

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, SEPT. 10, 2019 — except where noted



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



Per capita milk consumption and fluid milk sales:

There are many factors that contribute to the price dairy farmers are paid for the milk their cows produce. Supply and demand certainly have their influence on how milk price is determined across the country. Recently, the USDA's Economic Research Service (ERS) released two annual spreadsheet updates, Dairy Products: Per Capita Consumption, United States and Fluid Beverage Milk Sales Quantities by Product. The two spreadsheets report annual per capita consumption and fluid milk sales from 1975 to 2018. These spreadsheets provide insight into how the demand side of the milk price equation has done over the last 43 years. The spreadsheets can be accessed on the ERS webpage at <https://www.ers.usda.gov/data-products/dairy-data/>.

In 2018, fluid milk sales continued to decline. Milk sales in 2017 were 48.65 billion pounds and fell to 47.67 billion pounds to end 2018 with a 2% drop.

Fluid milk sales were 53.31 billion pounds in 1975. Over the last 43 years, fluid milk sales have dropped 5.64 billion pounds or 11%. This is discouraging news to the dairy community, but sales of some fluid milk products are growing. Both whole milk and flavored whole milk have experienced increased sales for the last several years.

Whole milk sales have increased every year since 2014. The 2013 whole milk sales reached a 13.91-billion pound low and increased to 16.04 billion pounds in 2018, or an increase of 15% over 5 years. Flavored whole milk increased 36% from a low of 539 million pounds in 2011 to 732 million pounds in 2018. Despite the current positive trend for whole milk and flavored whole milk, sales are still about half of what they were in 1975.

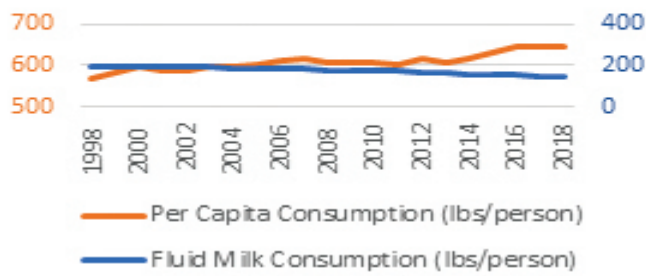
Fluid milk consumption tells a scarier story. Per capita fluid milk consumption has fallen 41% from a high of 247 pounds (29 gallons) per person in 1975 to a low of 146 pounds (17 gallons) per person in 2018. How can there be an 11% drop in fluid milk sales but a 41% drop in fluid milk consumption? Per capita is based on population. The drastic difference in the decline rates of sales and consumption is explained by an increasing population drinking less milk. Consumption is not keeping up with population growth.

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

It is not all bad news though. Per capita consumption of all dairy products has been variable from year to year but has increased 20% from a low of 539 pounds per person in 1975 to a high of 646 pounds per person in 2018. Overall demand for dairy products is growing with cheese and yogurt consumption being the main drivers. Per capita consumption of yogurt has increased 570%, American cheese consumption has increased 91%, and other cheese (not American) consumption has risen 269% since 1975.

This does not mean we should give up on fluid milk. The dairy industry must continue to work to reverse the trend of declining fluid milk sales. Having increased consumption of all dairy products is important to keeping up with increasing milk production. For the last 10 years, milk production has increased at rate of 1.5% per year. Growth in total consumption is helping to clear milk from the market.

Total Consumption Versus Fluid Milk Consumption



CME DAILY FUTURES & OPTIONS TRADING — SEPT. 10, 2019 AT THE CLOSE

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

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

SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	TREND
CLASS III MILK FUTURES (\$/CWT)												
18.20	18.16	17.67	17.13	16.45	16.29	16.29	16.42	16.49	16.63	16.83	17.00	MIXED
WEEK AGO												
17.72	17.64	17.39	16.98	16.50	16.33	16.40	16.48	16.59	16.78	16.94	16.97	
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED												
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	17.10 07/19	
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	14.99 11/18	
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)												
PA 1.33	1.87	1.70	2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	
*AVG 1.32	1.82	1.65	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	
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 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	*JUL-19
6.72	7.43	8.26	8.96	8.66	7.85	7.71	7.91	8.66	8.82	9.00	8.63	*9.27
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)												
JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	*JUN-19	*JUL-19
9.62	10.24	11.00	11.73	11.40	10.63	10.79	11.00	11.63	11.61	11.76	*11.82	*12.24
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)												
JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	*JUN-19	*JUL-19
10.26	10.04	11.01	11.68	11.29	10.46	10.37	11.34	11.39	11.21	11.54	*11.52	*12.74

