

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, DEC. 17, 2019 — except where noted

Trade Agreement Update: Christmas is near and with it brings the end of another year. A year that started off rough for milk prices but ends with the highest prices we have seen since 2014, providing much-needed relief to dairy farmers across the country. Next year looks even better, and if progress continues to be made with trade agreements within North America and abroad, it hopefully will only strengthen milk price.

The United States – Mexico – Canada Agreement (USMCA) that is set to replace NAFTA has taken great strides recently. President Trump, President Andres Manuel of Mexico, and Deputy Prime Minister Chrystia Freeland of Canada met in Mexico City, Mexico last week to sign the overhauled agreement.

The agreement returns to each country's respective legislative branch where Mexico is expected to quickly approve the agreement. The U.S. House of Representatives is set to pass the trade agreement by the time this edition of Farmshine reaches your mailbox. Unfortunately, the Senate is not expected to vote on it until after the Christmas recess, pushing that vote into next year. Canada will also wait until the end of January to vote on ratifying the new deal due to the Parliament's holiday break.

The USMCA will preserve market access for U.S. dairy exports into Mexico and incrementally increase market access into Canada over the next decade. Most importantly, it requires Canada to start eliminating milk price Classes 6 and 7 within six months of USMCA implementation. This Class price system, which started in 2017, ultimately prevented exportation of certain U.S. dairy products into Canada where the Canadian market was important for some of the U.S. Northern tier dairy states.

Japan passed Phase One of the U.S.–Japan Trade Agreement in early December, clearing the way for its implementation on January 1, 2020 and the beginning of negotiations for Phase Two of the trade agree-

ment. In 2018, Japan was the third highest export market for the U.S.

The U.S. Dairy Export Council (USDEC) reports that if the U.S. can have at least the same market access as other countries currently have, the U.S. can double its market access over the next 10 years.

Negotiations with China have been progressing as well. Last week President Trump approved Phase One of a U.S.–China trade deal. Phase One will involve the U.S. lowering tariffs in return for China spending \$50 billion on U.S. agriculture products in addition to other Chinese concessions involving intellectual property protections and financial services access.

Earlier this year, China removed or reduced tariffs on certain dairy products used in animal feed to help the Chinese pork industry start to rebuild its hog population after African Swine Fever decimated that industry. Phase Two negotiations will work towards providing long-term solutions to the current trade situation between the world's two largest economies.

Success with USMCA and Japan will hopefully be a springboard for completing negotiations with China and could perhaps lead to other countries wanting trade agreements with the U.S. where U.S. dairy can be front and center.

Speaking of success, family is extremely important to us in the dairy industry. With Christmas just a few days away, make sure to spend some extra time with family and friends. I know it can sometimes be more difficult around the holidays because your responsibilities on the dairy never stop. However, your family and friends will appreciate it, and you will too. Happiness is success. I hope each of you have a Merry Christmas and a Happy New Year!



