

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, NOV. 12, 2019 — except where noted



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Say Cheese! For the last several years a lot has been reported about declining fluid milk consumption. I do not want to belittle the importance of fluid milk sales to the U.S. dairy industry and what it could mean to milk checks if we can reverse the current trend. But, it is also important to look at where dairy product sales are growing. Cheese is one area of growth, and it has certainly been a rock star for the U.S. dairy industry over the last 40 years. Throughout the last 20 years in particular, cheese exports have added to a growing domestic demand for cheese.

Let's compare fluid milk versus cheese per capita consumption throughout history. In 1975, fluid milk consumption was 247 pounds (about 29 gallons) per person and cheese consumption was 14 pounds per person. From 1975 to last year, fluid milk consumption dropped by nearly half to 146 pounds (about 17 gallons) per person. During the same time period, cheese consumption nearly tripled to almost 38 pounds per person. It takes roughly one gallon of milk to make one pound of cheese. Another way to look at it is, in 1975, it took 119 gallons of milk to supply one person with enough cheese for one year. In 2018, it took 323 gallons of milk to supply one person with cheese.

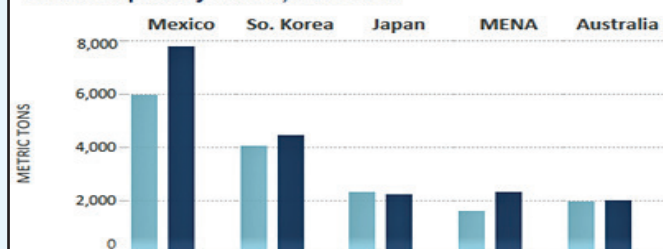
Ultimately, there is a much larger volume of milk going to supply cheese now than in 1975. When you compare it to the population difference in 1975 versus 2018, it becomes even more astounding. The U.S. population increased 51% from 216 to 327 million people from 1975 to 2018. That is equivalent to 80 billion pounds of additional milk production going to cheese production compared to 1975.

Demand for U.S. cheese is not only evident domestically. The U.S. became the largest cheese-exporting individual country in the world in 2018. Total 2018 exports were valued at \$5.6 billion and cheese accounted for 21% of that, valued at over \$1 billion according to USDA

reports. Furthermore, at this year's World Cheese Awards in Bergamo, Italy, an American blue cheese entry from Rogue Creamery in Oregon won the coveted title of Best Cheese in the World for the first time ever. There were over 3,800 cheese entries from 42 countries at the annual competition. In addition to a Best Cheese in the World title, U.S. cheesemakers brought home a total of 131 honors after receiving only 89 total honors from the 2018 World Cheese Awards. Recent success at the international cheese competition is changing the world's perception of U.S. cheeses and will hopefully lead to production of higher value cheeses to be exported.

What does cheese production mean to the Pennsylvania dairy industry? Two federal milk marketing orders cover Pennsylvania: Federal Order 1 and 33. Average Class III utilization in FO 1 and 33 is about 31%, so it makes up about one third of milk price in this area. More importantly, as cheese demand increases, more milk production will be needed to meet the demand, which means there is less milk on the market to suppress milk price.

Cheese Exports By Volume, Curr. Month



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 — NOV. 12, 2019 AT THE CLOSE

