

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, JULY 28, 2020 — except where noted



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**JULY:** July is here as is the summer heat and humidity. July 2020 is currently tied for the hottest July on record for Pennsylvania. At the time of writing this article, a few days remain in July with a couple more 90 plus degree days in the forecast. With the current forecast, this is likely to be Pennsylvania's hottest July. Interestingly though, no daily heat records have been eclipsed this month. It will be interesting to see how the heat across much of the country has played into milk production once July milk production data is available towards the end of August.

At the close of business on Monday, July 27, Class III milk price for the next 12 months was \$18.20 per cwt. This was \$0.97 higher compared to this time last month. Unfortunately, with increased butter and powder supplies, Class IV price for the next 12 months dropped \$0.41 compared to last month to \$14.91 per cwt. The spread between Class III and IV does not return to a more normal range until the latter part of 2020. It does not drop below the \$1.48 per cwt spread until January 2021. Remember that a spread of greater than \$1.48 contributes to a negative producer price differential (PPD).

The June spread was \$8.14 per cwt and contributed to record low PPDs in the two Federal Milk Marketing Orders that cover Pennsylvania. The PPD for the Northeast Order #1 was negative \$5.38 per cwt, while the PPD was negative \$7.05 per cwt for the Mideast Order #33. There are other factors that positively or negatively influence PPD. Just because the spread between Class III and IV remains high, it does not guarantee a negative PPD through January. Current PPD estimates show that the PPD becomes positive again by September or October 2020.

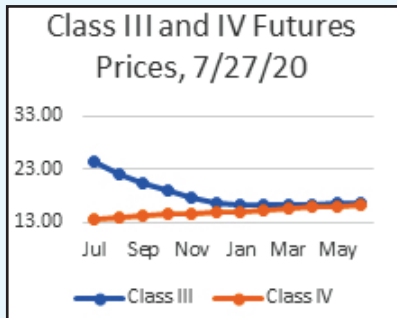
June U.S. milk production increased to 18.308 billion pounds, up just 0.46% compared to June 2019. Dairy cow slaughter was down to 227,000 head, a decrease of 1.82% compared to last June. The national dairy herd increased 0.25% over last June to 9.350 million head. However, this is a de-

cline of 10,000 head compared to May 2020. Milk output per cow increased to 75 pounds, one tenth of a pound higher, or a 0.2% increase over last year. However, this is one tenth of a pound lower than May 2020.

Pennsylvania milk production increased 2.1% to 856 million pounds compared to 838 million last June. Cow numbers continued to decline this month dropping to 482,000 head. This represents a 1,000-head drop since May 2020 and 8,000 head (-1.6%) below June 2019. The average lactating cow in Pennsylvania produces 68 pounds per day. This is 1.6 pounds per day greater than May 2020 and 2.5 pounds per day greater than June 2019.

May dairy exports continued to perform better than expected, reaching a two-year high. According to the U.S. Dairy Export Council, May exports totaled over 210,000 metric tons and were valued at more than \$585 million. May imports were valued at over \$310 million, down 9.4% from June 2019. According to the most recent IRI data, food service dairy sales have slowed with pipelines full and many states starting to restrict dine-in capacities again.

For instance, Pennsylvania took a step back, lowering dine-in capacity from 50% to 25% with the recent uptick in new COVID-19 cases. However, retail dairy sales are still experiencing moderate growth in most areas. Hopefully, we will soon reach a new normal and some of the volatility will be removed from the market.



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

## CME DAILY FUTURES & OPTIONS TRADING — JULY 28, 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			
<b>*CLASS III MILK FUTURES (\$/CWT)</b> 25 cents to \$1.00 lower across the board, except current month higher	24.42	21.91	20.09	18.61	17.24	16.31	16.18	16.18	16.19	16.25	16.29	16.49	↓↓			
<b>*CLASS IV MILK FUTURES (\$/CWT)</b> 30 to 75 cents lower than a week ago	13.65	13.63	14.03	14.27	14.54	15.75	14.75	14.85	15.02	15.85	15.94	16.10	↓↓			
HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED																
	24.42 07/20	23.30 07/20	21.36 07/20	19.45 07/20	18.03 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					
	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	1.28	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				
<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	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	*MAY-20	JUNE	
	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	?	
<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>																
	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	*MAY-20	*JUN-20
	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	*8.77	*8.06	*13.77
<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>																
	10.37	11.21	11.54	11.52	11.48	12.73	13.17	13.09	13.76	13.78	13.10	12.20	11.24	*8.27	*6.79	*12.65

<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>																										
24.50	0.12	22.00	1.05	20.00	1.58	18.50	1.47	17.25	1.46	16.25	1.18	16.25	1.16	16.25	1.14	16.25	1.11	16.25	1.04	16.25	1.06	16.50	1.21			
SEP-20			DEC-20			MAR-21			SEP-21			Example Daily Strike Price / Premium			SEP-20			DEC-20			MAR-21			JUL-21		
<b>CORN (\$/BU) OPTIONS — CALLS</b>																										
3.05	23.50	3.20	22.60	3.40	20.60	3.60	22.70																			
3.40	03.20	3.90	02.50	4.40	02.00	4.50	03.70																			

