

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — OCT. 13, 2020 — except where noted

Managing Change: Change is inevitable in all aspects of business and life. This year, we have certainly seen how quickly change can happen. When economies shut down in mid-March, the dairy industry lost nearly 50% of its sales almost overnight because restaurants were forced to close or offer limited service. This rapid change caused a tremendous shift in demand that our industry was not prepared for, leading to empty dairy cases in grocery stores while milk was dumped on the farm. It took some time, but the supply chain adapted so that milk was no longer dumped and dairy cases were full to meet the growing demand at retail stores.

The change in supply and demand earlier this year caused the lowest Class III and IV milk prices since 2009. The subsequent adjustments to supply resulted in an apparent milk shortage that caused Class III milk to jump in just two months to highs not seen since 2014. Class III price experienced an almost 11-year low in May followed by an almost six-year high in July. Unfortunately, Class IV prices continue to trade below pre-COVID-19 values. Milk price this year is an excellent example of how quickly things can change. Like milk prices, there are some things we have no control over and must adapt to in order to survive. We cannot control milk price, but there are risk management tools available to help minimize that volatility.

The Center recently hosted its 11th Annual Dairy Financial Conference virtually. One of this year's speakers was Dr. Jennifer Garrett, founder of JG Consulting Services, LLC, a strategic management consulting firm dedicated to keeping agricultural systems profitable. Dr. Garrett is an expert in helping agriculture businesses, including dairy, learn to navigate and manage changing environments. She guides business owners and managers to find changes that ensure better profitability. Dr. Garrett explained that in order for change to occur, there needs to be Dissatisfaction with the status quo, a Vision for the change, a First step that is taken to obtain the desired change, and Believability that the change will have the desired effect. For a change to occur, all of this must be greater than the Resistance to change. She explained it in the form of the multiplication equation $C = D \times V \times F \times B > R$. If any of D, V, F, or B

are equal to zero, the product of the equation is zero, not greater than R, and results in no change.

In your dairy business or a client's dairy business, have you ever been dissatisfied with the status quo, knew a change was needed, but did not know how to overcome sources of resistance that prevent change? The Center is hosting its Fall Roundtable Meetings virtually this year to offer dairy farmers and consultants an opportunity to learn more about overcoming resistance and learning to manage change. The title for this year's roundtable is, "Leading with Change: Managing Change on Your Dairy." King Hickman, DVM is a founding partner at GPS Dairy Consulting, LLC—a group of independent dairy nutrition and management consultants servicing customers throughout the U.S. and Australia. Dr. Hickman will lead the discussion and provide strategies to help attendees learn how to make goals for change and meet them. The virtual roundtables will be held October 22 and October 29, 2020 from 10 to 11:45 a.m. Registration for the October 22 date is closed, but registration for the October 29 roundtable is open. The roundtables are free, but registration is required. If you are interested in leading with change, visit www.centerfordairyexcellence.org/events for more information or to register.

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



Leading With Change: Managing Change on Your Dairy

Virtual Roundtable Meeting

THURSDAY, OCTOBER 29 = 10-11:45 AM

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. 13, 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) Vs. week ago: <i>Oct/Nov 75 cents to \$1 higher, Dec-Feb Steady-20 cents higher; Mar-Sept Steady-20 cents lower</i>	21.17	20.64	18.19	17.08	16.62	16.61	16.46	16.54	16.63	16.87	16.90	16.95	MIXED											
CLASS IV MILK FUTURES (\$/CWT) Vs. week ago: <i>10 to 20 cents lower across the board</i>	13.46	14.19	14.39	14.65	14.80	15.29	15.45	15.57	15.80	16.00	16.28	16.50	↔											
----- HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED -----																								
	21.17 10/20	20.64 10/20	18.19 10/20	17.07 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	13.78	13.10	12.20	11.24	8.27	*9.44	*12.67	*11.93	↔							
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	21.25	0.09	20.50	0.78	18.25	0.77	17.00	0.90	16.50	0.88	16.50	0.86	16.50	0.96	16.50	0.92	16.50	0.93	16.75	0.92	17.00	0.97	17.00	1.02
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											
	3.964	4.024	4.050	4.062	3.924	3.936	4.010	4.034	4.050	3.924	3.954	4.080	MIXED											
	----- WEEK AGO -----																							
	3.886	3.972	4.020	4.052	3.924	3.954	4.026	4.050	4.062	3.946	3.974	4.100												
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											
	363.6	360.0	352.4	347.0	345.8	341.2	333.9	325.3	324.8	323.5	314.9	313.4	MIXED											
	----- WEEK AGO -----																							
	361.0	361.8	357.5	349.7	344.1	342.3	337.8	332.0	324.7	324.2	323.0	313.2												

* = NEW	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	OCT	NOV	DEC	JAN	FEB	MAR	APR	10/13/20	SPOT CASH	TREND	
	*AUG. 6.70	*8.95	*11.93	NFDM	1.068	1.135	1.155	1.170	1.175	1.190	1.199	↑↑	1.1375	↑↑
	*PREV MO 6.63	*9.50	*12.67	WHEY	0.340	0.346	0.357	0.355	0.350	0.360	0.358	↓↓	0.3925	↓↓
	YR AGO 6.67	9.55	12.73	BUTTER	1.530	1.550	1.560	1.580	1.600	1.685	1.740	↓↓	1.4750	↑↑
				CHEESE	2.254	2.195	1.932	1.817	1.765	1.756	1.754	↑↑	See Below	
				CME SPOT CHEESE:	BARRELS 2.1400 / 40 LB BLOCKS 2.7175		↑↑	/	/					

* = NEW	ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	* CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW
	*CL I ADV ↓↓ CL II ↓↓ CL III ↓↓ CL IV ↑↑ ALL-MILK-U.S. 3.81F ALL-MILK-PA 3.77F	WEIGHTED AVG. 4-WK SEP. 1-26, 2020
	*15.20(OCT) 13.16(SEP) 16.43(SEP) 12.75(SEP) 18.80(AUG) ↓↓ 18.10(AUG) ↓↓	PRODUCT VALUE MAKEALLOW NET
	18.44 13.27 19.77 12.53 20.50 19.30	CHEESE 1.7741 0.2003 1.5738 ↓↓ PROT 3.3935 ↓↓
	17.84 16.93 18.30 16.35 18.90 19.60	BUTTER 1.4871 0.1715 1.3156 ↓↓ B.FAT 1.5932 ↓↓
		NFDM 1.0014 0.1678 0.8336 ↑↑ N.FAT 0.8253 ↑↑
		DRYWHEY 0.3196 0.1991 0.1205 ↓↓ OTHER 0.1241 ↓↓

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 lbs)											
	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 Oct. 8-13, 2020										
	FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)										
	Choice & Prime 1250-1550 lbs light test 76.50 85.50 75.00 ↓↓										
	BULL CALVES: No. 1 & 2, 90-130 lbs										
	70-85 lbs 90.00 160.00 56.00 NC										
	70-85 lbs 85.00 150.00 75.00 28.00 ↑↑										

Premium White	Breakers	Boners	Lean
	55.75 ↓↓	51.25 ↓↓	46.50 ↓↓
	----- 8 WEEKS AGO -----		
	N/A	58.35	57.60
	----- YEAR AGO -----		
	N/A	63.25	60.85

brought to you by:

