

CME DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, AUG. 11, 2020 — except where noted



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11th Annual Dairy Financial and Risk Management Conference to be Held Virtually: I feel like I start all these weekly articles with some sort of comment about COVID-19. I cannot help but start it that way again this week. COVID-19 in many ways has turned our lives upside down. In a matter of a couple of months, U.S. unemployment went from 3.5%, which was near an all-time low to 14.7% in April, which was the highest unemployment since the Great Depression in the 1930s when unemployment reached an estimated 25%. The Great Recession of 2007 to 2009 pushed unemployment to 10.6%. As states continue reopening their economies, unemployment is improving, but it will probably take several months, if not longer, to reach normal levels. Since April's low, unemployment has improved steadily each month as more people return to work. According to the U.S. Bureau of Labor Statistics (USBLS), July's unemployment rate was 10.2%, down 0.9% from June's 11.1%. Unemployment in May was estimated to be 13.3%. The USBLS estimates that the biggest gains in the July labor market were attained in leisure and hospitality, government, retail trade, professional and business services, and health care. If not for technology, where would unemployment be?

In mid-March, much of Pennsylvania's economy shut down. Any job deemed non-essential either had to be conducted remotely or not at all. Bans on traveling and of large, in-person gatherings was instituted. As a result, businesses across the state shifted from in-person to virtual meetings and conferences. Fortunately, the Center staff was able to adapt, and we continue to work remotely as we provide support to the Pennsylvania dairy industry. Center programs have not gone uninterrupted. Each September, we host a Dairy Financial and Risk Management conference. Over 100 dairy industry professionals and farmers attend to hear the latest on dairy finance topics as well as risk management options available to help farmers mitigate financial risk during downturns like we have experienced

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

this year. This year will mark the 11th annual event. Unfortunately, with the uncertainty of COVID-19, we have decided to move this year's financial conference to a virtual event held on September 15 and 16 from 9 to 11:30 a.m. each day.

This year's theme is "Navigating the Numbers." Join us to learn how you can embrace the unknown, understand market dynamics, and make data-driven decisions on the farm. On Tuesday, September 15, Mark Goodhart, Risk Consultant and Corporate Vice President with the Strickler Agency, Inc. will talk about what crop insurance options are available to dairy farmers. Our second speaker will be Mike Hosterman with AgChoice Farm Credit who will moderate a "Dairy Producer Panel" consisting of three Pennsylvania dairy farmers that have been successfully using risk management on their operations. On Wednesday, September 16, Matthew Gould, President of Dairy and Food Market Analyst, Inc. will provide a "Market Update" to help participants understand the current dairy market and post-COVID-19. The second speaker will be Dr. Jennifer Garrett, President of JG Consulting Services, LLC who will talk about "Change Management" and how dairy industry professionals and farmers can navigate the constant change of the U.S. dairy industry. The registration costs have been reduced to reflect the virtual event. Registration is \$80 per person and available online at www.centerfordairyexcellence.org/conference or by contacting Heidi Zimmerman at 717-346-0849.

NAVIGATING THE NUMBERS
SEPTEMBER 15TH AND 16TH 2020
VIRTUAL Conference
Change is everywhere. Knowing the numbers can help you navigate new terrain. Join the Center for Dairy Excellence at the 11th Annual Dairy Financial and Risk Management Conference. Dairy farmers, lenders, and financial consultants will gain a toolkit of best practices to help you embrace the unknown, capitalize on market dynamics, and make data-driven decisions on the farm.

CME DAILY FUTURES & OPTIONS TRADING — AUG. 11, 2020 AT THE CLOSE

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

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



*NEW

**USDA MAR 2020 ** ALL-MILK BF MAILBOX
*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)
CL I ADV†† *CL II†† *CL III†† *CL IV†† *ALL-MILK-U.S. *ALL-MILK-PA
19.78(AUG) *13.79(JUL) *24.54(JUL) *13.76(JUL) *18.10(JUL) *16.30(JUL)
3.82F 3.80F
MONTH AGO
16.56 12.99 21.04 12.90 13.60 14.00
YEAR AGO
17.89 17.61 17.55 16.90 18.10 18.80

