

# CME DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, OCT. 29, 2019 — except where noted



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**OCTOBER:** The latest USDA Crop Progress report released on October 28 indicates the Pennsylvania corn crop was affected by the wet spring. The report shows that in the last week of October, only 89% of the corn crop has reached maturity as compared to the 5-year average of 97%. However, harvest is on par with the five-year average at 53% of the acreage harvested.

The latest USDA Crop Production report released on October 10 shows that despite the challenging spring, corn yields in Pennsylvania are better than expected and are estimated at 160 bushels per acre up from September's estimate of 155 bushels per acre. 2019 corn production in Pennsylvania is expected to reach 153.6 million bushels this year up from 133.0 million bushels in 2018.

National milk production in September was up 1.43%, unexpectedly, to 17.616 billion pounds — driven by a strong production increase of 1.5 pounds per cow versus 2018. Production was up despite a 0.56% drop in the national herd size to 9.315 million head. September dairy cow slaughter was estimated at 255,700 up 3.35% compared to September 2018.

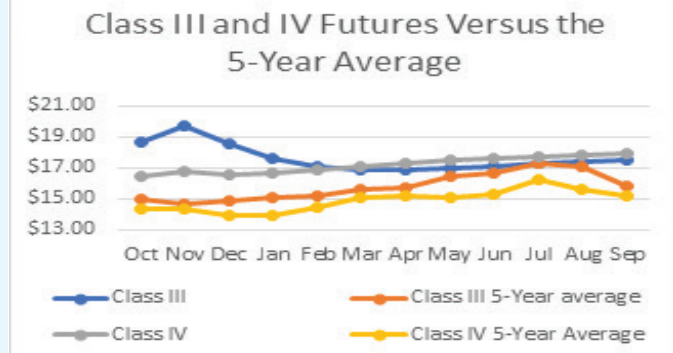
Pennsylvania milk production continued its decline, falling 3.8% from September 2018 to 800 million pounds. Encouragingly, production per cow increased 2.5 over last September. Pennsylvania maintained its herd size of 485,000 cows for the third month in a row. However, cow numbers in the Commonwealth have declined 32,000 head since September of 2018, indicating that Pennsylvania's milk production decline is a result of declining cow numbers not production per cow.

Commercial disappearance in August remained relatively strong, with butter and American style cheese up 15.3% and 3.9%, respectively. However, other style cheeses were down 2.6% while nonfat dry milk and skim milk powders were down 5.9%. August export value increased 2.97% versus last August and was estimated at \$487.10 million.

The closing Class III and IV futures prices on October 28 showed slight

improvements versus the end of last September. Class III futures for the next 12 months averages \$17.62 per hundredweight, 13 cents higher than this time last month and \$1.86 higher than the 5-year average. Class IV futures prices averaged \$17.18 per hundredweight, 8 cents more than this time last month and \$2.38 more than the 5-year average.

September production did jump unexpectedly, but milk production is still only increasing at about 0.56% per month over the last 12 months compared to the annual increase of 1.5% experienced over the last 10 years. Cow slaughter is still up nearly 4.5% over the last 12 months and is causing the national herd size to continue to contract. Hot weather is over, and it will be interesting to see what production does over the next few months leading into the spring flush. Right now, the futures market is showing us that milk is perceived to be in shorter supply going into next year.



## CME DAILY FUTURES & OPTIONS TRADING — OCT. 29, 2019 AT THE CLOSE

	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>	18.67	19.86	18.92	17.74	17.09	16.86	16.94	17.01	17.08	17.26	17.40	17.51	↑↑			
<i>WEEK AGO</i>	18.65	19.10	18.38	17.52	16.94	16.77	16.90	17.00	17.08	17.30	17.40	17.55				
<b>HIGHEST &amp; LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED</b>	18.99 10/19	19.86 10/19	18.92 10/19	17.74 10/19	17.09 10/19	16.86 10/19	16.94 10/19	17.01 10/19	17.09 10/19	17.30 10/19	17.40 10/19	17.55 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				
<i>*AVG</i>	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>	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	*SEP-19	*OCT-19	
	10.24	11.00	11.73	11.40	10.63	10.79	11.00	11.63	11.61	11.76	11.82	12.52	12.94	*12.86	*13.19	↑↑
<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	AUG-19	*SEP-19	*OCT-19			
	10.04	11.01	11.68	11.29	10.46	10.37	11.34	11.39	11.21	11.54	11.52	11.48	12.73	*13.28	*13.99	

