

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, MARCH 14, 2017 — except where noted

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FLUID SALES: As we move into "spring flush" in the Northeast, there will be times when the farms in this region will produce more milk than the system can hold or process. The milk tank representing the processing capacity in the Northeast will probably run over. This is just as nerve-wracking to processors and cooperatives as it is to Joe Dairyman on those days when he forgets to close the milk tank valve and loses milk.

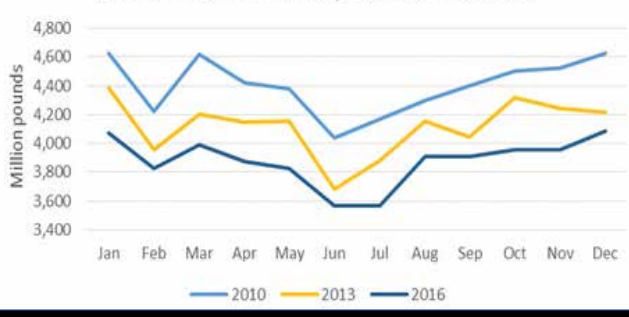
The Northeast, Mid-Atlantic, and Mideast marketing areas of the United States were all built on fluid markets. According to the 2012 U.S. Census Bureau, 80.7% of the population in Pennsylvania, New Jersey, New York, Connecticut, Rhode Island, Massachusetts, Vermont, New Hampshire, and Maine resides in urban areas, with about 18% of the total U.S. population living in the Northeast.

Our dairy supply structure was established to supply urban and suburban families in this relatively small geographic region with fresh fluid milk. However, fluid milk sales are declining, and as the market evolved, milk from this region moved farther away from the farms that produced it. Today, 80% of the milk produced in Pennsylvania is "exported" across state lines in some form.

Joe Dairyman and his neighbors have doubled milk production per cow in the past 45 years. In 1970, the average cow produced 10,110 pounds of milk. In 2016, the average Pennsylvania cow produced 20,470 pounds of milk. During this same period, the total population in the U.S. increased 26% percent from 206 mil. people to 324 mil. last year. This population growth has carried fluid milk sales for most of the past sev-

eral decades, despite declining intake per person. For many reasons, the average consumer is drinking less fluid milk even though per capita cheese, yogurt and butter consumption is growing. We are affected by the decline in fluid sales more than some other areas because Class I is a much larger portion of our market than in the Midwest or Western U.S. Other dairy regions have adapted to changing consumer demands, and we will also need to make the adjustment to bring the market in balance. Until we do, though, periods like the spring flush could cause anxiety, both at the farm and in the marketplace.

Total sales of fluid milk products in the U.S.



Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, using CME and USDA reports and the CDE Scorecard.

CME DAILY FUTURES & OPTIONS TRADING — MARCH 14, 2017 AT THE CLOSE

MAR-17	APR-17	MAY-17	JUN-17	JUL-17	AUG-17	SEP-17	OCT-17	NOV-17	DEC-17	JAN-18	FEB-18	TREND												
CLASS III MILK FUTURES (\$/CWT)																								
15.72	15.51	15.75	16.15	16.55	16.84	16.90	16.68	16.60	16.45	16.40	16.48	⇓												
WEEK AGO																								
15.95	15.99	16.12	16.29	16.54	16.78	16.84	16.78	16.68	16.58	16.50	16.50													
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED																								
17.74	12/16	17.70	01/17	17.71	01/17	17.86	01/17	17.93	01/17	17.97	12/16	17.85	12/16	17.65	01/17	17.50	02/17	17.03	02/17	16.90	02/17	NC		
14.56	03/16	14.68	03/16	14.79	03/16	14.90	03/16	15.12	03/16	15.16	09/15	15.06	09/15	15.20	11/15	15.30	03/16	15.26	03/16	15.45	05/16	15.70	03/16	
MILK BASIS (\$/CWT) — PA BASIS & 5-YEAR AVERAGE OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY																								
PA	3.17	3.29	3.33	2.48	2.78	2.46	3.24	2.82	3.41	3.46	4.33	3.66												
*AVG	2.59	2.99	2.89	2.11	2.29	2.10	2.75	2.54	3.04	2.95	3.83	3.34												
EXPECTED GROSS MARGINS* PER CWT. (at 0.00 deductible) * = using the new Farm Bill "whole-herd" MPP feed ration values calculated based on futures prices for Class III milk, soybeans and corn projected on March 9, 10 and 11, 2017																								
N/A	N/A	7.75	7.97	8.24	8.49	8.56	8.36	8.25	8.11	7.98	7.97	⇓												
5-YEAR AVERAGE LGM ACTUAL GROSS MARGINS PER CWT. (at 0.00 deductible) using the new Farm Bill "whole-herd" MPP feed ration values for comparison based on historical futures contract close-out prices on Class III milk, soybeans and corn for these respective months.																								
6.33	6.06	5.72	4.94	4.15	5.26	5.62	6.52	6.85	6.85	5.99	6.65													
5-YEAR AVERAGE MPP ACTUAL GROSS MARGINS PER CWT. using the new Farm Bill "whole-herd" MPP feed ration values for comparison based on USDA-announced All-Milk price and USDA-reported corn and alfalfa hay price and Illinois-reported soybeans price. MPP Coverage can be purchased to protect margins up to \$8/cwt.																								
8.74	8.34	6.54	8.04	5.64	5.70	6.40	7.44	8.59	9.04	8.50	8.37													
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)																								
15.50	0.02	15.50	0.32	15.75	0.51	16.00	0.56	16.50	0.72	16.75	0.75	16.75	0.76	16.50	0.75	16.50	0.81	16.25	0.78	16.25	0.82	16.25	0.82	⇓

