

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — SEPT. 29, 2020 — except where noted



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**September:** Welcome to Fall 2020! It is amazing to me how fast this year has seemed to go by. There has certainly been a change in the weather in my part of Pennsylvania—we even had some light frost a couple of mornings a week or so ago. Thankfully, it was not significant enough to kill my tomato plants. I will be able to have a few more fresh tomato sandwiches for lunch! I was in Somerset County last week, and it was a beautiful drive through the mountains with a splash of color amongst all the green. I have several young sassafras trees outside my window that are turning beautiful shades of yellow and orange, and a wild cherry tree that is turning bright red.

The arrival of fall brings the end of September and the finalization of August dairy reports. August U.S. milk production was up nearly 2% compared to August 2019 to 18.6 billion pounds. The production increase was partly due to a gain in cow numbers of nearly 0.5% to 9.366 million head, while dairy cow slaughter was down over 15% to 225,300 head compared to last year. Another driving factor was increased milk per cow. Aug. 2020 milk production was up 1.4% to 73.7 pounds per cow, 1 lb/cow increase over Aug. 2019.

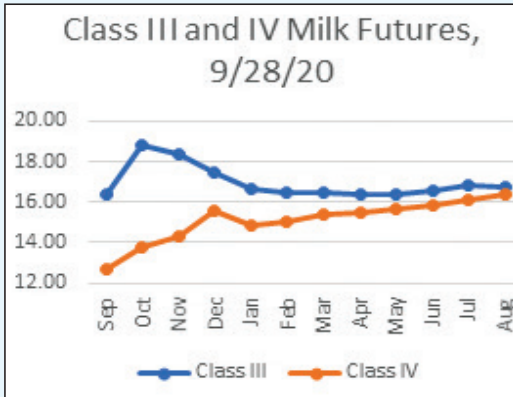
Pennsylvania milk production was up 1.4% in August to 841 million pounds compared to last August despite a 3,000 head (0.6%) drop in cow numbers. The average Pennsylvania lactating cow produced 1.3 pounds more milk per day at 64.7 pounds than she did in August 2019. Although cow numbers were down compared to last year, the Pennsylvania dairy cow herd maintained 482,000 head for the third straight month this year.

July dairy exports continued to increase in value year-over-year. The value of July exports was over \$540 million dollars, 16% higher than last year. Export volume was up 22% over last July at 196,080 tons. Despite the market disruption caused by COVID-19, dairy exports for the first seven months of 2020 are up 16% on a value basis and 14% on a volume basis compared to the same period in 2019. Much of this has been driven by the availability of inexpensive U.S. milk powder products that resulted when Class IV price fell coupled with a devalue in the U.S. dollar early in the pandemic. This made U.S. dairy products appealing to international customers.

As of Sept. 28, Class III and IV milk futures 12-month averages have increased compared to the end of August. Class III average futures price is up \$0.27 per cwt to \$16.96 from the same time last month. The 12-month average Class IV price is up \$0.44 per cwt to \$15.09 compared to the end of August. Despite the volatility in this year's milk price, average Class III and IV prices remain above their five-year averages of \$15.88 and \$14.77 per cwt, respectively.

Each spring and fall, the Center hosts a series of roundtable meetings across the state of Pennsylvania. COVID-19 has disrupted how we would normally hold these events. With indoor meeting restrictions still in place, we will be offering one roundtable meeting virtually on October 22, 2020 from 10 to 11:45 a.m. for dairy farmers and dairy consultants. King Hickman, DVM, founding partner, GPS Dairy Consulting, LLC, will facilitate the discussion and help participants learn what they can do to establish goals and create a plan to reach those goals.

In addition, attendees will learn how to get all stakeholders engaged and moving in the same direction to meet those goals. Space is limited for this free webinar and registration is required. Visit [www.centerfordairyexcellence.org](http://www.centerfordairyexcellence.org).



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 — SEPT. 29, 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>Mixed vs. week ago: Yearend 25 to 75 cents higher, 2021 board generally steady</i>	16.26	19.27	18.58	17.48	16.71	16.40	16.41	16.40	16.42	16.55	16.80	16.78	↑↑			
<b>CLASS IV MILK FUTURES (\$/CWT)</b> <i>steady to 25 cents lower through yearend; steady to 15 cents higher 2021</i>	12.72	13.85	14.44	14.61	14.94	15.25	15.48	15.53	15.75	15.89	16.10	16.35	↑↑			
<b>HIGHEST &amp; LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT &amp; MONTH / YEAR IT OCCURRED</b>																
	19.45 07/20	19.27 09/20	18.58 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	14.52 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 per cwt. (USDA All-Milk, com/alfalfa hay &amp; Illinois soybean prices, feed for all classes of dairy cattle on the farm)</b>																
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	
	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 per 100 lbs milk based on 75-lb herd avg &amp; USDA's All-Milk price, USDA-reported com &amp; alfalfa hay &amp; Ill. soybean prices (lactating feed only)</b>																
	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	*AUG-20
	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	*12.59	*15.04	*12.77 ↓↓
<b>PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA com &amp; alfalfa hay &amp; Buff., NY soybean prices (lactating feed only)</b>																
	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	*9.44	*12.67	*11.93 ↓↓