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



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 — DEC. 17, 2019 AT THE CLOSE															
DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	SEP-20	OCT-20	NOV-20	TREND			
CLASS III MILK FUTURES (\$/CWT)															
19.38	16.96	17.07	16.94	16.92	16.91	17.00	17.23	17.40	17.54	17.47	17.37	↓↓			
WEEK AGO															
19.43	18.40	17.63	17.19	17.02	17.01	17.15	17.42	17.58	17.66	17.60	17.55				
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED															
20.41 12/19	19.34 12/19	18.92 12/19	18.16 12/19	17.76 12/19	17.50 12/19	17.38 11/19	17.59 11/19	17.64 11/19	17.73 11/19	17.65 12/19	17.55 12/19				
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	14.52 11/18	15.02 11/18				
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)															
PA 2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87	1.70				
*AVG 2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82	1.65				
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 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		
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 *10.88 ↑↑		
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)															
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 *NOV-19		
11.00	11.73	11.40	10.63	10.79	11.00	11.63	11.61	11.76	11.82	12.52	12.94	13.39	*13.98 *14.40 ↑↑		
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)															
11.01	11.68	11.29	10.46	10.37	11.34	11.39	11.21	11.54	11.52	11.48	12.73	13.17	*13.09 *14.89		
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium															
19.50 0.13	17.00 0.19	17.00 0.22	17.00 0.31	17.00 0.41	17.00 0.45	17.00 0.42	17.25 0.43	17.50 0.53	17.50 0.50	17.50 0.57	17.50 0.66				
MAR-20 JUL-20 SEP-20 DEC-20				Example		MAR-20 MAY-20 JUL-20 SEP-20									
CORN (\$/BU) OPTIONS — CALLS				Daily Strike		SOYMEAL (\$/TON) OPTIONS — CALLS									
Price / Premium															
3.80 14.00	3.90 24.40	4.30 14.20	4.20 19.30			310 07.20	290 23.15	300 20.25	300 22.10						
4.20 02.30	5.50 01.30	5.30 03.00	5.20 04.50			340 01.40	360 01.70	390 01.40	400 01.55						
CORN FUTURES (\$/BU)															
MAR-20	MAY-20	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	JUL-21	SEP-21	TREND			
3.870	3.934	3.994	3.980	4.000	4.092	4.142	4.174	4.076	4.090	4.090	4.090	↑↑			
WEEK AGO															
3.712	3.780	3.836	3.846	3.880	3.984	4.036	4.062	4.014	4.042	4.212	4.203				
SOYMEAL FUTURES (\$/TON)															
JAN-20	MAR-20	MAY-20	JUL-20	AUG-20	SEP-20	OCT-20	DEC-20	JAN-21	MAR-21	MAY-21	JUL-21	TREND			
302.9	307.4	310.5	313.6	314.4	314.7	311.1	309.7	309.7	308.9	306.8	306.1	MIXED			
WEEK AGO															
295.0	299.3	303.4	307.4	309.2	310.1	310.1	312.0	311.6	309.6	309.0	309.2				
*NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES — *NOV. 2019															
FEED COST (\$/CWT milk)		IOFC (\$/COW @ 75 lbs milk)		PA MILK MARGIN (\$/CWT milk)											
*NOV.		*6.87 ↓↓		*11.17 ↑↑		*14.89 ↑↑									
*PREV MO		*7.01		*9.81		*13.09									
YR AGO		6.71		8.47		11.29									
CME DAIRY CASH—SETTLED FUTURES (\$/LB) 12/17/19 SPOT CASH TREND 12/17/19															
NFDM	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
1.208	1.227	1.234	1.241	1.255	1.266	1.277	1.288	1.299	1.310	1.321	1.332	1.343	1.354		
WHEY	0.324	0.354	0.364	0.375	0.390	0.398	0.400	0.411	0.422	0.433	0.444	0.455	0.466		
BUTTER	2.017	2.025	2.055	2.082	2.098	2.125	2.151	2.177	2.203	2.229	2.255	2.281	2.307		
CHEESE	2.054	1.784	1.787	1.763	1.748	1.750	1.757	1.764	1.771	1.778	1.785	1.792	1.799		
CME SPOT CHEESE: BARRELS 1.5700 / 40 LB BLOCKS 1.7425 ↓↓ / ↓↓															
USDA AUG. 2019 ALL-MILK MAILBOX															
*FL	\$23.10	\$20.47	\$19.50	\$19.06	\$18.77	\$18.48	\$18.19	\$17.90	\$17.61	\$17.32	\$17.03	\$16.74	\$16.45		
*SE	\$21.50	\$19.50	\$19.06	\$18.77	\$18.48	\$18.19	\$17.90	\$17.61	\$17.32	\$17.03	\$16.74	\$16.45	\$16.16		
*N. ENGL	\$21.50	\$19.50	\$19.06	\$18.77	\$18.48	\$18.19	\$17.90	\$17.61	\$17.32	\$17.03	\$16.74	\$16.45	\$16.16		
*APPAL	\$20.30	\$19.02	\$18.77	\$18.48	\$18.19	\$17.90	\$17.61	\$17.32	\$17.03	\$16.74	\$16.45	\$16.16	\$15.87		
*WI	\$19.10	\$18.77	\$18.48	\$18.19	\$17.90	\$17.61	\$17.32	\$17.03	\$16.74	\$16.45	\$16.16	\$15.87	\$15.58		
*U.S.	\$18.90	\$18.24	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19		
*NY	\$19.10	\$18.24	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19		
*PA	\$19.40	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19		
*IN	\$18.50	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19	\$18.19		
*OH	\$18.80	\$18.09	\$18.09	\$18.09	\$18.09	\$18.09	\$18.09	\$18.09	\$18.09	\$18.09	\$18.09	\$18.09	\$18.09		
*MI	\$17.60	\$16.90	\$16.90	\$16.90	\$16.90	\$16.90	\$16.90	\$16.90	\$16.90	\$16.90	\$16.90	\$16.90	\$16.90		
*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)															
*CL I ADV ↓↓		CL II ↑↑		CL III ↑↑		CL IV ↑↑		ALL-MILK-U.S.		ALL-MILK-PA					
*19.01(JAN)		16.85(NOV)		20.45(NOV)		16.60(NOV)		19.30(OCT) ↑↑		20.10(OCT) ↑↑					
MONTH AGO															
19.33		16.68		18.72		16.39		19.30		19.60					
YEAR AGO															
15.12		15.63		14.43		15.06		17.40		18.10					
*CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW															
WEIGHTED AVG. 4-WK NOV. 1 - 30, 2019				PRODUCT				VALUE				MAKEALLOW NET			
1.1723				CHEESE				2.1723				0.2003 1.9720 ↑↑			
0.1715				BUTTER				2.0869				0.1715 1.9154 ↓↓			
0.1678				NFDM				1.1540				0.1678 0.9862 ↑↑			
0.1991				DRYWHEY				0.3071				0.1991 0.1080 ↓↓			
CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. DEC. 4, 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)			
1195		1075		1275 (ltd)		675		N/A		975		N/A N/A N/A N/A 975			
FOUR WEEK RUNNING AVG															
1100		975		1250		650		N/A		975		250 N/A 375 650 850			
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Dec. 12-17, 2019															
CULL MARKET COWS (\$/CWT LIVEWEIGHT)															
Premium White		Breakers		Boners		Lean									
N/A		52.00 ↓↓		50.00 ↓↓		43.00 ↓↓									
WEEK AGO															
N/A		57.50		60.00		47.10									
YEAR AGO															
N/A		48.25		46.25		40.25									
brought to you by:															
CENTER FOR Dairy EXCELLENCE				FARM SHINE				pennsylvania DEPARTMENT OF AGRICULTURE							