

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, JUNE 23, 2020 — except where noted



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



**DAIRY REVENUE PROTECTION:** Milk price volatility has been the reality in the dairy industry for decades. Unfortunately, today's volatility seems to be much more difficult to manage without some sort of risk management strategy. Risk management strategies have existed for a long time but have been underutilized by the dairy industry. There are more options now than ever before to help manage low milk prices. When COVID-19 market disruptions first occurred, I heard a lot of economists describe it as a "black swan" event, an event that occurs without warning to cause economic disaster.

However, I recently participated in a webinar where Dr. Marin Bozic, dairy economist with the University of Minnesota, explained COVID-19 as a "gray rhino" instead of a black swan. What is the difference? Dr. Bozic explained that COVID-19 was like a gray rhino running at us. When we first saw it, we could tell something was coming but did not understand what it was. Unfortunately, we did not realize what was running at us until it was too late to move out of the way before we were run over. COVID-19 was first diagnosed in China and moved to other countries prior to making it to the U.S. We saw some of the economic effects COVID-19 had on economies before it moved stateside.

There were processes in place prior to COVID-19 by which dairy farmers could have minimized the impact of COVID-19 on milk price. Dairy Revenue Protection (DRP) is one such tool. DRP can be used to set a milk price floor to protect against drops while not giving up the top side of the market if prices move higher. DRP is a Federal Crop Insurance program overseen by the USDA's Risk Management Agency (RMA) that guarantees a quarterly revenue based on the quarterly milk price and production insured. Policies are available up to 5 future quarters.

Until September 15, 2020, DRP policies to cover fourth quarter 2020 through fourth quarter 2021 are available for purchase through your Crop

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

Insurance agent. DRP is very customizable to meet the individual needs of your dairy and is considerably less expensive than traditional forward contracts or futures trading because insurance premiums are subsidized by the U.S. government by 44 to 55%.

DRP policies are available for purchase nearly every day dairy commodities are traded. Quarterly prices and premiums are determined by daily commodity prices and are announced daily by 5:30 p.m. Eastern time. There are two different types of policies available: Class option or Component option. **Class option policies** set milk price floors based on Class III, Class IV, or a mix of the two prices. **The Component option** sets a price floor based on butterfat, protein and other solids yield and those component prices.

If you would like to learn more about DRP and other risk management tools, join me as I host a "Risk Management 101" free webinar on Wednesday, July 1 from 12 to 1 p.m. I will be discussing risk management tools and how they can work to help you manage milk price risk.

Whether it is a black swan, gray rhino, or regular milk market dynamics, protect your milk price with one of the tools available to you.

**July 1, 2020 - 12 Noon - 1 p.m.**  
**"Risk Management 101"**  
**FREE WEBINAR**  
**Computer/Smart Device**  
centerfordairyexcellence.org/RiskManagement101  
**Telephone**  
**Dial 1.866.266.3378**  
**Access Code 7173460849#**  
**PIN 0849#**

## CME DAILY FUTURES & OPTIONS TRADING — JUNE 23, 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		
<b>CLASS III MILK FUTURES (\$/CWT)</b>	21.00	22.31	20.30	18.71	17.73	17.18	16.58	16.20	16.21	16.21	16.23	16.22	↑↑		
<b>*AVG =</b> Average basis for North-East and Mid-East	20.64	19.42	17.89	17.36	17.01	16.81	16.22	16.11	16.01	16.06	16.10	16.18			
<b>HIGHEST &amp; LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED</b>	21.01 06/20	22.31 06/20	20.30 06/20	18.71 06/20	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			
<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			
<b>*MARGIN = Milk Price over Feed Cost</b>	*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>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 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	
<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>	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	12.94	13.39	13.98	15.29	14.94	13.86	*13.18	*12.23	*7.98	↓↓
<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>	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																															
21.00	0.08	22.25	0.94	20.25	1.18	18.75	1.24	17.75	1.13	17.25	1.12	16.50	0.95	16.25	0.96	16.25	0.95	16.25	0.95	16.25	0.97	16.25	1.01								
JUL-20			SEP-20			DEC-20			MAR-21			Example Daily Strike Price / Premium			JUL-20			SEP-20			DEC-20			MAR-21							
CORN (\$/BU) OPTIONS — CALLS																															
3.05	18.20	3.20	18.60	3.40	18.60	3.60	18.00	3.35	03.70	3.80	03.20	4.10	03.60	4.40	03.40	265	20.90	270	21.85	280	20.75	280	21.55	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
3.250	3.290	3.366	3.486	3.560	3.614	3.686	3.782	3.832	3.876	3.776	3.784	↓↓
WEEK AGO												
3.302	3.350	3.426	3.536	3.600	3.650	3.650	3.716	3.816	3.870	3.910	3.800	

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
286.3	288.3	289.0	290.0	292.5	293.4	293.0	293.1	295.4	296.3	296.5	295.4	↓↓
WEEK AGO												
287.8	289.7	291.0	292.2	294.9	295.6	295.0	294.4	296.6	297.2	296.7	295.1	

*NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *MAY 2020				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/23/20																		
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↓	0.932	1.041	1.087	1.127	1.142	1.153	1.165	MIXED	1.0300↑↑										
IOFC = \$/COW	*PREV MO	7.48	5.71	0.360	0.337	0.332	0.345	0.352	0.358	0.352	↑↑	0.3075↓										
*MI	YR AGO	7.06	8.65	1.750	1.890	1.922	1.941	1.964	1.965	1.937	↓	1.8125↓										
				CHEESE	2.212	2.355	2.150	1.978	1.876	1.817	1.762	↑↑	See Below									
				CME SPOT CHEESE:	BARRELS 2.3700 / 40 LB BLOCKS 2.8100 ↑↑ / ↑↑																	

*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			MAY 2020 COMPONENTS							
*16.56(JUL)	12.30(MAY)	12.14(MAY)	10.67(MAY)	14.40(APR)↓	13.30(APR)↓	PRODUCT	VALUE	MAKE ALLOW NET								
MONTH AGO						CHEESE	1.2990	0.2003	1.0987	↓						
11.42	13.87	13.07	11.40	18.00	18.90	BUTTER	1.3074	0.1715	1.1359	↑↑						
YEAR AGO						NFDM	0.8492	0.1678	0.6814	↓						
17.18	16.48	16.38	16.29	17.70	18.30	DRYWHEY	0.3818	0.1991	0.1827	↓						

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 18-23, 2020												
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT) CURRENT Beef X WEEK AGO YR AGO												
Choice & Prime 1250-1550 lbs light test 87.25 83.10 84.00 ↑↑												
BULL CALVES: No. 1 & 2, 90-130 lbs 110.00 190.00 185.00 102.00 ↑↑												
70-85 lbs 95.00 195.00 195.00 40.00 ↑↑												

brought to you by:

\*AVG = Average basis for North-East and Mid-East

\*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered



\*\*USDA FEB 2020 \*\* ALL-MILK BF MAILBOX \*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT) \*CURRENT FEDERAL ORDER VALUES (\$/LB) \*NEW

Average to high dressing