

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — SEPT. 22, 2020 — except where noted

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CFAP 2: This has certainly been a year to remember. Unprecedented milk price volatility perhaps has left you not knowing what is going to happen next. At the end of 2019, market fundamentals were pointing to stronger prices in 2020 compared with 2019, which, for the most part, was a decent year. No market indicators were pointing to anything that looked like 2020 milk prices would crash. However, in mid-March, when much of the economy shut down to try to mitigate the spread of COVID-19, the dairy markets crashed.

Fortunately for farmers across the country, the federal government realized how important the success of U.S. agriculture is to the well-being of our nation's health and economy. The Coronavirus Food Assistance Program (CFAP1) was created and gave much-needed monetary relief to the nation's farmers. CFAP1 supplied direct payments to farmers and purchased agriculture products, including dairy, to help clear the market and provide food to the growing population of at-risk families.

Over 70% of U.S. dairies applied for CFAP1 funding. CFAP1 paid out an estimated \$1.74 billion of the \$2 billion of funding earmarked for dairy according to the latest USDA numbers. That is an average payment of over \$72,000 per dairy farm for the farms that were approved. Unfortunately, Pennsylvania fell short of the national average for participation in CFAP1, with only 47% of dairy farms applying for CFAP1 payments. Pennsylvania dairy farms received an estimated \$104.9 million in CFAP1 payments, or over \$38,500 per dairy that applied.

Last Friday, the USDA announced a second round of funding (CFAP2) bolstered by \$13 billion in additional funding for U.S. agriculture. The CFAP2 milk payment is calculated by multiplying actual April 1 through August 31, 2020 milk production by \$1.20 per cwt, plus estimated September 1 through December 31, 2020 milk production multiplied by \$1.20 per cwt. Estimated September through December milk production is calculated by taking the average total daily milk production from April 1 through August 31, and multiplying that by 122 days in September through December. See the inset table for estimated payments for a selection of milk volumes. Like CFAP1, bull calves, dairy steers, veal calves, and heifers not intended as dairy replace-

ments are eligible for CFAP2 payments under the "Livestock" subsection. Approved forages and grain commodities are eligible under the "Row Crops" subsection. Cull cows and breeding stock are not eligible for CFAP2 payments.

Payments under the CFAP2 program are capped at \$250,000 for all commodities combined. However, if an agriculture business has more than one owner and each owner meets certain business involvement standards as defined by CFAP2 regulations, the payment cap may be increased to \$250,000 per owner up to \$750,000 maximum. If you applied for CFAP1 payments, you must reapply to receive CFAP2 payments. You can download an application and submit via mail or apply online at www.farmers.gov/cfap. If you do not have internet access, you can get an application by calling your local Farm Service Agency office. The application period began Mon., Sept. 21 and will end on Friday, Dec. 11, 2020. Once applications are approved, the applicant will receive a one-time payment for the full amount. For the average Pennsylvania dairy farm, the CFAP2 payment would equate to about \$16,000.

Example CFAP2 Payments

Actual Production (Apr-Aug 2020)	Apr-Aug 2020 Payment	Sep-Dec 2020 Payment	Total Payment
250,000	\$3,000.00	\$2,392.16	\$5,392.16
500,000	\$6,000.00	\$4,784.31	\$10,784.31
1,000,000	\$12,000.00	\$9,568.63	\$21,568.63
2,000,000	\$24,000.00	\$19,137.25	\$43,137.25
3,000,000	\$36,000.00	\$28,705.88	\$64,705.88
4,000,000	\$48,000.00	\$38,274.51	\$86,274.51
5,000,000	\$60,000.00	\$47,843.14	\$107,843.14

