

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, APRIL 11, 2017 — except where noted

CHEESE PRICES: The Class III milk price is the foundation for milk check prices in the U.S. It is calculated from underlying cheese prices each month by USDA to build the Class III portion of the Federal Order price which also becomes the closing Class III futures market price on the Chicago Mercantile Exchange.

The impact of the Class III price on the final blend price varies among Federal Orders, depending on the processing utilization in that region. In February, Class III milk represented 25% of the total milk pooled in Order 1. In Order 33, Class III accounted for almost 30%. The Class I price calculation begins with the "higher of" Class III or Class IV, so since the February Class III price was above the Class IV price, the 31.5% of the milk pooled in each of these Orders as Class I, is also constructed from the Class III price. Doing the math, 56.5% of the February milk in the Northeast Federal Order 1 was built from the Class III price. In the Midwest Federal Order 33, the Class III price supported 61.5% of the milk.

The graph (at right) demonstrates the direct relationship between the monthly average cheese price reported to USDA's Agriculture Marketing Service (AMS) and the Class III milk price.

Cheese manufacturers that produce and sell more than one million pounds are required by law to submit their qualifying total sales volume and total dollars received for the previous 7-day period to AMS. This AMS price is the monthly average of wholesale cheese sales prices in the U.S.

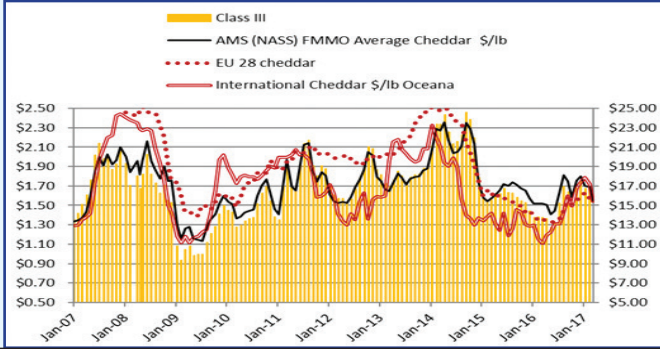
The dotted red line signifies Cheddar prices in the European Union

and the double red line represents Cheddar prices in New Zealand on the Global Dairy Trade platform converted to U.S. dollars. These prices are not directly related, but they indicate the Cheddar cheese price trends in these regions over the past 10 years, incorporating currency fluctuations. Obviously, prices around the world are interrelated.

The lines converging to the right of the graph may be the good news for dairy farms today. Domestic cheese prices are similar to other world markets and U.S. cheese exports are growing. Could lower prices encourage even more export growth?



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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 — APRIL 11, 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
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CLASS III MILK FUTURES (\$/CWT)

15.14	15.23	15.32	15.88	16.24	16.43	16.39	16.39	16.35	16.21	16.20	16.19	↓↓
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15.36	15.53	15.86	16.40	16.72	16.89	16.86	16.79	16.63	16.51	16.45	16.42	
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HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED

17.70 01/17	17.71 01/17	17.86 01/17	17.93 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	16.96 02/17	NC
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MILK BASIS (\$/CWT) — PA BASIS & 5-YEAR AVERAGE OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY

PA	3.29	3.33	2.48	2.78	2.46	3.24	2.82	3.41	3.46	4.33	3.66	3.17
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*AVG	2.99	2.89	2.11	2.29	2.10	2.75	2.54	3.04	2.95	3.83	3.34	2.59
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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 April 6, 7 and 8, 2017

N/A	N/A	7.46	8.01	8.43	8.51	8.44	8.38	8.22	8.12	8.02	7.88	↓↓
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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.

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.

