

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, JULY 14, 2020 — except where noted



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



Exports and retail sales: The last four months have certainly been challenging for dairy farmers and the entire dairy supply chain. We saw a huge shift in demand from food service to retail almost overnight. This disruption created extreme volatility in milk prices, resulting in May milk prices being the lowest prices we have seen in over 10 years. However, Class III milk prices started climbing in mid-May and have continued climbing on the back of a cheese price that recently closed at a record high. Block cheddar cheese closed at \$2.9150 per pound to end the trading week last Friday, while July through September Class III prices closed at \$24.34, 23.40, and 20.71, respectively, this past Monday. In addition to the recent surge in cheese and Class III prices, there have been a couple other silver linings. Exports through May have continued an increase in year over year (YOY) value, with May export volume reaching a two-year high. Retail sales of all major dairy product categories through June continue to outpace YOY amounts.

According to the U.S. Dairy Export Council (USDEC), the May increase was driven by record sales of nonfat dry milk (NDM) and skim milk powder (SMP), plus a rebound in cheese exports. NDM and SMP exports totaled 79,163 tons in May and was the most single month total ever. Total exports for May were estimated to be 17.4% of U.S. milk solids production, the highest since April 2018 and were valued at over \$585 million, an increase of 8%, YOY. Through the first five months of the year, export volume and value are up 10% and 12%, respectively. This is surprising considering that when COVID-19 hit, the U.S. exports were predicted to take a major hit. Fortunately, this did not occur. Perhaps the huge decrease in dairy product prices and a temporary reduction in the value of the U.S. dollar kept foreign markets interested in U.S. dairy. Class IV and Class IV product prices took the largest hit and maybe partially explains why May milk powders were exported at record volumes.

In 2016, USDEC announced "the next 5%" plan. This was a plan to increase exports from 15% of milk solids production to 20%. Retaliatory tariffs against U.S. dairy by international trade partners, starting in 2018 and continuing through 2019, were a setback to this goal, but recent export data

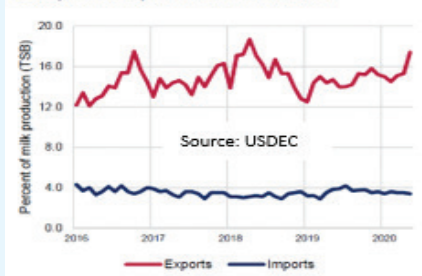
Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, via CME & USDA reports

through May shows that progress is once again being made. Export value through May is estimated to be \$308 million more than the same 5-month period in 2019 and \$888 million more than 2016. On a volume basis, 89,000 metric tons more dairy products have been exported than January – May 2019 and 195,000 metric tons more than 2016.

On the domestic side, June retail sales continued to show YOY growth in all major dairy product categories. According to the most recent IRI data, natural and processed cheese, fluid milk, yogurt, ice cream and sherbet, and butter and butter blends all continued to show YOY growth since March. Butter and butter blends are the highest at 32.4% compared to June 2019. Natural and processed cheese was second and 16.6% higher than last year. It should also be noted that fluid milk increased a modest 4.4% over last June. Retail fluid milk sales have experienced YOY growth since March, the first time fluid milk has accomplished this feat in decades. Hopefully, this trend will continue.

No one denies that COVID-19 has been extremely tough. However, there are some silver linings to be found within this crisis. It's hard to predict what will happen going forward. Restaurants are reopening and school districts are making decisions about returning to in-person instruction in Aug. Hopefully, current retail sales and export trends will continue as milk prices rebound.

U.S. Exports and Imports as % of Milk Production



CME DAILY FUTURES & OPTIONS TRADING — JULY 14, 2020 AT THE CLOSE

	JUL-20	AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	TREND			
*CLASS III MILK FUTURES (\$/CWT) Higher than week ago																
	24.34	23.09	20.23	18.40	17.44	16.63	16.31	16.39	16.32	16.36	16.39	16.64	↑↑			
*CLASS IV MILK FUTURES (\$/CWT) Mostly Lower than week ago																
	14.03	14.51	14.85	15.07	15.31	15.53	15.73	15.83	15.95	16.00	16.05	16.10	↓↓			
HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED																
	24.34 07/20	23.09 07/20	20.23 07/20	18.40 07/20	18.01 01/20	17.95 01/20	17.67 01/20	17.67 01/20	17.75 01/20	17.40 01/20	17.30 01/20	17.30 01/20				
	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	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)																
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 per cwt. (USDA All-Milk, com/alfalfa hay & Illinois soybean prices, feed for all classes of dairy cattle on the farm)																
DMC	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	*5.37	↓↓	
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)																
MAR-19	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	*6.46	↓↓
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)																
MAR-19	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	*6.14	↓↓

