

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, OCT. 8, 2019 — except where noted



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**Milk sales vs. other beverages:** A few weeks ago, I wrote about the per capita fluid milk consumption decline, but I also showed that total dairy consumption has been increasing for decades. Total dairy per capita consumption is currently at its highest amount since 1962. If fluid milk consumption is declining, where is it going?

Plant-based milk alternative marketing campaigns would have us believe that plant-based milk alternatives are taking significant market share away from milk. Based on recent market research done by Information Resources Incorporated (IRI), this simply is not true. IRI data shows that milk sales are outpacing plant-based milk alternatives 11 to 1. This means that for each gallon of plant-based milk alternatives sold, 11 gallons of milk are sold. In 2017, IRI reported that 82% of lost sales volume of white milk came from consumers switching from milk to a different beverage with the remainder attributed to a reduction in overall beverage consumption. Interestingly, of the 82% attributed to switching from white milk, 53% of consumers switched to bottled water. In the same report, milk lost only 7% of sales to plant-based beverages. Coffee was the second highest beverage that consumers switched to and represented 11% of lost sales.

I am not suggesting we discount plant-based milk alternatives as a legitimate competitor because they are. However, I think it is important to understand reality, so the dairy industry can continue to strategically market fluid milk products. We do not want the perception of significant market share lost to alternative milk beverages to become a reality. Ultimately, milk has two big advantages that no other beverage can compete with: the nutrient density of milk and the availability of those nutrients to our bodies to keep us healthy.

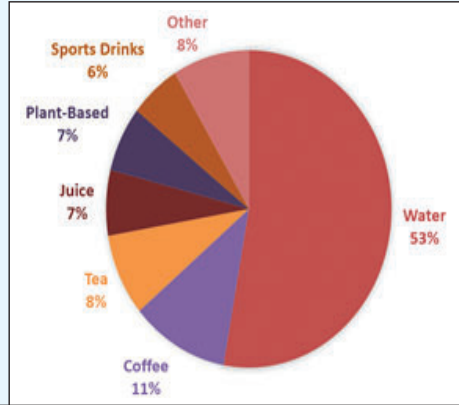
Speaking of health, knowing your cost of production is a key component to keeping your dairy farm healthy. Last week, I wrote about understanding your milk check and what goes into determining the base milk price for your area. The combination of understanding how your milk

price is derived and what your cost of production is allows you to make better decisions for your business, especially when it comes to developing a risk management plan. The point of risk management is to try to protect your milk price so you can cover your cost of production. If you do not understand how your milk price is determined and do not know your cost of production, how do you know what price to protect to help you continue to operate in market downturns?

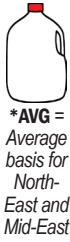
Join us this November at one of our regional Fall Producer Roundtable meetings. During the meetings, Center for Dairy Excellence staff and Pennsylvania State University Dairy Extension staff will be conducting workshops to teach dairy farmers how to determine their cost of production and discuss how to use that information to develop a risk management plan.

On Nov. 1, we will be in Lancaster, PA, Nov. 7 in Lewisburg and Mansfield, PA, Nov. 12 in Martinsburg and Grove City, PA and on Nov. 15, in Chambersburg, PA.

Call Heidi Zimmerman at 717-346-0849 for more information or visit [www.centerfordairyexcellence.org/roundtable](http://www.centerfordairyexcellence.org/roundtable).



## CME DAILY FUTURES & OPTIONS TRADING — OCT. 8, 2019 AT THE CLOSE



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

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

	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	SEP-20	TREND	
<b>CLASS III MILK FUTURES (\$/CWT)</b>	18.60	18.45	17.75	17.02	16.64	16.63	16.81	16.91	17.05	17.22	17.34	17.46	↑↑	
	18.28	18.28	18.24	17.53	16.85	16.57	16.63	16.78	16.86	17.01	17.18	17.34		
-----WEEK AGO-----														
-----HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED-----														
	18.99 10/19	18.45 10/19	18.24 10/19	17.53 10/19	16.85 10/19	16.80 07/19	16.89 07/19	16.98 07/19	17.08 07/19	17.22 10/19	17.34 10/19	17.46 10/19		
	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	14.52 11/18		
<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 1.87	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		
<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>	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	AUG-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	*9.85 ↑↑
<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>	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	↑↑
<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>	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  
FEED = \$/CWT.  
IOFC = \$/COW