	NOV-19	DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	SEP-20	OCT-20	TREND			
CLASS III MILK FUTURES (\$/CWT)	20.04	18.69	17.69	17.10	16.89	16.92	17.10	17.23	17.43	17.60	17.71	17.56	MIXED			
WEEK AGO	20.30	19.76	18.15	17.26	17.00	17.00	17.10	17.20	17.37	17.46	17.61	17.47				
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED																
	20.30 11/19	19.76 11/19	18.15 11/19	17.26 11/19	17.00 11/19	16.94 10/19	17.10 11/19	17.23 11/19	17.43 11/19	17.60 11/19	17.71 11/19	17.56 11/19				
	14.08 11/18	14.60 11/18	14.62 11/18	14.63 11/18	14.63 11/18	14.59 11/18	15.12 11/18	15.01 11/18	15.01 11/18	14.99 11/18	14.52 11/18	14.52 11/18				
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	PA 1.70	2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87				
*AVG	1.65	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82				
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)																
	MPP 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	*SEP-19	*OCT-19
	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	*10.41	↑↑
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)																
	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	↑↑
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)																
	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				
	20.00 0.04	18.75 0.35	17.75 0.37	17.00 0.35	17.00 0.48	17.00 0.49	17.00 0.48	17.25 0.57	17.50 0.65	17.50 0.62	17.75 0.71	17.50 0.66	
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
	3.752	3.840	3.896	3.956	3.926	3.974	4.074	4.130	4.162	4.062	4.094	4.256	↓↓
WEEK AGO	3.786	3.876	3.946	4.006	3.966	4.010	4.112	4.166	4.200	4.092	4.116	4.276	

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
	304.1	306.3	309.4	312.3	315.4	316.5	317.1	317.0	318.5	318.2	315.6	314.6	↑↑
WEEK AGO	298.9	301.3	304.9	308.8	312.9	314.4	315.0	315.1	316.8	316.7	314.6	314.2	

PA MILK MARGIN & IOFC — LATEST PSU VALUES — *OCT. 2019				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/12/19 SPOT CASH TREND								
FEED = \$/CWT	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	NOV	DEC	JAN	FEB	MAR	APR	MAY	11/12/19	TREND
*OCT.	*6.89NC	*10.49 ↑↑	*13.99 ↑↑	NFDM	1.148	1.187	1.220	1.233	1.246	1.257	1.261	↑↑ 1.1925
PREV MO	6.89	9.96	13.28	WHEY	0.295	0.317	0.335	0.339	0.348	0.353	0.360	↓↓ 0.2775
YR AGO	6.42	8.76	11.68	BUTTER	2.126	2.105	2.092	2.095	2.107	2.132	2.171	↑↑ 2.0625
				CHEESE	2.134	1.985	1.867	1.802	1.777	1.779	1.793	↓↓ See Below
				CME SPOT CHEESE: BARRELS	2.3750 / 40 LB BLOCKS 2.1575 ↑↑ / ↑↑							

*USDA JUNE 2019** ALL-MILK MAILBOX														
	CL I ADV↑↑	CL II ↓↓	CL III↑↑	CL IV↑↑	ALL-MILK-U.S.	ALL-MILK-PA	*CURRENT FEDERAL ORDER VALUES (\$/LB) * = *NEW							
	18.14(NOV)	16.68(OCT)	18.72(OCT)	16.39(SEP)	19.30(SEPT)↑↑	19.60(SEPT)↑↑	WEIGHTED AVG. 4-WK OCT. 1 - 26, 2019							
					3.85F	3.81F	PRODUCT VALUE MAKEALLOW NET					*OCT 2019 COMPONENTS		
							CHEESE	1.9694	0.2003	1.7691	↑↑	PROT	3.1700	↑↑
							BUTTER	2.1559	0.1715	1.9844	↓↓	B.FAT	2.4031	↓↓
							NFDM	1.0957	0.1678	0.9279	↑↑	N.FAT	0.9186	↑↑
							DRYWHEY	0.3396	0.1991	0.1405	↓↓	OTHER	0.1447	↓↓

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. OCT. 30, 2019 sale New Holland, PA)													
	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		
	FOUR WEEK RUNNING AVG												
	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 Nov. 7-12, 2019													
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)													
	Choice & Prime 1250-1550 lbs light test										CURRENT	WEEK AGO	YR AGO
											85.00	84.75	81.50
BULL CALVES: No. 1 & 2, 90-130 lbs													
											91.00	91.00	70.00
70-85 lbs													
											50.00	50.00	40.00

Price averages do not include lower-end common cows and heifers. Average to high dressing

	Premium White	Breakers	Boners	Lean
	N/A	57.50↑↑	55.00↑↑	49.85↑↑
		WEEK AGO		
	N/A	54.35	53.00	46.50
		YEAR AGO		
	N/A	46.00	44.75	36.60

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