

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — OCT. 6, 2020 — except where noted



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



2021 DMC enrollment: The 2018 Farm Bill made the Dairy Margin Coverage (DMC) program available in 2019 as a much-improved version of the Margin Protection Program (MPP) that it replaced. DMC is margin-based insurance where the margin each month is calculated by subtracting the national corn, soybean meal and blended alfalfa hay price from the U.S. all-milk price. The resulting actual margin is then compared to the margin selected by the dairy farmer to determine if an indemnity is owed.

DMC margins covered include \$4.00 up to \$9.50 per cwt and 5% up to 95% of production history as established by the FSA for up to 5 million pounds of production history (Tier 1). The \$4.00 margin is included at no premium with just the \$100 administration fee due at the time of enrollment. The premium for \$4.50 is \$0.0025 and increases to \$0.15 per cwt for the maximum \$9.50 margin coverage. For dairies with more than 5 million pounds of production history (Tier 2), the maximum margin is capped at \$8.00 with a different, more expensive premium structure. However, Tier 2 dairies can insure up to 5 million pounds of production history at Tier 1 margins and premiums.

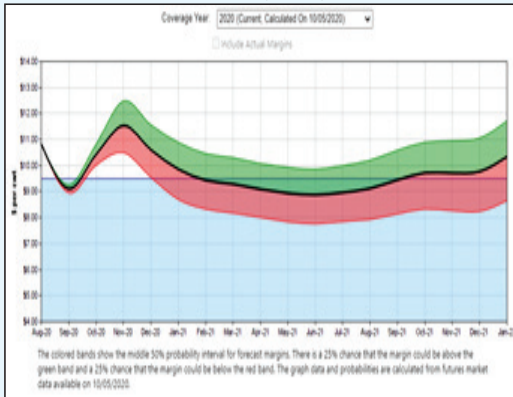
In 2019, the DMC program returned a net benefit of \$0.39 per cwt for anyone who enrolled up to 5 million pounds of production history at the \$9.50 maximum DMC margin coverage. The net benefit, so far, for 2020 is equal to \$0.51 per cwt at the \$9.50 margin coverage. The USDA is projecting a September DMC margin of \$9.11 which would trigger an additional \$0.39 per cwt payment, increasing the total 2020 net benefit to \$0.54 per cwt. During the 2020 enrollment period, the USDA was not projecting any payments for 2020. As a result, only 36% of U.S. dairy farmers enrolled in DMC compared to 63% in 2019 when DMC was already guaranteed a net benefit during enrollment.

What milk price floor does a \$9.50 margin set? On October 5, the USDA DMC Decision Tool was forecasting an average 2021 feed price of \$8.79 per cwt. If the \$9.50 margin coverage is chosen, the price floor set would be equal to a U.S. all-milk price of \$18.29 per cwt (\$9.50 + \$8.79). Since January of 2019, the U.S. all-milk price has averaged \$1.05 per cwt higher than Class III. So, current projections indicate that enrolling in DMC for 2021 would set a Class

III price floor of around \$17.24 per cwt (\$18.29-\$1.05). If October 5, 2020 projections for 2021 become reality, DMC will provide a net benefit of \$0.08 per cwt for any farmer that enrolls up to 5 million pounds at the maximum coverage.

The DMC program was created to be most beneficial for dairy farmers with 250 cows or less. With the ability to enroll nearly all of production history, DMC may be an adequate risk management plan for dairy operations of this size without any other milk price protection. In many cases across the country, a \$17.24 Class III floor will protect your cost of production and perhaps guarantee a profit. 2021 DMC enrollment opens on October 12 at your local FSA office and will close on December 11, 2020.

Premiums are not due until the end of September each year and can be subtracted from indemnity payments throughout the year. If the rules for DMC were applied to historical data back to 2000, only two years (2005 and 2014) out of the last 21 would not have provided a net benefit to dairy farmers enrolling at the \$9.50 per cwt margin coverage. History shows that DMC could be \$0.15 well spent to provide peace of mind to protect you against years like 2020.