<b>CORN FUTURES (\$/BU)</b>													
SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	JUL-21	SEP-21	DEC-21	MAR-22	DEC-22		TREND
3.154	3.262	3.382	3.456	3.520	3.546	3.616	3.716	3.774	3.820	3.704	3.724	3.724	↓↓
WEEK AGO													
3.274	3.346	3.446	3.514	3.564	3.574	3.650	3.744	3.800	3.842	3.730	3.750		

<b>SOYMEAL FUTURES (\$/TON)</b>													
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
286.9	289.9	291.9	295.8	296.9	296.8	297.4	299.5	300.4	300.7	299.8	300.9	300.9	↑↑
WEEK AGO													
286.6	289.4	290.8	294.2	295.7	296.3	296.8	298.7	299.5	299.8	298.6	299.8		

<b>*NEW PA MILK MARGIN &amp; IOFC—LATEST PSU VALUES — *JUNE 2020</b>				<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/28/20</b>																			
FEED = \$/CWT	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JUL	AUG	SEP	OCT	NOV	DEC	JAN	SPOT	TREND											
*JUNE	*7.25↑↑	*9.48 ↑↑	*12.65 ↑↑	0.982	0.972	1.015	1.039	1.060	1.084	1.097	↓	0.9000	↓										
IOFC = \$/COW	*PREV MO	7.21	5.10	6.79	0.342	0.330	0.320	0.330	0.335	0.343	0.342	MIXED	0.3425	↑↑									
*MI	YR AGO	7.28	8.64	11.52	1.750	1.750	1.757	1.770	1.780	1.800	1.800	↓	1.7100	↑↑									
					2.578	2.324	2.148	1.988	1.839	1.740	1.710	↓	See Below										
				<b>CME SPOT CHEESE: BARRELS 2.4400 / 40 LB BLOCKS 2.4400</b>																			
				<b>TREND ↓ / ↓↓</b>																			

<b>*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>														<b>*CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW</b>													
CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK JUNE 1 - 27, 2020								*JUNE 2020 COMPONENTS													
19.78(AUG)	12.99(JUN)	21.04(JUN)	12.90(JUN)	13.60(MAY)↓	14.00(MAY)↓	PRODUCT VALUE MAKEALLOW NET								PROT 4.5349 ↑↑													
MONTH AGO						BUTTER 1.7067 0.1715 1.5352 ↑↑								B.FAT 1.8591 ↑↑													
YEAR AGO						NFDM 0.9106 0.1678 0.7428 ↑↑								N.FAT 0.7354 ↑↑													
17.89	17.30	16.27	16.83	18.00	18.70	DRYWHEY 0.3638 0.1991 0.1647 ↓↓								OTHER 0.1696 ↓↓													

<b>CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. JULY 29, 2020 sale New Holland, PA) *MARKET STEADY, limited test on springers</b>														
<b>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 lb)</b>														
1085	N/A	885	850	1075	950	375	N/A	575	635	1050				
MARCH COMPARISON														
1075	950	850	750	N/A	850	300	N/A	475	600	750				
<b>Avg. of prices reported by USDA Market News for PA Auction Markets July 23-28, 2020</b>														
<b>FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT) CURRENT Beef X WEEK AGO YR AGO</b>														
Choice & Prime 1250-1550 lbs light test 82.25 85.25 83.50 ↑↑														
<b>BULL CALVES: No. 1 &amp; 2, 90-130 lbs 95.00 200.00 80.00 70.00 ↓↓</b>														
70-85 lbs 70.00 250.00 55.00 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 MAR 2020 \*\* ALL-MILK BF MAILBOX  
 \*FL 18.60 3.67 \$20.17  
 \*APP 19.80 3.87 18.72  
 \*NENG 19.00 3.96 18.38  
 \*SE 20.10 3.72 18.35  
 \*US 18.00 3.96 18.03  
 \*OH 18.90 3.97 18.01  
 \*IL 18.30 3.97 17.92  
 \*PA Western PA only 17.91  
 \*MN 18.20 4.07 17.90  
 \*WI 18.00 3.95 17.75  
 \*PA East 18.90 3.96 17.60  
 \*NY 18.50 3.95 17.58  
 \*IA 19.00 4.06 17.36  
 \*WI 18.10 3.94 16.93  
 \*TX 18.30 4.25 16.63  
 \*MI 16.60 3.85 15.78  
 \*NM 15.40 3.84 14.46

Average to high dressing

Premium White	Breakers	Boners	Lean
93.50	63.50 ↓↓	62.60 ↓↓	61.60 ↓↓
8 WEEKS AGO			
N/A	63.75	63.25	61.35
YEAR AGO			
N/A	70.25	69.00	59.85