*NEW

SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	MAR-20	MAY-20	JUL-20	AUG-20	SEP-20	OCT-20	DEC-20	JAN-21	TREND
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium													
18.25 0.05	18.25 0.19	17.75 0.27	17.25 0.38	16.50 0.41	16.25 0.42	16.25 0.45	16.50 0.54	16.50 0.51	16.75 0.60	16.75 0.54	17.00 0.63		
CORN (\$/BU) OPTIONS — CALLS													
3.60 13.10	3.70 19.20	4.00 20.00	4.30 14.00	4.00 03.30	5.00 01.40	5.00 03.50	5.20 03.30						
CORN FUTURES (\$/BU)													
3.482	3.600	3.722	3.816	3.890	3.942	4.020	4.130	4.194	4.234	4.126	4.140	4.140	↑↑
WEEK AGO													
3.460	3.584	3.716	3.804	3.876	3.926	3.996	4.104	4.172	4.212	4.116	4.126		
SOYMEAL FUTURES (\$/TON)													
289.6	291.0	294.7	296.6	300.0	304.3	308.7	310.8	312.4	313.3	315.5	316.9	316.9	↓↓
WEEK AGO													
294.6	298.5	300.1	303.0	306.6	310.8	312.7	314.4	315.3	318.1	318.7	318.5		

*NEW

SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SPOT	TREND
PA MILK MARGIN & IOFC—LATEST PSU VALUES — * JULY 2019													
FEED COST (\$/CWT milk)	*7.31	IOFC (\$/COW @ 75 lbs milk)	*9.56 ↑↑	PA MILK MARGIN (\$/CWT milk)	*12.74 ↑↑								
*JULY	*PREV MO	YR AGO	5.90	7.70	11.10								
CME DAIRY CASH-SETTLED FUTURES (\$/LB)													
NFDM	1.042	1.049	1.060	1.071	1.084	1.095	1.103	↓	1.0375	↓			
WHEY	0.362	0.355	0.356	0.353	0.347	0.350	0.346	↓	0.3800	↓			
BUTTER	2.218	2.234	2.232	2.222	2.211	2.220	2.241	↓	2.2000	↓			
CHEESE	1.900	1.898	1.851	1.796	1.729	1.710	1.712	↑	See Below				
CME SPOT CHEESE: BARRELS 1.8200 / 40 LB BLOCKS 2.0525 ↑↑ / ↑↑													

USDA MAY 2019

CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S	ALL-MILK-PA
17.85(SEPT)	*17.60(AUG)	*17.60(AUG)	*16.74(AUG)	18.70(JUL) ↑↑	19.10(JUL) ↑↑
MONTH AGO					
17.89	17.61	17.55	16.90	18.10	18.80
YEAR AGO					
14.85	15.07	14.95	14.63	15.40	16.20

Price averages do not include lower-end common cows and heifers.

COWS Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open:	300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1800 lb)
1025	885	975	735	1065		300	550	N/A	825
FOUR WEEK RUNNING AVG									
1030	885	1000	725	1025		350	500	600	750
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Sept. 5 - 10, 2019									
CULL MARKET COWS (\$/CWT LIVEWEIGHT)									
Premium White	Breakers	Boners	Lean						
N/A	66.60 ↑↑	65.50 ↑↑	56.60 ↑↑						
WEEK AGO									
N/A	66.25	65.35	56.50						
YEAR AGO									
N/A	57.75	57.75	51.50						

Average to high dressing

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