Average to high dressing

AUG-20	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	TREND			
CLASS III MILK FUTURES (\$/CWT) 2020 contracts mixed: Steady to 25 Aug-Oct; 25-50 cents higher yearend into Spring 2021															
19.39	16.35	16.72	16.65	16.33	16.10	16.25	16.44	16.42	16.44	16.55	16.59	Mixed			
CLASS IV MILK FUTURES (\$/CWT) mostly steady to 25 cents higher across the board															
13.16	13.20	13.68	13.89	14.28	14.34	14.57	14.86	15.16	15.44	15.68	16.30	↑↑			
HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED															
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	17.12 01/20	17.12 01/20	17.01 01/20				
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	14.52 03/20	14.31 03/20	14.50 03/20				
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)															
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				
*AVG 0.90	1.32	1.82	1.65	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12				
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	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	
	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	*9.99	
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)															
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	*JUL-20
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	*15.96
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)															
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	*14.56

SEP-20	DEC-20	MAR-21	SEP-21	Example Daily Strike Price / Premium	SEP-20	DEC-20	MAR-21	JUL-21
3.00	12.60	3.20	14.50	3.40	14.40	3.70	16.10	265
3.30	00.50	4.00	01.20	4.10	02.50	4.50	03.50	290

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
3.114	3.234	3.352	3.432	3.494	3.536	3.612	3.714	3.774	3.822	3.742	3.762	↓↓
WEEK AGO												
3.110	3.232	3.354	3.436	3.506	3.556	3.632	3.732	3.790	3.834	3.742	3.762	

SEP-20	OCT-20	DEC-20	JAN-21	MAR-21	MAY-21	JUL-21	AUG-21	SEP-21	OCT-21	DEC-21	JAN-22	TREND
282.0	284.1	285.9	289.5	290.5	291.1	292.4	295.1	296.5	297.3	297.0	298.6	↓↓
WEEK AGO												
284.7	286.6	290.2	291.9	292.5	293.7	296.5	297.8	298.5	298.4	300.0	299.9	

PA MILK MARGIN & IOFC-LATEST PSU VALUES - * JULY 2020	FEED COST (\$/CWT milk)		IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB)		08/11/20	SPOT CASH
*JULY	*7.37	↑↑	*10.92	↑↑	*14.56	↑↑	0.9400	↓
*PREV MO	7.25		9.48		12.65		0.3100	↓
YR AGO	7.62		8.61		11.48		1.5225	↑↑
AUG		SEP	OCT	NOV	DEC	JAN	FEB	08/11/20
NFDM	0.970	0.985	1.018	1.045	1.065	1.079	1.099	↑↑
WHEY	0.337	0.315	0.313	0.320	0.328	0.332	0.337	↓
BUTTER	1.640	1.625	1.662	1.702	1.717	1.727	1.732	↑↑
CHEESE	2.063	1.760	1.800	1.789	1.753	1.728	1.740	↑↑
CME SPOT CHEESE: BARRELS		1.4450 / 40 LB BLOCKS		1.5800				↓ / ↓

*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)		*CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW			
CL I ADV††	*CL II††	*CL III††	*CL IV††	WEIGHTED AVG. 4-WK JULY 1-31, 2020	*JULY 2020 COMPONENTS
19.78(AUG)	*13.79(JUL)	*24.54(JUL)	*13.76(JUL)	*CHEESE 2.5873	*PROT 5.6294
MONTH AGO				*BUTTER 1.7886	*B.FAT 1.9583
16.56	12.99	21.04	12.90	*NFDM 0.9717	*N.FAT 0.7959
YEAR AGO				*DRYWHEY 0.3440	*OTHER 0.1492
17.89	17.61	17.55	16.90		

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. AUG. 6, 2020 sale New Holland, PA) *STEADY, NO TEST ON BRED/SPRINGING heifers		MARCH COMPARISON	
COWS: Fresh Bred	Springing	HEIFERS: Bred	Beef x (bred) Springing
1100	1050	950	N/A
1075	950	850	750
Avg. of prices reported by USDA Market News for PA Auction Markets Aug. 6- 11, 2020			
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)			
Choice & Prime	1250-1550 lbs	light test	82.00
BULL CALVES: No. 1 & 2, 90-130 lbs			95.00
70-85 lbs			220.00
70-85 lbs			50.00

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