

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, AUG. 27, 2019 — except where noted



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AUGUST: We are at the end of August, and there seems to be a hint of fall in the air with only three weeks of summer left. School is back in session, so hopefully fluid milk sales will improve. I know back-to-school can be difficult for some family farms. Growing up, I remember my father had mixed emotions about me and my siblings returning to school. Our education was a priority for my parents, but they knew it would be extra work for my dad and the other employees on the farm once school started.

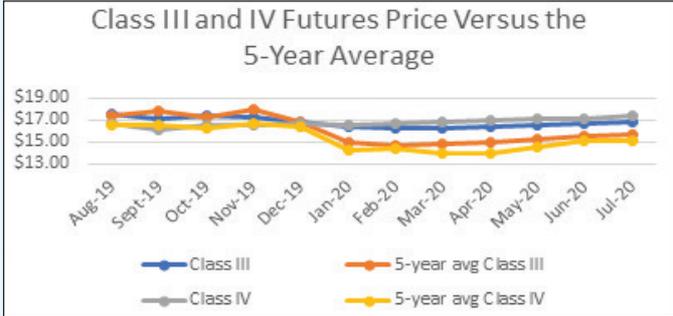
I understand that more now that I have children. Before we sold our cows in August 2018, it was nice having my daughter around the farm with me and my two teenage sons were a huge help getting extra projects done. Your children may not appreciate the hard work they have to do now, but as they grow older and become adults, they will value the work ethic they have developed and the life lessons they learned from an early age. Their future spouses and employers are likely to appreciate it as well.

August markets were relatively volatile with milk price futures declining since the end of July. Current Class III milk price for the next 12 months averages \$16.81 per hundredweight, down 50 cents from July. Class IV milk futures price for the next 12 months is \$16.75, down 41 cents from July. Export volume for the first half of year was down 14% compared to the first half of 2018, but export value was up 3% due to the higher milk price.

Milk production has been relatively flat this year with the 12-month rolling average up 0.6%. Although domestic commercial disappearance of dairy products is strong, the decrease in exports caused by current trade issues is resulting in a net-positive increase in most cheese and powder inventories. Butter stocks are relatively flat, down 0.36% over the last 12 months. The extra product supply is making

it difficult for milk price to move much higher in the immediate future. Current 2019 futures trading shows Class III prices staying above \$17.00 until December. Class IV remains near \$16.50 through this year before steadily increasing towards \$17 during the first quarter of 2020. Milk prices, at this time, do not indicate falling like they did in 2018.

On Sept. 11, 2019 the Center for Dairy Excellence will host its 10th annual Dairy Financial and Risk Management Conference. Topics include, Benchmarking to Avoid Financial Risk, Developing a Full Risk Management Plan, Mergers, Acquisitions and Liquidations, and Global and Domestic Innovation and Opportunities. The conference is designed for dairy industry financial professionals but is open to dairy farmers as well. For more information or to register, go to <https://www.centerfordairyexcellence.org/about-the-center/upcoming-events/event/dairy-financial-and-risk-management-conference/> or contact me at 717-346-0849. Registration is open through Sept. 4.



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. 27, 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	
CLASS III MILK FUTURES (\$/CWT)	17.60	17.30	17.43	17.29	16.91	16.47	16.28	16.34	16.43	16.57	16.73	16.89	↓↓	
CLASS IV MILK FUTURES (\$/CWT)	17.81	17.70	17.71	17.42	16.97	16.52	16.40	16.45	16.54	16.63	16.78	16.94		
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	14.60 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		
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		
*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 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
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	

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																								
17.75	0.15	17.75	0.30	17.75	0.34	17.50	0.44	17.00	0.45	16.50	0.45	16.50	0.55	16.50	0.56	16.50	0.53	16.75	0.51	16.75	0.61	17.00	0.70	
SEP-19				DEC-19				MAR-20				JUL-20				Example	AUG-19		DEC-19		MAY-20		JUL-20	
CORN (\$/BU) OPTIONS — CALLS													Daily Strike	AUG-19		DEC-19		MAY-20		JUL-20				
3.50	12.60	3.60	20.50	3.90	16.50	4.00	23.10	3.70	01.10	4.40	03.00	4.60	04.00	5.00	04.40	290	05.80	290	14.65	310	13.55	310	17.25	
SOYMEAL FUTURES (\$/TON)													Price / Premium	AUG-19		DEC-19		MAY-20		JUL-20				
3.70	01.10	4.40	03.00	4.60	04.00	5.00	04.40	325	00.50	350	01.10	370	02.30	410	01.55	290	05.80	290	14.65	310	13.55	310	17.25	

