

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — SEPT. 15, 2020 — except where noted



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**2019 Fluid Milk Sales and Per Capita Consumption:** Each year in Aug/Sept., the USDA releases fluid milk sales and per capita consumption data for the previous year. The data is appended to a spreadsheet that shows historical numbers since 1975. It is quite interesting to look at the data and see how consumption and sales have changed over time. Some of the data is discouraging while other data is very positive. The numbers from 2019 continue this trend of mixed positives and negatives.

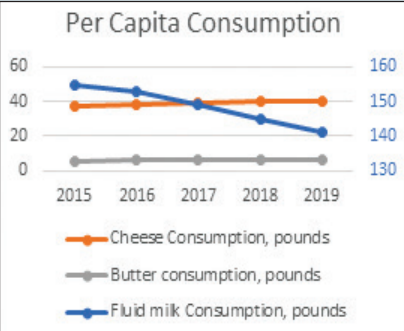
represents an overall increase of 21%. 2019 per capita consumption grew about 1% compared to 2018.

Fluid milk sales data is separated into eight categories including whole, reduced-fat, low-fat, skim, flavored whole, flavored other than whole, buttermilk, and eggnog. Eggnog sales are seasonal, but it is interesting to see how much of that category is enjoyed around Christmas. Fluid milk sales, overall, during the 45-year timeframe are down. In 1975, total fluid milk sales were 53.3 billion pounds but dropped to 46.4 billion pounds in 2019. This represents a decrease of 13% in 45 years. However, there are some recent success stories.

Of course, there are winners and losers on the consumption side. Fluid milk consumption has declined 43% since 1975. The average person drank about 29 gallons of milk per year in 1975 compared to 16.6 gallons in 2019. However, cheese, butter, and yogurt have been winners. Total cheese consumption in 2019 (40.4 pounds) was up 80% compared to 1975 (22.5 pounds), and butter consumption was up 32% from 1975 (4.7 pounds) compared to 2019 (6.2 pounds). The third winner has been yogurt. Yogurt consumption has increased 570% since 1975. The average person ate 2.0 pounds of yogurt in 1975, but in 2019, the average person ate 13.4 pounds of yogurt.

Whole milk sales have increased year-over-year (YOY) since 2014 for a total increase of 12%, or 1.7 billion pounds, over the six-year period ending in 2019. 2014 sales were 13.8 billion pounds and increased to 16.1 billion pounds at the end of 2019. Flavored whole milk has increased YOY since 2015 (572 million pounds) for a total increase of 208 million pounds, or 36% growth in sales at the end of 2019 (780 million pounds). Eggnog is the smallest category, but it also has increased over the last five years. In 2015, eggnog sales totaled 126 million pounds. 2019 eggnog sales were 139 million pounds, a 10% increase during that timeframe. Unfortunately, the other five categories have been declining for several years and are driving the overall recent sales losses. Total 2019 fluid milk sales are down 1.8% or 828 million pounds from 2018.

The industry has made some real gains over the last several years. Yes, fluid milk sales were down again in 2019, but whole and flavored whole milk sales have been increasing for several years. The fact of the matter is, per capita consumption of dairy is the highest it has been in several decades. Remember, every pound of milk cleared from the market, regardless of its form, benefits your milk check. The industry will turn fluid milk consumption around eventually.



The science for the health benefits are there, but it will take time for the average consumer and health professional to understand and accept it. In the meantime, keep in mind that over 95% of the households in the U.S. purchase dairy products.

## CME DAILY FUTURES & OPTIONS TRADING — SEPT. 15, 2020 AT THE CLOSE

	SEP-20	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	TREND			
<b>CLASS III MILK FUTURES (\$/CWT)</b> <i>Steady to 25 cents lower than a week ago, current month 50 cents lower.</i>	16.33	18.67	17.36	16.52	16.13	16.11	16.17	16.23	16.44	16.63	16.80	16.85	↓↓			
<b>CLASS IV MILK FUTURES (\$/CWT)</b> <i>5 to 30 cents lower across the board compared with a week ago.</i>	12.64	13.51	14.08	14.25	14.61	14.84	15.17	15.38	15.53	15.75	16.04	16.30	↓↓			
<b>HIGHEST &amp; LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT &amp; MONTH / YEAR IT OCCURRED</b>																
	19.45 07/20	18.27 09/20	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					
	14.52 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					
<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	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				
<b>MPP/DMC OFFICIAL GROSS MARGINS</b> 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-20	*JULY-20	
	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	*12.41 ↑↑	
<b>U.S. AVG MILK MARGIN</b> 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 ↑↑
<b>PA AVG MILK MARGIN</b> 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 ↑↑

