

CME DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, JULY 30, 2019 — except where noted



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Market Facilitation Payments: Over the last 15 years, the U.S. dairy industry has become a significant supplier to the world market. Before that time, we supplied the world market when our price fell below the global price. In effect, we balanced the world market and were not a consistent world market player. That has changed dramatically.

Exports were at a record volume in 2018, equivalent to about 15.8% of the total milk solids production in the U.S., despite trade disputes with Mexico and China.

The export market provides our domestic industry multiple markets for milk. The drawback is, it also makes us susceptible to global economic crises and international trade disputes, as evidenced with economic crisis in 2009 and recent trade disputes with China and Mexico. Relationships have improved with our North American counterparts in Canada and Mexico, but the U.S. and China still have not been able to get to the negotiation table to resolve current trade differences.

In May 2018, U.S. Secretary of Agriculture Sonny Perdue announced that President Trump had approved \$16 billion for a second Market Facilitation Program (MFP) package to aid the agriculture community hurt by the current trade disputes. \$14.5 billion would be used for direct payments to farmers, another \$1.4 billion would be allocated to buying surplus product to distribute to food banks or other government feeding programs and \$100 million to be used by export companies, including the US Dairy Export Council, for developing other international markets.

On July 25, details were released outlining how the MFP would be implemented. Direct payments would be divided into three rounds of payments. The first payment is scheduled for mid- to late August and will be \$0.20 per hundredweight for 50% of a farm's annual milk production recorded with the Farm Service Agency (FSA). The remainder would be divided into two more rounds, scheduled for November 2019 and January 2020 if market conditions merit.

The only payment guaranteed at this time is the first payment. The MFP of 2018 only provided \$0.12 per hundredweight in direct payments to dairy farmers.

Any farmer milking cows on June 1, 2019 is eligible to apply for MFP. Applications are available now at FSA offices, and farmers will have until December 6, 2019 to apply for MFP. Dairy farmers who apply now and are approved will receive payment when the money is made available in mid- to late August.

Production history is determined from the 2014 Farm Bill guidelines for the Margin Protection Program and is the highest annual production from 2011, 2012 or 2013.

Dairy Exports to China Before and After Tariffs (USDEC)

Product	BEFORE Retaliatory Tariffs (July 2017 - May 2018, MT)	AFTER Retaliatory Tariffs (July 2018 - May 2019, MT)	Volume Loss (MT)	Percent Change
Whey	236,720	121,443	-115,277	-49%
Cheese	14,956	8,189	-6,767	-45%
SMP	26,861	7,879	-18,783	-70%
Lactose	80,647	71,593	-9,049	-11%
Other	26,579	10,151	-16,427	-62%
Total	385,563	219,260	-166,302	-43%

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 30, 2019 AT THE CLOSE

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

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

JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	TREND
CLASS III MILK FUTURES (\$/CWT)												
17.50	17.47	17.80	17.75	17.57	17.15	16.80	16.63	16.63	16.75	16.80	16.90	↓↓
----- WEEK AGO -----												
17.40	17.66	17.98	17.93	17.72	17.30	16.96	16.83	16.80	16.89	16.98	17.08	
----- HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED -----												
17.40 07/19	17.90 07/17	17.98 07/19	17.99 06/19	17.83 07/19	17.30 07/19	16.96 07/19	16.83 07/19	16.80 07/19	16.89 07/19	16.98 07/19	17.08 07/19	
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 11/18	15.01 11/18	
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)												
PA 1.01	0.85	1.33	1.87	1.70	2.75	2.30	1.81	1.58	1.19	1.60	1.28	
*AVG 1.12	0.90	1.32	1.82	1.65	2.72	2.70	2.25	2.02	1.25	2.14	1.80	
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)												
MPP MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	DIC-18	JAN-19	FEB-19	MAR-19	APR-19 *MAY-19
6.78	7.37	6.72	7.43	8.26	8.96	8.66	7.85	7.71	7.91	8.66	8.82	*9.00
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)												
MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	*APR-19	*MAY-19
10.04	10.40	9.62	10.24	11.00	11.73	11.40	10.63	10.79	11.00	11.63	*11.61	*11.58
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)												
10.71	11.10	10.26	10.04	11.01	11.68	11.29	10.46	10.37	11.34	*11.39	*11.21	*12.08

