

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — OCT. 27, 2020 — except where noted

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



**OCTOBER:** You can learn a lot from people or cultures different from your own. One of the things I miss most about dairy farming is the people I worked with. I learned a tremendous amount about Mexican culture from the Latino employees who worked for us over the years. As they assimilated into the U.S. culture, they would participate in our holidays and our way of life. However, they have their own cultural holidays they celebrate as well and would sometimes include me and my family in the festivities.

Halloween reminds me of one those holiday differences. Perhaps those of you who are Catholic are familiar with All Saints' Day. I do not remember celebrating All Saints' Day in any of the churches I have attended, so I did not really know much about it until I began working with my Latino employees. From November 1 to 2, Día de Muertos is celebrated in Mexico and is similar to All Saints' Day. This translates to Day of the Dead in English. Although it sounds morbid, it is indicative of the closeness of the family structure in the Mexican culture. Día de Muertos is a chance to honor and celebrate the life of deceased loved ones and ancestors that came before them.

While Día de Muertos is not scary, something that can be unsettling for dairy farmers of all cultural backgrounds are the dairy markets. Volatility continues, but Class III milk prices continue to improve this month. The 12-month average Class III milk price is now \$18.15 per cwt, up \$1.19 from last month's \$16.96. Unfortunately, the Class IV market has dropped since last month. The 12-month average Class IV price is down \$0.27 per cwt to \$14.82.

September U.S. milk production was up 2.4% to 18,008 billion pounds compared to September 2019. The increased milk production was the result of an additional 33,000 head of cows coupled with a 1.5 pound per cow per day rise in milk production over last year. The U.S. dairy herd is now 9.366 million, and each cow averages 73.7 pounds of milk per day. Dairy cow slaughter this September was down 2.2% to 249,900 head compared to last year.

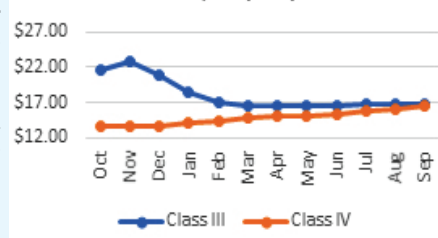
The Pennsylvania dairy cow herd was 482,000 head last month, 0.6%

lower than September 2019. However, milk production was up nearly 2% to 815 mil. lbs. PA's increase in milk production resulted from an increase in milk production per cow. This September, the average Pennsylvania dairy cow produced 64.8 pounds of milk per day, an increase of 2.5% or 1.6 pounds per cow per day over last year. September was the fourth consecutive month the Commonwealth was able to maintain its herd size.

August exports continued to show year-over-year growth in volume and value and was the 12th month in a row that showed year-over-year growth. According to USDEC, U.S. suppliers shipped 190,435 tons of dairy products this past August, a record for the month. Export value was estimated to be \$538 million, nearly 11% more than August 2019. For the year, export volume is up 16% and value is up 14% compared to the same time-frame last year.

Many or perhaps most of the dairies in the U.S. have been present for multiple generations. With many communities across the country discouraging traditional Halloween festivities, maybe it would be a good year to make Día de Muertos a part of your family culture. Take some time this coming Sunday or Monday with your family to honor and celebrate the relatives that were dairy farmers or role models that helped you be the person you are today. ¡Feliz (Happy) Día de Muertos!

Class III and IV Futures Prices, 10/26/20



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. 27, 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
<b>CLASS III MILK FUTURES (\$/CWT)</b> Vs. week ago: Oct - Feb 20 cents to \$1.00 higher, Mar-Sep Steady to 20 cents lower.	<b>21.62</b>	<b>22.37</b>	<b>20.23</b>	<b>18.15</b>	<b>16.94</b>	<b>16.49</b>	<b>16.43</b>	<b>16.47</b>	<b>16.51</b>	<b>16.63</b>	<b>16.60</b>	<b>16.69</b>	MIXED
<b>CLASS IV MILK FUTURES (\$/CWT)</b> Vs. week ago: steady to 80 cents lower across the board, mostly 50 cents lower.	<b>13.52</b>	<b>13.48</b>	<b>13.51</b>	<b>13.78</b>	<b>14.10</b>	<b>14.50</b>	<b>14.75</b>	<b>15.00</b>	<b>15.10</b>	<b>16.56</b>	<b>16.07</b>	<b>16.49</b>	↓

