

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, AUG. 13, 2019 — except where noted



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**H-1 2019 Exports:** Over the last 18 years, the U.S. has become an important part of the global dairy supply. According to the US Dairy Export Council (USDEC), in 2003, dairy exports were worth \$1 billion dollars, increasing more than five times to \$5.6 billion in 2018. This represented a record volume of 15.8% of the U.S. milk production on a milk solids basis.

The U.S. previously balanced the world market. When the U.S. milk price was lower than other global competitors, international markets were willing to buy U.S. dairy products. That mentality is changing because of strong international relationships being developed by U.S. dairy product suppliers, the work done by USDEC, and the quality of products produced here in the U.S.

USDEC recently summarized U.S. dairy exports for the first half of 2019. U.S. dairy exports were down 14% in the first half of 2019 compared to the first half of 2018. However, the export value for the first half of 2019 is up 3% over the same time-frame in 2018 to \$2.95 billion. This is the third year in a row that export values in the current year have been higher than the previous year.

How can export value be up when volume is down? The U.S. milk price has improved since last year, driving the increased value despite decreased volume.

The 2019 Class III milk price for the first half of the year averaged \$0.90 per hundredweight more than 2018.

Class IV milk price for the first half of 2019 averaged \$2.31 per hundredweight more than the same time period in 2018.

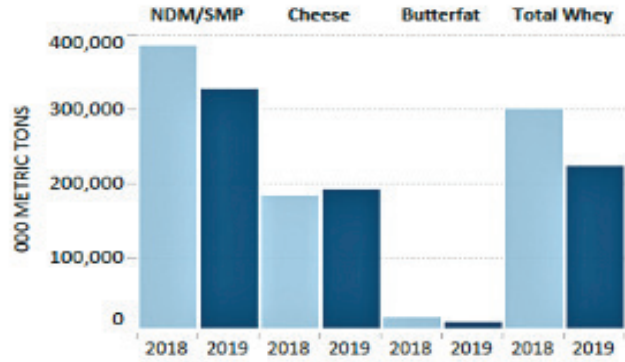
Milk powders, cheese, butterfat, whey products and lactose are the major products exported. As a result of retaliatory tariffs and an outbreak of African swine fever in China, the export of these major products is down.

Tariffs as high as 45% are charged to U.S. dairy products going into China, and some U.S. milk powder products are key ingredients in Chinese swine diets.

As a result of the reduction of hogs in China due to African Swine Fever, and high tariff rates, exports to China were down 54% for the first half of 2019 compared to the first half of 2018.

According to USDEC, record cheese exports to South Korea, Southeast Asia and Central America -- in addition to increased sales to the Middle East and North Africa -- led to a 4% increase in cheese exports this year over last year. Cheese exports to these areas offset the decline in cheese exports to Mexico and China.

U.S. Exports Volume - YTD



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. 13, 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>	17.60	17.73	17.72	17.39	16.99	16.62	16.52	16.53	16.61	16.67	16.79	16.96	↓	
WEEK AGO	17.57	17.90	17.88	17.60	17.14	16.76	16.64	16.66	16.72	16.80	16.88	17.01		
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED														
	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	14.08 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		
<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		
*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		
<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	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	DMC	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 0.03	17.75 0.16	17.75 0.26	17.50 0.38	17.00 0.39	16.50 0.37	16.50 0.45	16.50 0.49	16.50 0.48
	16.75 0.61	16.75 0.59	17.00 0.67						
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
	3.45 15.45	3.60 21.10	3.80 21.20	3.80 34.00		290 05.80	290 14.65	310 13.55	310 17.25
	4.05 02.00	4.60 04.10	4.40 06.40	5.00 05.20		325 00.50	350 01.10	370 02.30	410 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
	3.590	3.702	3.832	3.910	3.974	3.986	4.026	4.122	4.176	4.212	4.124	4.136	↓
WEEK AGO	4.064	4.140	4.236	4.286	4.322	4.164	4.120	4.216	4.272	4.312	4.144	4.154	

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
	294.6	296.4	299.9	301.5	304.8	308.7	312.8	314.5	316.0	316.7	318.9	319.4	MIXED
WEEK AGO	295.0	297.0	300.3	301.8	304.8	308.7	312.6	314.1	315.4	316.2	318.4	318.8	

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

CME DAIRY CASH-SETTLED FUTURES (\$/LB)	AUG	SEP	OCT	NOV	DEC	08/13/19	JAN	FEB	SPOT CASH	TREND	
NFDM	1.024	1.027	1.041	1.059	1.080	1.090	1.104	1.104	1.0225	NC	
WHEY	0.366	0.362	0.364	0.357	0.362	0.361	0.360	0.360	0.3550	↑	
BUTTER	2.350	2.363	2.372	2.360	2.325	2.282	2.267	2.267	2.3400	↓	
CHEESE	1.829	1.845	1.846	1.817	1.776	1.739	1.728	1.728	See Below		
CME SPOT CHEESE:	BARRELS 1.7200 / 40 LB BLOCKS 1.8675		↑ / NC								

* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	CL I ADVTT	*CL II TT	*CL III TT	*CL IV TT	*ALL-MILK-U.S.	*ALL-MILK-PA
	17.89(AUG)	*17.61(JUL)	*17.55(JUL)	*16.90(JUL)	*18.10(JUN) ↑	*18.80(JUN) ↑
			MONTH AGO		3.80F	3.73F
	17.18	17.30	16.27	16.83	18.00	18.60
			YEAR AGO			
	14.13	15.20	14.10	14.14	16.30	17.00

CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW	PRODUCT	VALUE	MAKE ALLOW	NET	* JULY 2019 COMPONENTS
	CHEESE	1.8238	0.2003	1.6235	↑
	BUTTER	2.3893	0.1715	2.2178	↑
	NFDM	1.0393	0.1678	0.8715	↓
	DRYWHEY	0.3631	0.1991	0.1640	↓
					PROT 2.4032 ↑
					B.FAT 2.6858 ↑
					N.FAT 0.8628 ↓
					OTHER 0.1689 ↓

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. AUG. 14, 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)
	1050	1145	1125		900	950		350	750	550	700
					FOUR WEEK RUNNING AVG						
	1050	950	1050		850	1000		300	650	600	800
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Aug. 8-13, 2019											
<b>CULL MARKET COWS (\$/CWT LIVEWEIGHT)</b>											
	Premium White	Breakers	Boners	Lean							
	N/A	66.50 ↓	66.00 ↓	57.50 ↓							
		WEEK AGO									
	N/A	70.25	69.00	59.85							
		YEAR AGO									
	N/A	60.50	59.00	52.00							

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