*** = NEW**
FEED = \$/CWT.
IOFC = \$/COW
YR AGO

SEP-19	DEC-19	MAR-19	JUL-20	Example Daily Strike Price / Premium	AUG-19	DEC-19	MAY-20	JUL-20	TREND			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium												
17.50 CAB	17.50 0.13	17.75 0.32	17.75 0.50	17.50 0.37	17.25 0.49	16.75 0.44	16.50 0.43	16.50 0.46	16.75 0.57	16.75 0.58	17.00 0.69	
CORN (\$/BU) OPTIONS — CALLS												
4.40 15.60	4.20 38.60	4.60 30.20	4.50 40.50		310 04.85	310 17.30	330 13.70	330 16.05				
5.20 02.10	5.50 07.00	5.40 12.00	5.60 13.10		330 00.60	380 01.90	410 02.25	440 01.55				
CORN FUTURES (\$/BU)												
SEP-19	DEC-19	MAR-20	MAY-20	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	TREND
4.112	4.210	4.310	4.354	4.392	4.206	4.156	4.252	4.310	4.350	4.182	4.200	↓↓
----- WEEK AGO -----												
4.240	4.306	4.396	4.434	4.464	4.240	4.180	4.274	4.334	4.374	4.194	4.220	
SOYMEAL FUTURES (\$/TON)												
AUG-19	SEP-19	OCT-19	DEC-19	JAN-20	MAR-20	MAY-20	JUL-20	AUG-20	SEP-20	OCT-20	DEC-20	TREND
300.3	302.7	304.5	307.7	309.6	312.8	316.3	320.0	321.0	321.9	322.2	323.7	↓↓
----- WEEK AGO -----												
306.3	308.0	309.7	312.8	314.7	317.7	320.6	323.5	324.6	325.3	325.1	326.6	

FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB)	07/30/19 SPOT CASH	TREND
JUNE 7.02	9.13 ↑↑	12.18 ↑↑	JUL 1.040	1.110	↑↑ 1.0375 ↑↑
PREV MO 7.02	9.06	12.08	AUG 1.034	1.119	↑↑ 0.3400 ↓↓
YR AGO 5.90	8.32	11.10	SEP 1.060	2.319	↑↑ 2.3275 ↓↓
			OCT 1.072	1.752	See Below
			NOV 1.088	1.752	
			DEC 1.110	1.752	
			JAN 1.119	1.752	
			FEB 1.035	1.752	
			MAR 1.359	1.752	
			APR 2.350	1.752	
			MAY 2.377	1.752	
			JUN 2.382	1.752	
			JUL 1.820	1.752	
			AUG 1.821	1.752	
			SEP 1.863	1.752	
			OCT 1.849	1.752	
			NOV 1.829	1.752	
			DEC 1.794	1.752	
			JAN 1.752	1.752	
			FEB 1.752	1.752	
			MAR 1.752	1.752	
			APR 1.752	1.752	
			MAY 1.752	1.752	
			JUN 1.752	1.752	
			JUL 1.752	1.752	
			AUG 1.752	1.752	
			SEP 1.752	1.752	
			OCT 1.752	1.752	
			NOV 1.752	1.752	
			DEC 1.752	1.752	
			JAN 1.752	1.752	
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			JUN 1.752	1.752	
			JUL 1.752	1.752	
			AUG 1.752	1.752	
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			OCT 1.752	1.752	
			NOV 1.752	1.752	
			DEC 1.752	1.752	
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