MAY-17	JUL-17	SEP-17	DEC-17	Example Daily Strike Price / Premium	MAY-17	JUL-17	AUG-17	SEP-17	TREND						
CORN (\$/BU) OPTIONS — CALLS					SOYMEAL (\$/TON) OPTIONS — CALLS				⇓						
2.60	1.022	2.60	1.096	2.70	1.070	2.80	1.047	300	28.60	300	34.90	310	29.85	310	30.55
2.85	0.773	3.00	0.702	3.10	0.693	3.20	0.693	310	20.25	320	21.15	330	18.35	330	20.00
3.15	0.474	3.30	0.426	3.70	0.295	3.80	0.327	320	13.20	330	15.90	360	08.50	360	10.15
3.60	0.101	3.70	0.181	4.30	0.117	4.40	0.150	360	01.40	400	01.95	440	01.30	450	01.80

MAR-17	MAY-17	JUL-17	SEP-17	DEC-17	MAR-18	MAY-18	JUL-18	SEP-18	DEC-18	AUG-18	SEP-18	TREND
CORN FUTURES (\$/BU)												
3.537	3.622	3.697	3.767	3.842	3.932	3.982	4.025	3.960	3.970	4.030	4.075	⇓
WEEK AGO												
3.695	3.760	3.832	3.895	3.960	4.042	4.075	4.105	4.040	4.040	4.097	4.140	

MAR-17	MAY-17	JUL-17	AUG-17	SEP-17	OCT-17	DEC-17	JAN-18	MAR-18	MAY-18	JUL-18	AUG-18	TREND
SOYMEAL FUTURES (\$/TON)												
323.3	327.2	330.6	330.1	328.8	325.8	326.1	325.4	325.6	325.5	326.4	32	⇓
WEEK AGO												
326.9	331.3	334.3	333.4	331.8	328.1	327.9	327.4	327.3	327.2	328.1	326.6	

MILK MARGIN — LATEST PSU VALUES — *JAN. 2017				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 03/14/17								SPOT CASH TRENDS					
*FEED COST (\$/CWT milk)	*IOFC (\$/COW @ 65 lbs milk)	*PA MILK MARGIN (\$/CWT milk)		MAR	APR	MAY	JUN	JUL	AUG	SEP	03/14/17	TREND					
*JAN	*6.90	⇓	*8.52	⇓	*13.10	⇓	NFDM	0.878	0.830	0.846	0.866	0.887	0.910	0.932	⇓	0.8050	⇓
*PREV MO	*6.92		*8.54		*12.48		WHEY	0.509	0.491	0.457	0.427	0.400	0.395	0.392	⇓	N/A	
YRAGO	7.12		6.68		10.28		BUTTER	2.187	2.170	2.187	2.210	2.240	2.250	2.265	⇓	2.1800	⇓
							CHEESE	1.556	1.550	1.588	1.642	1.699	1.730	1.740	⇓	See Below	
							CME SPOT CHEESE:	BARRELS 1.4000 / 40 LB BLOCKS 1.3700					⇓ / ⇓				

*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.	*ALL-MILK PA		PRODUCT	VALUE	MAKE	AVERAGE	NET	FEB 2016 COMPONENTS	
16.90(MAR)	16.52(FEB)	16.88(FEB)	15.59(FEB)	18.90(JAN)	20.00(JAN)		CHEESE	1.6871	1.2003	1.4868	⇓	PROT 2.2348	
MONTH AGO							BUTTER	2.1760	0.1715	2.0045	⇓	B.FAT 2.4274	
YEAR AGO							NFDM	0.9926	0.1678	0.8248	⇓	N.FAT 0.8166	
13.78	14.30	16.19	13.49	16.10	17.40		DRYWHEY	0.4894	0.1991	0.2903	⇓	OTHER 0.2990	

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. most recent USDA-Reported Wed., March 8, 2016 at New Holland, PA)						TREND						
COWS Fresh	Bred	Springing	HEIFERS:	Bred	Springing	Open:	300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)		
1350	1160	1350		1275	1350	580		755	850	860		⇓
FOUR WEEK RUNNING AV4												
1325	1130	1230		1105	1280	680		730	900	900		⇓
Avg. of prices reported by USDA Market News for PA Auction Markets March 9-16, 2017						FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)			CURRENT	WK AGO	YR AGO	
CULL MARKET COWS (\$/CWT LIVEWEIGHT)						Choice & Prime	1250-1550 lbs	light test	88.50	88.00	119.50	⇓
Premium White						BULL CALVES: No. 1 & 2, 90-130 lbs			115.00	119.00	228.00	⇓
Breakers						80-90 lbs			85.00	119.00	246.00	⇓
Boners												
Lean												
70.10	67.75	67.50	61.50									
WEEK AGO												
66.50	65.00	62.25	56.75									
YEAR AGO												
77.75	76.75	76.00	74.00									