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	OCT-20	DEC-20	MAR-21	SEP-21
16.25 CAB	19.25 0.27	18.50 0.93	17.50 0.98	16.75 0.91
Example Daily Strike Price / Premium				
	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

CLASS III MILK (\$/CWT) OPTIONS — CALLS	OCT-20	DEC-20	MAR-21	JUL-21
Example Daily Strike Price / Premium				
	300 20.00	315 16.20	330 14.45	340 13.60
	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
	3.790	3.882	3.934	3.972	3.882	3.914	3.984	4.016	4.040	3.932	3.962	4.092	↑↑
WEEK AGO													
	3.684	3.774	3.830	3.864	3.822	3.872	3.950	3.992	4.024	3.884	3.924	4.052	

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
	339.7	342.8	342.1	338.5	334.6	334.2	331.3	326.1	319.9	320.1	319.6	312.5	↑↑
WEEK AGO													
	342.1	344.6	342.6	338.0	334.1	332.7	330.0	325.2	316.9	317.1	316.4	311.0	

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *AUG. 2020	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)
*AUG.	*6.70 ↓↓	*8.95 ↓↓	*11.93 ↓↓
*PREV MO	6.63	9.50	12.67
YR AYO	6.67	9.55	12.73

CME DAIRY CASH-SETTLED FUTURES (\$/LB)	SEP	OCT	NOV	DEC	JAN	FEB	MAR	SPOT CASH 09/29/20	TREND 09/29/20	
NFDM	1.001	1.080	1.080	1.136	1.149	1.166	1.180	↑↑	1.1300 ↑↑	
WHEY	0.319	0.338	0.355	0.360	0.360	0.365	0.360	↑↑	0.3700 ↑↑	
BUTTER	1.488	1.589	1.615	1.640	1.665	1.690	1.758	↓↓	1.5100 ↓↓	
CHEESE	1.766	2.046	1.968	1.848	1.761	1.732	1.732	↑↑	See Below	
CME SPOT CHEESE:	BARRELS 1.7300 / 40 LB BLOCKS 2.5650		↑↑ / ↓↓							

*USDA MAY NEW * ALL-MILK BF * MAILBOX	*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	*CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW
FL \$17.60 3.62 \$17.25	*CL I ADV ↓↓ *CL II ↓↓ *CL III ↓↓ *CL IV ↑↑ *ALL-MILK-U.S *ALL-MILK-PA	WEIGHTED AVG. 4-WK SEP. 1-26, 2020
SE \$16.00 3.81 \$14.77	*15.20(ADV) *13.16(SEP) *16.43(SEP) *12.75(SEP) *18.80(AUG) ↓↓ *18.10(AUG) ↓↓	PRODUCT VALUE MAKE ALLOW NET
APP \$16.20 3.81 \$14.57		*CHEESE 1.7741 0.2003 1.5738 ↓↓ *SEPT 2020 COMPONENTS
IA \$14.80 3.98 \$13.90		*BUTTER 1.4871 0.1715 1.3156 ↓↓ *B.FAT 1.5932 ↓↓
OH \$14.70 3.88 \$13.61		*NFDM 1.0014 0.1678 0.8336 ↑↑ *N.FAT 0.8253 ↑↑
NEIG \$13.90 3.93 \$13.60		*DRYWHEY 0.3196 0.1991 0.1205 ↓↓ *OTHER 0.1241 ↓↓
IN \$13.60 3.85 \$13.57		
WI \$13.60 3.87 \$13.43		
IL \$13.10 3.90 \$13.27		
PAwestern PA only \$13.11		
U.S. \$13.60 3.87 \$12.90		
PAeast \$14.00 3.88 \$12.89		
NY \$13.30 3.88 \$12.66		
CA \$13.20 3.82 \$12.64		
TX \$13.50 4.09 \$12.57		
MI \$12.10 3.78 \$11.20		
NM \$11.60 3.65 \$10.68		

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. SEPT. 23, 2020 sale New Holland, PA) *Steady to strong.	925	N/A	975	300	N/A	550	750	800
COWS: Fresh Bred Springing	1100 N/A	1175						
HEIFERS: Bred Beef x (bred) Springing Open: 300-600 lbs Beef X 600-900 lbs 800-1200 lbs BULLS (1100-1300 lbs)								
MARCH COMPARISON								
	1075	950	850	750	N/A	850	300	N/A
							475	600
								750

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)	CURRENT	Beef X	WEEK AGO	YR AGO
Choice & Prime 1250-1550 lbs light test	84.85		85.50	75.00 ↓↓
BULL CALVES: No. 1 & 2, 90-130 lbs	76.00	170.00	110.00	56.00 ↓↓
	40.00	150.00	104.00	28.00 ↓↓

CULL MARKET COWS (\$/CWT LIVEWEIGHT)	Premium White	Breakers	Boners	Lean
	62.75 ↓↓	60.75 ↓↓	54.60 ↓↓	
8 WEEKS AGO				
	N/A	69.00	66.25	62.50
YEAR AGO				
	N/A	63.25	60.85	53.60

Average to high dressing

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