CORN FUTURES (\$/BU)													
3.626	3.710	3.816	3.892	3.960	3.976	4.022	4.124	4.184	4.224	4.124	4.134	4.134	↓↓
3.624	3.702	3.854	3.902	3.966	4.004	4.056	4.160	4.214	4.252	4.140	4.150		

SOYMEAL FUTURES (\$/TON)													
294.0	296.1	299.7	301.0	303.6	306.8	310.5	312.3	313.8	314.6	317.0	317.4	317.4	↓↓
294.7	296.6	300.3	301.7	304.7	308.2	311.9	313.7	315.2	316.1	318.2	317.8		

PA MILK MARGIN & IOFC—LATEST PSU VALUES — JUNE 2019				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 08/27/19										
FEED COST (\$/CWT milk)	7.02	IOFC (\$/COW @ 75 lbs milk)	9.13 ↑↑	PA MILK MARGIN (\$/CWT milk)	12.18 ↑↑	AUG	SEP	OCT	NOV	DEC	JAN	FEB	SPOT	TREND
JUNE	7.02	9.13 ↑↑	12.18 ↑↑	NFDM	1.030	1.035	1.048	1.059	1.072	1.083	1.094	↑↑	1.0475	↑↑
PREV MO	7.02	9.06	12.08	WHEY	0.368	0.374	0.372	0.370	0.365	0.363	0.361	↑↑	0.3950	↑↑
YR AGO	5.90	8.32	11.10	BUTTER	2.360	2.250	2.269	2.258	2.241	2.228	2.230	↓↓	2.2100	↓↓
				CHEESE	1.827	1.794	1.811	1.799	1.760	1.712	1.699	↓↓	See Below	
				CME SPOT CHEESE: BARRELS	1.6800	40 LB BLOCKS	1.8775	↓↓	↓↓					

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)										CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW				
CL I ADV ↓↓	CL II ↑↑	CL III ↑↑	CL IV ↑↑	ALL-MILK-U.S.	ALL-MILK-PA	PRODUCT	VALUE	MAKE ALLOW	NET	* JULY 2019	COMPONENTS			
*17.85 (SEPT)	17.61 (JUL)	17.55 (JUL)	16.90 (JUL)	18.10 (JUN) ↑↑	18.80 (JUN) ↑↑	CHEESE	1.8238	0.2003	1.6235	↑↑	PROT	2.4032	↑↑	
				3.80F	3.73F	BUTTER	2.3893	0.1715	2.2178	↑↑	B.FAT	2.6858	↑↑	
						NFDM	1.0393	0.1678	0.8715	↓↓	N.FAT	0.8628	↓↓	
						DRYWHEY	0.3631	0.1991	0.1640	↓↓	OTHER	0.1689	↓↓	

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. AUG. 21, 2019 sale New Holland, PA) *MOST RECENT REPORT															
COWS Fresh	1035	Bred	885	Springing	1065	HEIFERS: Bred	600	Springing	965	Open:	300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1800 lb)	600
	1050	900	1050			FOUR WEEK RUNNING AVG	700	975			400	550	600	700	

CULL MARKET COWS (\$/CWT LIVEWEIGHT)				FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)			BULL CALVES: No. 1 & 2, 90-130 lbs			BEEF CROSS		
Premium White	Breakers	Boners	Lean	Choice & Prime	1250-1550 lbs	light test	83.75	WEEK AGO	86.50	YR AGO	82.00	↓↓
N/A	68.00 ↑↑	66.50 ↑↑	57.25 ↓↓				40.00	95.00	72.00	↓↓		
	WEEK AGO	66.75	65.10				200.00	220.00	NO COMPARISON			
	YEAR AGO	58.00	49.00									

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