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

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

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																
	SEP-20	DEC-20	MAR-21	SEP-21	Example Daily Strike Price / Premium	SEP-20	DEC-20	MAR-21	JUL-21							
	24.50	23.00	20.25	18.50	16.50	16.25	16.50	16.25	16.50	16.25	16.00	16.50	16.75			
CORN (\$/BU) OPTIONS — CALLS																
	SEP-20	DEC-20	MAR-21	SEP-21	Example Daily Strike Price / Premium	SEP-20	DEC-20	MAR-21	JUL-21							
	3.05	22.70	3.20	23.00	3.40	21.10	3.60	22.40	4.05	03.00	4.00	02.20	4.40	02.00	4.50	03.60
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			
	3.260	3.336	3.444	3.516	3.574	3.576	3.640	3.730	3.782	3.826	3.732	3.754	↓↓			
WEEK AGO																
	3.482	3.462	3.542	3.644	3.704	3.750	3.706	3.764	3.856	3.906	3.940	3.830				
SOYMEAL FUTURES (\$/TON)																
	AUG-20	SEP-20	OCT-20	DEC-20	JAN-21	MAR-21	MAY-21	JUL-21	AUG-21	SEP-21	OCT-21	DEC-21	TREND			
	285.8	288.6	290.0	293.4	294.9	295.6	296.0	297.9	298.6	298.7	297.7	298.7	↓↓			
WEEK AGO																
	293.8	296.3	298.3	301.8	303.4	303.2	302.8	304.4	305.0	304.4	302.8	300.1				

*NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *MAY 2020					CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/14/20						SPOT CASH TRENDS 07/14/20			
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)		JUL	AUG	SEP	OCT	NOV	DEC	JAN			
*MAY	7.50↑↑	4.61↓	6.14↓		NFDM	1.017	1.042	1.074	1.092	1.092	1.114	1.135	↓	1.0150
IOFC = \$/COW	*PREV MO	7.48	5.71	7.61	WHEY	0.327	0.305	0.320	0.333	0.338	0.337	0.357	↓	0.3200
	YR AGO	7.06	8.65	11.54	BUTTER	1.750	1.822	1.830	1.842	1.855	1.865	1.893	↓	1.7450
					CHEESE	2.578	2.460	2.162	1.965	1.860	1.774	1.733	↑	See Below
													CME SPOT CHEESE: BARRELS 2.4200 / 40 LB BLOCKS 2.9900	↑ / ↑

*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	PRODUCT	VALUE	MAKEALLOW	NET	*JUNE 2020 COMPONENTS			
16.56(JUL)	12.99(JUN)	21.04(JUN)	12.90(JUN)	13.60(MAY)↓	14.00(MAY)↓	2.2152	CHEESE	2.2152	0.2003	2.0149	↑	PROT	4.5349	
MONTH AGO														
11.42	12.30	12.14	10.67	14.40	15.30	1.7067	BUTTER	1.7067	0.1715	1.5352	↑	B.FAT	1.8591	
YEAR AGO														
17.18	17.30	16.27	16.83	18.00	18.70	0.9106	NFDM	0.9106	0.1678	0.7428	↑	N.FAT	0.7354	
MARCH COMPARISON														
1075	950	850	750	N/A	850	0.3638	DRYWHEY	0.3638	0.1991	0.1647	↓	OTHER	0.1696	

CATTLE — DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. JULY 15, 2020 sale New Holland, PA) *MARKET WEAKER THAN LAST WEEK, limited test														
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)						
1050	975	1200	1225	N/A	1180	275	N/A	550	600	1250				
Price averages do not include lower-end 'common' cows and heifers.														
				1075	950	850	750	N/A	850	300	N/A	475	600	750

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)														
BULL CALVES: No. 1 & 2, 90-130 lbs														
		8 WEEKS AGO			YEAR AGO		CURRENT Beef X		WEEK AGO		YR AGO		TRENDS	
Choice & Prime	1250-1550 lbs	light test					84.00	78.00	83.50	↑				
70-85 lbs														
							95.00	210.00	1050.00	57.00	↓			
							90.00	185.00	95.00	40.00	↓			

		8 WEEKS AGO			YEAR AGO								
Premium White	Breakers	Boners	Lean										
93.50	70.25 ↓	68.25 ↓	63.35 ↑										
N/A	71.00	69.25	62.85										
Average to high dressing													
N/A	67.00	66.60	58.85										

brought to you by: