

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, AUG. 25, 2020 — except where noted



ZACH MYERS
Risk Education
Manager
336-468-0726
zmyers@centerfordairy
excellence.org



AUGUST: What a crazy year it has been so far! Volatility has been rough to deal with. April and May brought the lowest prices in over 10 years, followed by a record \$8.90 per cwt month-to-month increase in the June Class III price. Unfortunately, this was largely offset by record negative Producer Price Differentials (PPD) across the country. Negative PPDs are expected into the fall but should be less negative than June and July. Fortunately, volatility seems to have settled somewhat. Futures prices are now trading below pre-COVID-19 values for the rest of the year.

At the close of business Monday, August 24, the Class III milk futures price averaged \$16.69 per cwt for the next 12 months, \$1.51 per cwt lower than the end of July. The 12-month average Class IV price also fell, but not as drastically. Class IV averaged \$14.65 Monday, 26 cents per cwt less than this time last month. What has caused this recent drop in milk prices? While retail sales are still increasing year over year (YOY), food service sales are still lagging YOY. Milk production is back to positive YOY growth from May's decrease. We are back to a milk surplus, and that is putting downward pressure on milk prices.

July U.S. milk production increased 1.5%, YOY, to 18.645 billion pounds while dairy cow slaughter was down 9.0% to 233,700 head. The average U.S. lactating cow produced 73.9 pounds of milk in July, a 1.1% increase over July 2019. The national dairy herd has grown 0.4% since last July, increasing 36,000 head to 9.352 million. This is only 2,000 head more than last month but 33,000 head less than the March 2020 high of 9.385 million.

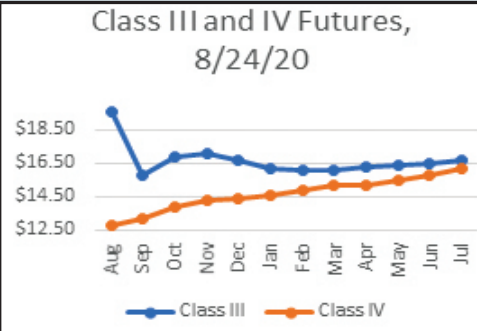
Pennsylvania's July milk production increased to 865 million pounds, a 4.0% increase YOY. The state's herd fell 0.6%, YOY, to 482,000 head—a 3,000-head drop from year ago, but is the same as last month. The average cow in Pennsylvania is now producing 66.5 pounds of milk per day, 2.9 pounds (4.6%) more compared to July a year ago.

June dairy exports continue to impress despite the current domestic market. According to the U.S. Dairy Export Council (USDEC), June export volume was up 29% and export value was up 22% compared to last year. U.S. suppli-

ers exported over 206,000 metric tons of dairy products to other countries in June, which represents 17.7% of national milk production on a solids basis, valued at almost \$584 million.

Due to COVID-19 and the desire to keep participants and staff healthy, the Center's 11th annual Dairy Financial and Risk Management Conference, "Navigating the Numbers," will be held virtually on September 15 and 16 from 9 to 11:30 a.m. both days. (Visit www.centerfordairyexcellence.org/conference or call the Center at 717-346-0849 to learn more or register).

This year's conference is an excellent opportunity for dairy consultants and the dairy farmers they work with to learn about today's milk markets and how to navigate the numbers to be successful today and into the future. We have an excellent group of speakers lined up this year. Mark Goodhart, Risk Consultant and Corporate Vice President at Strickler Agency, Inc., will talk about crop insurance options for dairy farmers. Mike Hosterman with AgChoice Farm Credit will host a panel of dairy farmers that have successfully used risk management. Matthew Gould, President of Dairy and Food Market Analyst, Inc., will provide a milk market analysis. Finally, Dr. Jennifer Garrett, President and Founder of JG Consulting Services, LLC, will talk about how to manage change with today's market volatility to help ensure a prosperous future in the dairy business.



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. 25, 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

FEED = \$/CWT. IOFC = \$/COW. TX = \$/COW. NY = \$/COW. PA = \$/COW. U.S. = \$/COW.