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 — OCT. 6, 2020 AT THE CLOSE

	OCT-20	NOV-20	DEC-20	JAN-21	FEB-21	MAR-21	APR-21	MAY-21	JUN-21	JUL-21	AUG-21	SEP-21	TREND				
CLASS III MILK FUTURES (\$/CWT) Compared with week ago: <i>Yearend 50 cents to \$1.25 higher, 2021 board 10 to 50 cents higher</i>	20.54	19.59	17.91	17.00	16.61	16.61	16.58	16.63	16.70	16.90	16.87	17.00	↑↑				
CLASS IV MILK FUTURES (\$/CWT) Compared with week ago: <i>steady to \$1.00 higher through yearend; 10 to 50 cents higher 2021</i>	13.65	14.26	14.54	14.79	15.00	15.40	15.55	15.76	15.91	16.13	16.35	16.58	↑↑				
----- HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED -----																	
	20.54 10/20	19.59 10/20	17.91 10/20	17.67 01/20	17.85 01/20	17.40 01/20	17.30 01/20	17.12 01/20	17.00 01/20	17.01 01/20	16.93 01/20	17.00 10/20					
	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	14.50 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 1.87	1.70	2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33					
*AVG	1.82	1.65	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32					
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	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	*AUG-20		
	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	*10.83	↓↓	
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-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	*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	↓↓
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	13.10	12.20	11.24	8.27	*9.44	*12.67	*11.93	↓↓	
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																	
	20.50 0.34	19.50 1.06	18.00 1.15	17.00 0.96	16.50 0.86	16.50 0.84	16.50 0.87	16.50 0.86	16.75 0.83	17.00 1.01	16.75 0.95	17.00 1.04					
CORN (\$/BU) OPTIONS — CALLS																	
	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													
CORN FUTURES (\$/BU)																	
	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	MAR-22	MAY-22	JUL-22	SEP-22	DEC-22	JUL-23	TREND				
	3.886	3.972	4.020	4.052	3.924	3.954	4.026	4.050	4.062	3.946	3.974	4.100	↑↑				
----- WEEK AGO -----																	
	3.790	3.882	3.934	3.972	3.882	3.914	3.984	4.016	4.040	3.932	3.962	4.092					
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				
	361.0	361.8	357.5	349.7	344.1	342.3	337.8	332.0	324.7	324.2	323.0	313.2	↑↑				
----- WEEK AGO -----																	
	339.7	342.8	342.1	338.5	334.6	334.2	331.3	326.1	319.9	320.1	319.6	312.5					

***NEW 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 AGO	6.67	9.55	12.73

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 10/06/20 SPOT CASH 10/06/20

	OCT	NOV	DEC	JAN	FEB	MAR	APR	TREND
NFDM	1.066	1.125	1.145	1.157	1.173	1.171	1.189	↑↑ 1.1300 NC
WHEY	0.339	0.353	0.360	0.360	0.360	0.360	0.360	↑↑ 0.3950 ↑↑
BUTTER	1.532	1.582	1.606	1.640	1.680	1.736	1.770	↓↓ 1.4725 ↓↓
CHEESE	2.181	2.083	1.903	1.808	1.763	1.759	1.755	↑↑ See Below
CME SPOT CHEESE:	BARRELS 2.000 / 40 LB BLOCKS 2.6500						↑↑ / ↑↑	

****USDA MAY NEW * ALL-MILK BF * MAILBOX**

	ALL-MILK BF	MAILBOX
FL	\$17.60	3.62
SE	\$14.70	4.02
MI	\$16.00	3.81
IA	\$16.20	3.81
APP	\$14.80	3.98
OH	\$14.70	3.88
ND	\$13.90	3.93
IN	\$13.60	3.85
WI	\$13.60	3.87
IL	\$13.10	3.90
PA	\$13.60	3.87
U.S.	\$13.60	3.87
NE	\$14.00	3.88
NY	\$13.30	3.88
CA	\$13.20	3.82
TX	\$13.50	4.09
MT	\$12.10	3.78
NM	\$11.60	3.65

***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)	*13.16(SEP)	*16.43(SEP)	*12.75(SEP)	*18.80(AUG)	*18.10(AUG)
----- MONTH AGO -----						
	18.44	13.27	19.77	12.53	20.50	19.30
----- YEAR AGO -----						
	17.84	16.93	18.30	16.35	18.90	19.60

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	600-900 lbs	800-1200 lbs	BULLS (1100-1300 lb)				
MARCH COMPARISON	1075	950	850	750	N/A	850	300	N/A
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)	Choice & Prime 1250-1550 lbs light test		85.50	WEEK AGO		85.50	YR AGO	
BULL CALVES:	No. 1 & 2, 90-130 lbs		90.00	130.00		76.00	56.00	
	70-85 lbs		75.00	135.00		40.00	28.00	

CULL MARKET COWS (\$/CWT LIVEWEIGHT)

	Premium White	Breakers	Boners	Lean
	58.35	↓	57.60	↓
	48.85	↓		
----- 8 WEEKS AGO -----				
	N/A	62.75	60.75	54.60
----- YEAR AGO -----				
	N/A	63.25	60.85	53.60

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