8.34	6.54	8.04	5.64	5.70	6.40	7.44	8.59	9.04	8.50	8.37	8.74	
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CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)

15.00	0.04	15.00	0.20	15.25	0.44	15.75	0.54	16.00	0.56	16.25	0.68	16.25	0.72	16.25	0.74	16.25	0.81	16.00	0.70	16.00	0.74	16.00	0.79	↓↓
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CORN (\$/BU) OPTIONS — CALLS

2.60	1.065	2.40	1.336	2.70	1.106	2.80	1.105
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2.95	0.715	3.00	0.737	3.30	0.541	3.20	0.732
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3.30	0.365	3.35	0.397	3.70	0.284	3.70	0.385
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3.75	0.100	3.80	0.120	4.50	0.073	4.60	0.112
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CORN FUTURES (\$/BU)

MAY-17	JUL-17	SEP-17	DEC-17	MAR-18	MAY-18	JUL-18	SEP-18	DEC-18	AUG-19	SEP-19	DEC-19	TREND
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3.665	3.737	3.807	3.905	3.992	4.050	4.100	4.042	4.062	4.130	4.177	4.212	↑↑
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3.630	3.707	3.782	3.877	3.970	4.025	4.065	3.997	4.002	4.072	4.122	4.160	
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SOYMEAL FUTURES (\$/TON)

MAY-17	JUL-17	AUG-17	SEP-17	OCT-17	DEC-17	JAN-18	MAR-18	MAY-18	JUL-18	AUG-18	SEP-18	TREND
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309.3	313.5	314.4	314.2	311.8	312.6	313.3	314.0	314.7	316.4	316.0	314.9	↑↑
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308.1	311.5	312.2	312.7	311.6	312.7	313.0	313.2	313.6	315.3	314.4	313.5	
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MILK MARGIN — LATEST PSU VALUES — *MAR. 2017

*FEED COST (\$/CWT milk)	*IOFC (\$/COW @ 65 lbs milk)	*PA MILK MARGIN (\$/CWT milk)
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*MARCH	6.40	7.82	12.03
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PREV MO	6.50	8.52	13.10
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YR AGO	7.00	6.05	9.30
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CME DAIRY CASH-SETTLED FUTURES (\$/LB) 04/11/17

APR	MAY	JUN	JUL	AUG	SEP	OCT	SPOT CASH 04/11/17	TREND
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NFDM	0.832	0.845	0.858	0.880	0.905	0.929	0.946	0.8250	↑↑
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WHEY	0.500	0.465	0.432	0.397	0.379	0.375	0.366	N/A	
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BUTTER	2.130	2.109	2.112	2.135	2.147	2.167	2.172	2.0900	↓↓
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CHEESE	1.500	1.530	1.568	1.643	1.695	1.714	1.720	See Below	↓↓
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CME SPOT CHEESE:	BARRELS 1.4275 / 40 LB BLOCKS 1.4600	↓↓ / ↓↓
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USDA *DEC* 2016 *NEW* ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)

CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA
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16.05	16.21	15.81	14.32	18.50	19.60
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16.90	16.52	16.88	15.59	18.90	20.00
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13.74	13.57	13.74	12.74	15.70	17.10
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CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW

PRODUCT	VALUE	MAKE ALLOW	NET	MAR 2017 COMPONENTS
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CHEESE	1.5551	0.2003	1.3548	PROT 1.8198
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BUTTER	2.1679	0.1715	1.9964	B.FAT 2.4146
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NFDM	0.8493	0.1678	0.6815	N.FAT 0.6747
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DRYWHEY	0.5239	0.1991	0.3248	OTHER 0.3345
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CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. most recent April 12 sale at New Holland, PA)

COWS Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
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1325	1160	1200	1260	1230	550	710	910	800
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1340	1200	1230	1260	1260	580	740	900	970
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AVG. OF PRICES REPORTED BY USDA MARKET NEWS FOR PA AUCTION MARKETS APRIL 6-11, 2017

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)

Choice & Prime 1250-1550 lbs	light test	97.00	102.50	121.50
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BULL CALVES: No. 1 & 2, 90-130 lbs

80-90 lbs	150.00	115.00	230.00
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80-90 lbs	120.00	95.00	240.00
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Price averages do not include lower-end common cows and heifers.

Average to high dressing