<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>																							
DEC-19	MAR-20	JUL-20	SEP-20	Example Daily Strike Price / Premium	DEC-19	MAY-20	JUL-20	SEP-20															
18.50	0.02	18.50	0.16	17.75	0.28	17.02	0.49	16.75	0.45	16.75	0.51	16.75	0.49	17.00	0.59	17.00	0.57	17.25	0.65	17.25	0.26	17.50	0.31
<b>CORN (\$/BU) OPTIONS — CALLS</b>																							
DEC-19	MAR-20	JUL-20	SEP-20						DEC-19	MAY-20	JUL-20	SEP-20											
3.70	26.40	3.80	31.40	4.20	22.00	4.30	17.10	4.30	03.10	4.30	09.30	5.50	02.70	5.50	02.70	290	20.65	310	19.25	310	23.40	330	16.15
<b>SOYMEAL FUTURES (\$/TON)</b>																							
DEC-19	JAN-20	MAR-20	MAY-20	JUL-20	AUG-20	SEP-20	OCT-20	DEC-20	JAN-21	MAR-21	MAY-21	TREND											
3.942	4.054	4.106	4.144	4.052	4.086	4.180	4.232	4.264	4.146	4.166	4.334	↑↑											
-----WEEK AGO-----																							
3.876	3.996	4.046	4.072	4.016	4.046	4.146	4.202	4.232	4.130	4.152	4.320												

<b>PA MILK MARGIN &amp; IOFC—LATEST PSU VALUES — *AUG. 2019</b>				<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB)</b>										10/08/19	SPOT CASH	TREND
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	*AUG	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	10/08/19	
7.36	9.30 ↓↓	12.39 ↓↓		1.092	1.125	1.137	1.143	1.154	1.165	1.175	↑↑	1.1500	↑↑			
7.31	9.56	12.74		0.350	0.347	0.352	0.359	0.360	0.360	0.362	mixed	0.3175	↓↓			
6.36	7.53	10.24		2.162	2.130	2.105	2.120	2.140	2.170	2.195	↓↓	2.1025	↓↓			
				1.950	1.935	1.866	1.786	1.745	1.744	1.757	mixed	See Below				

<b>* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>														<b>CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW</b>					
CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S	ALL-MILK-PA	WEIGHTED AVG. 4-WK SEPT 3-28, 2019				SEPT 2019 COMPONENTS									
17.84	16.93	18.30	16.35	18.90	19.40	PRODUCT	VALUE	MAKE	ALLOW	NET	PROT	2.8633	↑↑						
-----MONTH AGO-----						CHEESE	1.9053	0.2003	1.7050	↑↑	B.FAT	2.4982	↓↓						
-----YEAR AGO-----						BUTTER	2.2344	0.1715	2.0629	↓↓	N.FAT	0.8753	↑↑						
16.33	15.13	16.09	14.81	15.76	17.26	NFDM	1.0519	0.1678	0.8841	↑↑	OTHER	0.1758	↑↑						

<b>CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. OCT. 9, 2019 sale New Holland, PA) *MOST RECENT REPORT</b>													
COWS Fresh	Bred	Springing	HEIFERS: Bred	Beef x (bred)	Springing	Open: 300-600 lbs	Beef X	600-800 lbs	800-1200 lbs	BULLS (600-1800 lb)			
1045	N/A	1030	625	700	950	300	400	600	N/A	625			
-----FOUR WEEK RUNNING AVG-----													
1025	900	1040	700	N/A	975	250	N/A	500	800	700			
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Oct. 3-8, 2019													
<b>CULL MARKET COWS (\$/CWT LIVEWEIGHT)</b>													
Premium White	Breakers	Boners	Lean										
N/A	60.50 ↓↓	58.25 ↓↓	50.10 ↓↓	-----WEEK AGO-----									
N/A	63.25	60.85	53.60	-----YEAR AGO-----									
N/A	53.50	50.50	45.25										

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