<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>													
	16.25	18.75	17.50	16.50	16.00	16.00	16.25	16.25	16.50	16.75	16.75	16.75	16.75
	0.10	0.78	0.89	0.85	0.72	0.67	0.77	0.78	0.89	0.94	0.96	0.96	0.97
<b>CORN (\$/BU) OPTIONS — CALLS</b>													
	3.55	17.20	3.65	15.40	3.90	14.20	4.30	11.70					
	3.85	01.10	4.10	02.50	4.60	02.40	5.30	03.10					
<b>CORN FUTURES (\$/BU)</b>													
	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	JUL-21	SEP-21	DEC-21	MAR-22	DEC-22	JUL-23	TREND
	3.716	3.810	3.862	3.896	3.850	3.892	3.974	4.020	4.056	3.916	3.954	4.076	↑↑
<b>SOYMEAL FUTURES (\$/TON)</b>													
	OCT-20	DEC-20	JAN-21	MAR-21	MAY-21	JUL-21	AUG-21	SEP-21	OCT-21	DEC-21	JAN-22	MAR-22	TREND
	320.8	325.7	327.4	327.1	325.8	325.3	324.1	321.1	316.0	316.4	316.0	311.2	↑↑
<b>CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. SEPT. 9, 2020 sale New Holland, PA) *Fresh and springing lower; bred and open higher</b>													
<b>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 lbs)</b>													
	925	1075	N/A		900	400	N/A	750	650	650			
	1075	950	850		750	N/A	850	300	N/A	475	600	750	

<b>PA MILK MARGIN &amp; IOFC-LATEST PSU VALUES — *JULY 2020</b>				<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 09/15/20</b>								<b>SPOT CASH TREND</b>	
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)		SEP	OCT	NOV	DEC	JAN	FEB	MAR		09/15/20	TREND
*JULY	*7.37↑↑	*10.92↑↑	*14.56↑↑	NFDM	0.995	1.051	1.089	1.105	1.132	1.142	1.155	↑↑	1.0600↑↑
*PREV MO	7.25	9.48	12.65	WHEY	0.314	0.316	0.318	0.325	0.330	0.340	0.340	↑↑	0.3475↑↑
YR AGO	7.62	8.61	11.48	BUTTER	1.482	1.570	1.621	1.650	1.670	1.724	1.773	↓↓	1.5050↑↑
				CHEESE	1.772	2.007	1.870	1.775	1.730	1.723	1.740	↓↓	See Below
				CME SPOT CHEESE:	BARRELS 1.6000 / 40 LB BLOCKS 2.2150								↓↓ / ↑↑

<b>* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>							<b>* = NEW CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW</b>						
CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S	ALL-MILK-PA		PRODUCT	VALUE	MAKE ALLOW	NET	AUGUST 2020 COMPONENTS		
18.44	13.27	19.77	12.53	20.50	19.30		CHEESE	2.1099	0.2003	1.9096	PROT	4.4395	↓↓
19.78	13.79	24.54	13.76	18.10	16.30		BUTTER	1.5154	0.1715	1.3439	B.FAT	1.6275	↓↓
17.85	17.60	17.60	16.74	18.70	19.10		NFDM	0.9619	0.1678	0.7941	N.FAT	0.7862	↓↓
							DRYWHEY	0.3338	0.1991	0.1347	OTHER	0.1387	↓↓

<b>FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)</b>													
<b>BULL CALVES:</b>													
Premium White	Breakers	Boners	Lean										
62.00	61.35	52.50											
8 WEEKS AGO													
62.00													
61.35													
YEAR AGO													
64.00													
58.50													
55.75													

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