	JUN-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	*APR-19	↑↑
	6.62	6.78	7.37	6.72	7.43	8.26	8.96	8.66	7.85	7.99	8.22	8.85	*8.96
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)													
	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
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)													
	10.25	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	0.02	16.75	0.22	17.25	0.46	17.50	0.56	17.50	0.58	17.25	0.58	16.75	0.57	16.50	0.67	16.25	0.61	16.25	0.66	16.50	0.71	16.50	0.68
JUL-19		DEC-19		MAR-19		MAY-20		Example		JUL-19		SEP-19		DEC-19		MAR-20							
CORN (\$/BU) OPTIONS — CALLS				Daily Strike		SOYMEAL (\$/TON) OPTIONS — CALLS																	
3.75	55.10	4.20	47.00	4.30	49.30	4.30	50.60	Price / Premium	300	19.65	310	19.05	320	21.15	320	23.40							
4.45	03.00	6.40	03.50	6.70	03.60	6.80	03.60		320	03.80	350	04.25	400	02.80	400	03.50							

CORN FUTURES (\$/BU)													
JUL-19	SEP-19	DEC-19	MAR-20	MAY-20	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	TREND	
4.300	4.382	4.484	4.562	4.584	4.602	4.276	4.184	4.262	4.316	4.356	4.166	↑↑	
WEEK AGO													
4.146	4.242	4.334	4.420	4.470	4.450	4.464	4.174	4.130	4.206	4.256	4.300		

SOYMEAL FUTURES (\$/TON)													
JUL-19	AUG-19	SEP-19	OCT-19	DEC-19	JAN-20	MAR-20	MAY-20	JUL-20	AUG-20	SEP-20	OCT-20	TREND	
319.9	320.8	322.4	324.1	327.9	329.3	329.6	330.0	331.5	331.5	331.3	329.8	↑↑	
WEEK AGO													
317.7	319.2	321.0	322.8	326.3	327.9	328.0	328.5	330.6	330.6	330.2	329.1		

*NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *MAR. 2019					CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/11/19									
	*FEED COST (\$/CWT milk)	*IOFC (\$/COW @ 75 lbs milk)	*PA MILK MARGIN (\$/CWT milk)		JUN	JUL	AUG	SEP	OCT	NOV	DEC	SPOT CASH	TREND	
	*MAR	*6.73 ↓↓	*8.93 ↑↑	*11.90 ↑↑	NFDM	1.037	1.053	1.068	1.082	1.095	1.109	1.122	↑↑ 1.0550	
	*PREV MO	*6.56	*8.51	*11.34	WHEY	0.375	0.369	0.369	0.369	0.368	0.370	0.368	↑↑ 0.3575	
	YR AGO	6.10	7.43	9.90	BUTTER	2.383	2.432	2.439	2.460	2.432	2.409	2.345	↑↑ 2.4050	
					CHEESE	1.693	1.745	1.777	1.802	1.803	1.788	1.746	↑↑ See Below	
					CME SPOT CHEESE: BARRELS 1.5525 / 40 LB BLOCKS 1.7950									

USDA FEB. 2019 ALL-MILK MAILBOX														
*FL	\$20.50	\$18.31	*N. ENGL	\$18.10	\$18.06	*APPAL	\$18.60	\$17.24	*SE	N/A	\$17.10	*NY	\$17.90	\$16.86
*PA	\$17.90	\$16.72	*OH	\$17.40	\$16.67	*U.S.	\$16.80	\$16.24	*IN	\$16.30	\$16.18	*MI	\$15.80	\$14.82

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)													
CL I ADV	↑↑	CL II	↑↑	CL III	↑↑	CL IV	↑↑	ALL-MILK-U.S.	↑↑	ALL-MILK-PA	↓↓		
17.01	(JUNE)	16.48	(MAY)	16.38	(MAY)	16.29	(MAY)	17.70	(APR)	18.30	(APR)	3.89F	3.84F
MONTH AGO													
16.42		16.38		15.96		15.72		17.50		18.50			
YEAR AGO													
15.25		14.47		15.18		14.57		15.80		16.40			

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. June 5, 2019 sale New Holland, PA) *MOST RECENT REPORT														
COWS Fresh			Bred			Springing			HEIFERS: Bred			Springing		
1135	1250	1065	950	1075	305	500	N/A	755						
FOUR WEEK RUNNING AVG														
1135	1100	1050	950	1050	320	550	600	775						
Avg. of prices reported by USDA Market News for PA & NY Auction Markets June 6 - 11, 2019														
CULL MARKET COWS (\$/CWT LIVEWEIGHT)														
Premium White		Breakers		Boners		Lean								
N/A	67.00 ↓↓	64.50 ↓↓	61.25 ↑↑											
WEEK AGO														
N/A	69.00	67.75	59.60											
YEAR AGO														
N/A	68.00	65.00	60.00											

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