HIGHEST & LOWEST DAILY SETTLE PRICE FOR CL. III OVER LIFE OF CONTRACT & MONTH / YEAR IT OCCURRED

21.62	10/20	22.37	10/20	20.23	10/20	18.15	10/20	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

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)

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	*SEP-20
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	*13.43	*10.96

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)

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	*SEP-20
11.52	11.48	12.73	13.17	13.09	13.76	13.78	13.10	12.20	11.24	8.27	6.79	9.44	12.67	*11.10	*10.26

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium

DEC-20	MAR-21	SEP-21	DEC-21	Example Daily Strike Price / Premium	DEC-20	MAR-21	JUL-21	OCT-21															
21.75	0.11	22.50	0.77	20.25	1.06	18.25	1.11	17.00	1.19	16.50	1.14	16.50	1.19	16.50	1.19	16.50	1.15	16.75	1.12	16.50	1.02	16.75	1.07

CORN (\$/BU) OPTIONS — CALLS

DEC-20	MAR-21	SEP-21	DEC-21	Example Daily Strike Price / Premium	DEC-20	MAR-21	JUL-21	OCT-21							
3.90	17.40	4.10	19.30	4.10	19.30	4.20	18.00	360	20.75	365	17.70	350	21.95	320	21.35

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
4.014	4.042	4.052	4.056	3.842	3.826	3.894	3.922	3.940	3.856	3.886	3.992	↓

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
376.7	370.1	358.0	348.0	345.4	340.4	333.7	325.2	324.5	323.0	315.6	313.6	↓

PA MILK MARGIN & IOFC-LATEST PSU VALUES — \*SEP. 2020

FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)
*SEP. *6.97 ↓	*7.70 ↓	*10.26 ↓
*PREV MO *7.00	*8.32	*11.10
YR AGO 6.43	9.88	13.17

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 10/27/20 SPOT CASH TREND 10/27/20

OCT	NOV	DEC	JAN	FEB	MAR	APR	SPOT CASH	TREND
NFDM 1.076	1.075	1.073	1.089	1.102	1.115	1.130	↓	1.0775 ↑
WHEY 0.345	0.357	0.353	0.352	0.355	0.361	0.360	Mixed	0.3950 ↑
BUTTER 1.530	1.500	1.511	1.540	1.592	1.671	1.709	↓	1.4075 ↓
CHEESE 2.294	2.364	2.152	1.928	1.795	1.749	1.730	↑	See Below
CME SPOT CHEESE: BARRELS	2.4525 /	40 LB BLOCKS	2.7725	↑	↑	↑		

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

*CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA
*18.04(NOV)	13.16(SEP)	16.43(SEP)	12.75(SEP)	18.80(AUG) ↓	18.10(AUG) ↓

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

PRODUCT	VALUE	MAKE ALLOW	NET	*SEPT 2020 COMPONENTS
CHEESE	1.7741	0.2003	1.5738	↓
BUTTER	1.4871	0.1715	1.3156	↓
NFDM	1.0014	0.1678	0.8336	↑
DRYWHEY	0.3196	0.1991	0.1205	↓

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. OCT. 21, 2020 sale New Holland, PA) \*Generally steady to weak

COWS: Fresh Bred	Springing	HEIFERS: Bred	Beef x (bred)	Springing	Open:	300-600 lbs	600-900 lbs	800-1200 lbs	BULLS (1100-1300 lb)	
1075	1125	1035	725	650	1025	250	275	525	N/A	800

MONTH AGO COMPARISON

1100	N/A	1125	925	N/A	975	300	N/A	500	750	800
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FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)

Choice & Prime	1250-1550 lbs	light test	81.00	WEEK AGO	82.00	YR AGO	84.50	↓
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BULL CALVES: No. 1 & 2, 90-130 lbs

70-85 lbs	95.00	185.00	100.00	76.00	↓
	90.00	150.00	N/A	41.00	↓

Average to high dressing

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