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	DEC-19	MAR-20	JUL-20	SEP-20	Example Daily Strike Price / Premium	DEC-19	MAY-20	JUL-20	SEP-20		
18.75 CAB	19.75 0.13	19.00 0.31	17.75 0.45	17.00 0.48	16.75 0.49	17.00 0.60	17.00 0.58	17.00 0.55	17.25 0.60	17.50 0.68	17.50 0.67
CORN (\$/BU) OPTIONS — CALLS	DEC-19	MAR-20	JUL-20	SEP-20	Example Daily Strike Price / Premium	DEC-19	MAY-20	JUL-20	SEP-20		
3.70	21.70	3.70 32.70	4.00 26.60	4.00 25.30	275	27.25	285 25.00	300 23.35	300 25.65		
4.00	03.50	4.20 07.10	5.00 03.50	5.10 03.60	310	01.75	345 02.00	400 01.65	420 01.55		

CORN FUTURES (\$/BU)	DEC-19	MAR-20	MAY-20	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	JUL-21	TREND
	3.906	3.994	4.052	4.104	4.046	4.030	4.066	4.164	4.216	4.250	4.1530	4.144	↓↓
<i>WEEK AGO</i>	3.876	3.996	4.062	4.120	4.046	4.092	4.192	4.246	4.276	4.140	4.152	4.320	
SOYMEAL FUTURES (\$/TON)	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
	302.2	304.8	308.5	312.2	316.2	317.2	317.5	317.3	319.0	319.1	317.2	316.8	↓↓
<i>WEEK AGO</i>	308.6	311.0	314.7	318.1	321.6	322.4	322.1	321.4	322.1	320.2	319.5	320.2	

PA MILK MARGIN & IOFC—LATEST PSU VALUES — *OCT. 2019	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB)	OCT	NOV	DEC	JAN	FEB	10/29/19	SPOT CASH	TREND	
<i>*OCT.</i>	6.89NC	10.49	13.99	NFDM	1.098	1.150	1.164	1.180	1.187	1.196	1.201Mixed	1.1575	↓↓
PREV MO	6.89	9.96	13.28	WHEY	0.334	0.315	0.325	0.335	0.340	0.340	0.350	0.2675	↓↓
YR AGO	6.42	8.76	11.68	BUTTER	2.150	2.118	2.087	2.080	2.091	2.130	2.160Mixed	2.0875	↓↓
				CHEESE	1.970	2.102	2.004	1.871	1.800	1.771	1.778	See Below	
				CME SPOT CHEESE: BARRELS	2.2525	40 LB BLOCKS	2.1525	↑↑	↑↑				

USDA JUNE 2019** ALL-MILK MAILBOX	*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	*CURRENT FEDERAL ORDER VALUES (\$/LB) * = *NEW
FL \$22.00 \$19.16	CL I ADV↑↑ *CL II↓↓ *CL III↑↑ *CL IV↑↑ ALL-MILK-U.S ALL-MILK-PA	WEIGHTED AVG. 4-WK OCT. 1 - 26, 2019
N ENGL \$19.00 \$18.74	18.14(NOV) *16.68(OCT) *18.72(OCT) *16.39(OCT) 18.90(AUG)↑↑ 19.40(AUG)↑↑	PRODUCT VALUE MAKEALLOW NET
SE \$19.40 \$18.03		*CHEESE 1.9694 0.2003 1.7691 ↑↑ *PROT 3.1700 ↑↑
APPAL \$19.10 \$17.96		*BUTTER 2.1559 0.1715 1.9844 ↓↓ *B.FAT 2.4031 ↓↓
NY \$17.90 \$17.70		*NFDM 1.0957 0.1678 0.9279 ↑↑ *N.FAT 0.9186 ↑↑
WI \$17.90 \$17.67		*DRYWHEY 0.3396 0.1991 0.1405 ↓↓ *OTHER 0.1447 ↓↓
PA \$18.80 \$17.61		
US \$18.10 \$17.45		
OH \$18.10 \$17.40		
MI \$17.60 \$17.17		
IN \$16.90 \$16.23		

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. OCT. 30, 2019 sale New Holland, PA) *MOST RECENT REPORT	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)	
	1190	800	1200	725	N/A	1075	350	N/A	450	N/A	825
	1100	850	1125	700	N/A	1000	300	N/A	475	700	750
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Oct. 24-29, 2019											
<b>CULL MARKET COWS (\$/CWT LIVEWEIGHT)</b>											
Premium White	N/A	54.75	54.50	44.85							
Breakers		57.25	56.00	48.85							
Boners											
Lean											
<i>WEEK AGO</i>											
<i>YEAR AGO</i>											

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