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 mostly steady to as much as 75 cents higher; 2021 mixed from nickel lower to 15 cents higher than week ago															
19.59	16.55	17.66	17.87	17.47	16.50	16.38	16.34	16.38	16.50	16.60	16.80	↑↑			
CLASS IV MILK FUTURES (\$/CWT) 25 cents lower on near-term, with current month \$1.00 lower; steady to 20 cents higher on 2021 contracts.															
12.80	13.28	14.06	14.46	14.76	14.85	15.01	15.31	15.31	15.55	15.85	16.19	↑↑			
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
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium															
19.50 0.03	16.50 0.89	17.75 1.03	17.75 1.10	17.50 1.09	16.50 0.93	16.50 0.92	16.25 0.76	16.50 0.88	16.50 0.91	16.50 0.85	16.75 0.99				
CORN (\$/BU) OPTIONS — CALLS															
3.10 14.50	3.50 14.60	3.80 12.40	4.10 12.10	Example Daily Strike Price / Premium	265 19.15	270 20.75	270 23.45	280 21.50							
3.25 01.20	4.05 03.20	4.50 02.50	4.90 03.30		290 00.85	315 02.30	330 02.65	360 01.90							
CORN FUTURES (\$/BU)															
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			
3.404	3.542	3.660	3.724	3.770	3.760	3.814	3.906	3.960	4.000	3.896	3.934	↑↑			
WEEK AGO															
3.250	3.396	3.526	3.606	3.664	3.680	3.744	3.840	3.894	3.934	3.852	3.876				
SOYMEAL FUTURES (\$/TON)															
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			
291.5	294.3	299.3	301.1	301.7	302.4	304.2	304.7	303.7	301.0	301.7	301.0	↓↓			
WEEK AGO															
295.7	298.1	302.5	303.8	303.6	303.7	305.6	306.4	306.2	304.3	305.3	304.5				

PA MILK MARGIN & IOFC—LATEST PSU VALUES — * JULY 2020	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 08/25/20															
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	SPOT CASH	TREND
*JULY	*7.37↑↑	*10.92↑↑	*14.56↑↑	0.970	1.010	1.065	1.090	1.115	1.132	1.135	↓	↓	↓	↓	1.0125	NC
*PREV MO	7.25	9.48	12.65	0.336	0.325	0.319	0.315	0.325	0.327	0.332	↓	↓	↓	0.3250	↓	
YR AGO	7.62	8.61	11.48	1.555	1.605	1.670	1.709	1.715	1.708	1.747	↓	↓	↓	1.5200	NC	
				2.094	1.774	1.893	1.911	1.867	1.778	1.750	↑	↑	↑	See Below		
				CME SPOT CHEESE: BARRELS 1.4050 / 40 LB BLOCKS 1.8300												

*USDA MAR REVISED * ALL-MILK BF MAILBOX	*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)												*CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW					
FL \$18.60 3.67 \$20.17	CL I ADV	CL II IT	CL III IT	CL IV IT	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG. 4-WK JULY 1-31, 2020				JULY 2020 COMPONENTS							
APP \$19.80 3.87 \$18.72	*18.44(SEP)	13.79(JUL)	24.54(JUL)	13.76(JUL)	18.10(JUN)↓	16.30(JUN)	PRODUCT VALUE MAKEALLOW NET				PROT 5.6294 ↑↑							
NE \$19.00 3.96 \$18.38					3.82F	3.80F	CHEESE 2.5873 0.2003 2.3870 ↑↑				B.FAT 1.9583 ↑↑							
OH \$20.10 3.72 \$18.35							BUTTER 1.7886 0.1715 1.6171 ↑↑				N.FAT 0.7959 ↑↑							
SE \$18.90 3.97 \$18.01							NFDMM 0.9717 0.1678 0.8039 ↑↑				OTHER 0.1492 ↓↓							
IL \$18.30 3.97 \$17.92							DRYWHEY 0.3440 0.1991 0.1449 ↓↓											
PA Western PA only \$17.91																		
PA Eastern PA only \$17.90																		
IN \$18.00 3.95 \$17.75																		
PA East \$18.90 3.96 \$17.60																		
NY \$18.50 3.95 \$17.58																		
A \$19.00 4.06 \$17.36																		
U.S. \$18.00 3.96 \$17.19																		
CA \$17.02																		
WI \$18.10 3.94 \$16.93																		
TX \$18.30 4.25 \$16.63																		
MI \$16.80 3.85 \$15.78																		
NM \$15.40 3.84 \$14.46																		

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. AUG. 13, 2020 sale New Holland, PA) *STEADY, NO TEST ON BRED/SPRINGING heifers												
COWS: Fresh Bred	Springing	HEIFERS: Bred	Beef x (bred)	Springing	Open:	300-600 lbs	Beef X	600-900 lbs	800-1200 lbs	BULLS (1100-1300 lb)		
1175	1150	1050	975	N/A	1000	350	N/A	450	425	900		
MARCH COMPARISON												
1075	950	850	750	N/A	850	300	N/A	475	600	750		
Avg. of prices reported by USDA Market News for PA Auction Markets Aug. 20-25, 2020												
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)												
Choice & Prime	1250-1550 lbs	light test						84.25		82.00		83.75
BULL CALVES: No. 1 & 2, 90-130 lbs												
								90.00	200.00	95.00		40.00
								60.00	200.00	95.00		N/A
												↑↑

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