

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, AUG. 6, 2019 — except where noted



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**Dairy Margin Coverage enrollment:** Dairy Margin Coverage (DMC) enrollment started on June 17, 2019 and will continue until September 20, 2019. Prior to enrollment, dairy farmers knew that January through April margins would trigger payments at the \$9.50 per hundredweight margin coverage. Since enrollment began, May and June margins were announced as \$9.00 and \$8.63 per hundredweight, respectively, triggering \$0.50 and \$0.87 per hundredweight payments at the \$9.50 per hundredweight margin coverage for those months also.

According to the USDA, Pennsylvania had 6,200 licensed dairies with 505,000 cows at the end of 2018. Total milk production was 10.715 billion pounds of milk. This equates to an average herd size of about 81 cows per dairy and an average annual production of 1.728 million pounds of milk.

Based on this information, the DMC premium for an average Pennsylvania dairy farm for annual enrollment in DMC covering 95% of production at the \$9.50 margin coverage equals \$2,562.40.

January through June margins trigger payments for a total amount of \$8,577.36 or net payment of \$6,014.96 after the premium is paid. If that same producer takes the 25% annual premium discount by enrolling at the \$9.50 margin for the full 5-year term of the 2018 Farm Bill, the total premium each year equals \$1,946.80, resulting in a net payment for January through July of \$6,630.56. In both cases the January and February payments more than cover the premium. By law, there is a 6.2% sequestration fee charged to all government payments, not included in these calculations.

The USDA recently provided an update with current enrollment data. Data from the top eight dairy states and the US total is summarized in the table provided. As of August 5, 2019, nearly 42% of the nation's dairies were enrolled in DMC with estimated payments worth over \$197 million. Pennsylvania participation lags the national average and the other top eight states with only 22% of its dairies enrolled with estimated payments worth

over \$15 million. The estimated total payment equates to an average payment of over \$11,000 per dairy enrolled in DMC.

When we compare the calculation for the average Pennsylvania dairy farm in the previous paragraph and the estimated average payment to dairies already enrolled, it indicates that Pennsylvania's larger dairy farmers are enrolling in DMC, but the smaller Pennsylvania dairy farmers are not. The DMC program was designed for all US dairies to be able to participate, but it was specifically designed to be more beneficial for small to medium (less than 250 cows) dairies as they can cover virtually all their annual production in the DMC program. However, to receive the benefit, you must be enrolled. There are six weeks left before enrollment ends September 20. If you have not already enrolled, visit your local Farm Service Agency (FSA) office today. If you do not, you could be leaving significant money on the table.

State	Licensed Dairy Operations (Nass, 2018)	DMC Dairy Operations Enrolled	Operations Enrolled (%)	Estimated DMC Payments Disbursed
California	1,335	478	35.81	\$12,097
Wisconsin	8,500	4,534	53.34	\$52,557
Idaho	480	146	30.42	\$3,219
New York	4,190	1,605	38.31	\$18,517
Texas	400	188	47.00	\$3,735
Michigan	1,520	617	40.59	\$9,898
Pennsylvania	6,200	1,361	21.95	\$15,308
Minnesota	2,980	1,689	56.68	\$18,433
US Total	37,468	15,314	40.87	\$197,077

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 — AUG. 6, 2019 AT THE CLOSE

	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	TREND
<b>CLASS III MILK FUTURES (\$/CWT)</b>	17.57	17.90	17.88	17.60	17.14	16.76	16.64	16.66	16.72	16.80	16.88	17.01	MIXED
<i>WEEK AGO</i>	17.47	17.80	17.75	17.57	17.15	16.80	16.63	16.63	16.75	16.80	16.90	16.95	
<b>HIGHEST &amp; LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED</b>	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	17.05 07/19	
	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	15.01 11/18	
<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 0.85	1.33	1.87	1.70	2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	
<i>*AVG</i>	0.90	1.32	1.82	1.65	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	
<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>	MPP JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	DMC JAN-19	FEB-19	MAR-19	APR-19	MAY-19	*JUN-19
	7.37	6.72	7.43	8.26	8.96	8.66	7.85	7.71	7.91	8.66	8.82	9.00	*8.63
<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>	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
<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>	10.71	11.10	10.26	10.04	11.01	11.68	11.29	10.46	10.37	11.34	*11.39	*11.21	*12.08

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	SEP-19	DEC-19	MAR-19	JUL-20	Example Daily Strike Price / Premium	AUG-19	DEC-19	MAY-20	JUL-20
17.50 0.10	18.00 0.35	17.75 0.27	17.50 0.39	17.25 0.52	16.75 0.51	16.75 0.60	16.75 0.61	16.75 0.59	16.75 0.60
17.00 0.70	17.00 0.68								

CORN (\$/BU) OPTIONS — CALLS	SEP-19	DEC-19	MAR-19	JUL-20	Example Daily Strike Price / Premium	AUG-19	DEC-19	MAY-20	JUL-20
4.40 15.60	4.20 38.60	4.60 30.20	4.50 40.50	5.20 02.10	5.50 07.00	5.40 12.00	5.60 13.10		

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
4.064	4.140	4.236	4.286	4.322	4.164	4.120	4.216	4.272	4.312	4.144	4.154		↓
<i>WEEK AGO</i>	4.112	4.210	4.310	4.354	4.392	4.206	4.156	4.252	4.310	4.350	4.182	4.200	

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
295.0	297.0	300.3	301.8	304.8	308.7	312.6	314.1	315.4	316.2	318.4	318.8		↓
<i>WEEK AGO</i>	300.3	302.7	304.5	307.7	309.6	312.8	316.3	320.0	321.0	321.9	322.2	323.7	

PA MILK MARGIN & IOFC-LATEST PSU VALUES - JUNE 2019	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)
<b>JUNE</b>	7.02	9.13 ↑	12.18 ↑
<b>PREV MO</b>	7.02	9.06	12.08
<b>YR AGO</b>	5.90	8.32	11.10

CME DAIRY CASH-SETTLED FUTURES (\$/LB)	AUG	SEP	OCT	NOV	DEC	JAN	FEB	SPOT CASH	TREND
NFDM	1.025	1.037	1.055	1.075	1.087	1.098	1.111	1.0225	↓
WHEY	0.360	0.355	0.362	0.357	0.362	0.363	0.360	0.3400	↑
BUTTER	2.350	2.350	2.367	2.349	2.315	2.282	2.277	2.3500	↑
CHEESE	1.830	1.862	1.860	1.835	1.789	1.746	1.737	See Below	
CME SPOT CHEESE: BARRELS	1.7100 / 40 LB BLOCKS		1.8675		↑		↑		

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. July 17, 2019 sale New Holland, PA) *MOST RECENT REPORT	COWS Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open:	300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1800 lb)
	1055	845	1000	750	1050		300	610	N/A	800
<i>FOUR WEEK RUNNING AVG</i>	1100	900	1050	800	1050		250	550	600	900

Price averages do not include lower-end common cows and heifers. Average to high dressing. **FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)** Choice & Prime 1250-1550 lbs light test **83.50** WEEK AGO 83.50 YR AGO 81.60 stdy. **BULL CALVES:** No. 1 & 2, 90-130 lbs **70.00** 80.00 140.00 ↓. 80-90 lbs **40.00** 38.00 57.00 ↑.

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