CME DAILY FUTURES & OPTIONS TRADING — SEPT. 22, 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				
CLASS III MILK FUTURES (\$/CWT) Mixed vs. week ago: Sept-Oct 20 cents lower , Nov-Dec. 80 cents higher 2021 steady-30 cents higher																
16.27	18.42	18.16	17.21	16.67	16.49	16.49	16.38	16.45	16.65	16.80	16.85	↑↑				
CLASS IV MILK FUTURES (\$/CWT) 10 to 60 cents higher across the board compared with a week ago.																
12.75	14.06	14.51	14.80	15.01	15.08	15.41	15.63	15.77	15.93	16.16	16.35	↑↑				
HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED-----																
19.45 07/20	18.67 09/20	18.16 09/20	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	14.31 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 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)																
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	JUN-20	*JULY-20	TREND
	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	↑↑
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	TREND
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																
16.25 0.06	18.50 0.68	18.25 0.94	17.25 0.96	16.75 0.88	16.50 0.85	16.50 0.86	16.50 0.89	16.50 0.92	16.75 0.98	16.75 0.94	16.75 0.96					
CORN (\$/BU) OPTIONS — CALLS																
3.55 17.20	3.65 15.40	3.90 14.20	4.30 11.70	Example Daily Strike Price / Premium	300 20.00	315 16.20	330 14.45	340 13.60								
3.85 01.10	4.10 02.50	4.60 02.40	5.30 03.10		325 02.45	355 02.80	400 02.20	420 02.80								
CORN FUTURES (\$/BU)																
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				
3.684	3.774	3.830	3.864	3.822	3.872	3.950	3.992	4.024	3.884	3.924	4.052	↓↓				
WEEK AGO																
3.716	3.810	3.862	3.896	3.850	3.892	3.974	4.020	4.056	3.916	3.954	4.076					
SOYMEAL FUTURES (\$/TON)																
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				
342.1	344.6	342.6	338.0	334.1	332.7	330.0	325.2	316.9	317.1	316.4	311.0	↑↑				
WEEK AGO																
320.8	325.7	327.4	327.1	325.8	325.3	324.1	321.1	316.0	316.4	316.0	311.2					

***NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *JULY 2020**

FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)
*JULY 7.37↑↑	*10.92 ↑↑	*14.56 ↑↑
*PREV MO 7.25	9.48	12.65
YR AGO 7.62	8.61	11.48

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 09/22/20 SPOT CASH TRENDS

	SEP	OCT	NOV	DEC	JAN	FEB	MAR	09/22/20	TREND
NFDM	1.002	1.057	1.110	1.135	1.150	1.157	1.170	↑↑	1.0725 ↑↑
WHEY	0.319	0.325	0.335	0.337	0.345	0.344	0.349	↑↑	0.3700 ↑↑
BUTTER	1.490	1.680	1.692	1.720	1.730	1.750	1.813	↑↑	1.6200 ↑↑
CHEESE	1.755	1.969	1.933	1.833	1.770	1.745	1.740	↑↑	See Below
CME SPOT CHEESE:	BARRELS 1.6350 / 40 LB BLOCKS 2.600								↑↑ / ↑↑

***NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)**

CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA
*15.20(OCT)	13.27(AUG)	19.77(AUG)	12.53(AUG)	20.50(JUL)↑↑	19.30(JUL)↑↑
MONTH AGO					
18.44	13.79	24.54	13.76	18.10	16.30
YEAR AGO					
17.84	17.60	17.60	16.74	18.70	19.10

***CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW**

PRODUCT	VALUE	MAKE ALLOW	NET	AUGUST 2020 COMPONENTS
CHEESE	2.1099	0.2003	1.9096	↓
BUTTER	1.5154	0.1715	1.3439	↓
NFDM	0.9619	0.1678	0.7941	↓
DRYWHEY	0.3338	0.1991	0.1347	↓
				PROT 4.4395 ↓
				B.FAT 1.6275 ↓
				N.FAT 0.7862 ↓
				OTHER 0.1387 ↓

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. SEPT. 23, 2020 sale New Holland, PA) *Steady to strong.

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)
1100	N/A	1175	925	N/A	975	300	N/A	550	750	800
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 Sept. 17-22, 2020										
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)										
Choice & Prime 1250-1550 lbs light test 85.50 84.00 85.00 ↑↑										
BULL CALVES: No. 1 & 2, 90-130 lbs 110.00 225.00 48.00 ↑↑										
70-85 lbs 104.00 295.00 45.00 20.00 ↑↑										

Premium White Breakers Boners Lean

8 WEEKS AGO	YEAR AGO
69.00 ↑↑	66.25 ↑↑
62.00	61.35
62.00	52.50
64.75	64.00
52.50	56.50

brought to you by:

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

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



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