

CDE DAIRY MARKETS & MANAGEMENT UPDATE

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

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EXPORTS: Production from the top five dairy exporting countries in the world is growing again. The yellow line on the graph (below) from the U.S. Dairy Export Council (USDEC) shows that last fall's world production is growing again this spring. The United States is the only major exporter that grew production over the past 12 months. The European Union reduced their total milk production last year almost as much as they built it after their quotas came off two years ago.

better than the rest of the world. No one likes the dairy price roller coaster, but dairy-men in this country have acclimated to it more than some other regions have. Without a significant presence in the world export market, the dairy industry in this country would look very different.

July 17 is the final day to report corn and soybean acreage to both your crop insurance agent and your local Farm Service Agency office.

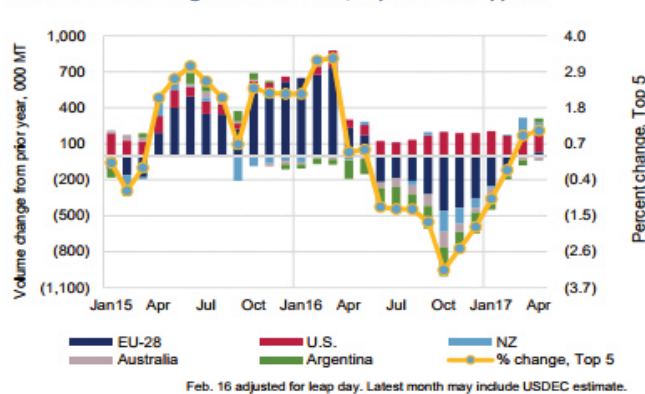
Domestic dairy exports are rising again. In May, the U.S. exported 14.7% of total milk production. This was valued at \$508 million, compared to 13.7% of total production with a value of \$380 million last May. Dairy imports were steady at 3.1% of total milk production. Mexico bought \$152 million of U.S. dairy products in May, 71% more value than May 2016. Domestic cheese exports were the highest since March of 2014. The top 10 destinations for dairy exports — in the order of their value — are: Mexico, Canada, Southeast Asia, China, South Korea, Japan, South America, Oceania, Caribbean, and the Middle East / North Africa.

We think of Pennsylvania dairies as suppliers for the local market, but the 6,600 dairy farms in Pennsylvania that provide milk to 80 processing plants in the Commonwealth, and others in surrounding states, generate \$247 million in dairy exports. The dairy industry creates 3,921 Pennsylvania jobs from exports with an economic impact of \$512 million!

The U.S. dairy industry relies on exports today. Our component prices mirror other world prices for similar commodities. In 2000, the question was asked "Can the U.S. compete in the world market?" The graph demonstrates that this country weathered the price turmoil of the past two years

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.

Milk Production Change from Prior Year, Top 5 Global Suppliers



CME DAILY FUTURES & OPTIONS TRADING — JULY 11, 2017 AT THE CLOSE

	JUL-17	AUG-17	SEP-17	OCT-17	NOV-17	DEC-17	JAN-18	FEB-18	MAR-18	APR-18	MAY-18	JUN-18	TREND
CLASS III MILK FUTURES (\$/CWT)	15.65	16.57	16.99	17.21	17.14	16.94	16.62	16.63	16.58	16.55	16.48	16.63	↑↑
	15.68	16.52	16.74	16.95	16.99	16.85	16.57	16.54	16.54	16.45	16.41	16.62	
WEEK AGO													
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED													
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	16.96 02/17	16.96 02/17	16.92 02/17	NC
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	15.68 03/16	15.70 03/16	15.70 03/16	15.72 03/16	
MILK BASIS (\$/CWT) — PA BASIS & *5-YEAR AVERAGE OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY	PA 2.78	2.46	3.24	2.82	3.41	3.46	4.33	3.66	3.17	3.29	3.33	2.48	
*AVG 2.29	2.10	2.75	2.54	3.04	2.95	3.83	3.34	2.59	2.99	2.89	2.89	2.11	
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 July 6, 7 and 8, 2017	N/A	N/A	8.28	8.44	8.40	8.16	7.86	7.80	7.73	7.61	7.57	7.70	↓↓
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.	4.15	5.26	5.62	6.52	6.85	6.85	5.99	6.65	6.33	6.06	5.72	4.94	
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.	5.64	5.70	6.40	7.44	8.59	9.04	8.50	8.37	8.74	8.34	6.54	8.04	
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)	15.50 0.03	16.50 0.25	16.75 0.37	17.00 0.46	17.00 0.55	16.75 0.60	16.50 0.63	16.50 0.67	16.50 0.74	16.50 0.80	16.25 0.74	16.50 0.84	↑↑

TREND	JUL-17	SEP-17	DEC-17	MAR-18	Example Daily Strike Price / Premium	AUG-17	SEP-17	DEC-17	MAR-18	TREND			
↑↑	CORN (\$/BU) OPTIONS — CALLS					SOYMEAL (\$/TON) OPTIONS — CALLS				↑↑			
	3.30 32.70	3.60 43.60	3.70 50.40	4.20 32.00		310 29.10	310 33.25	320 35.50	320 37.65				
	3.40 22.70	3.75 31.70	4.00 32.30	4.60 18.30		330 12.05	340 14.20	350 20.30	330 32.10				
	3.60 03.40	4.00 18.10	4.70 06.20	4.80 13.60		355 02.80	355 09.15	400 08.60	380 14.60				
	3.70 02.00	5.10 01.10	5.90 01.20	5.00 10.10		380 00.80	420 01.55	450 04.05	400 10.95				
	CORN FUTURES (\$/BU)												
	JUL-17	SEP-17	DEC-17	MAR-18	MAY-18	JUL-18	SEP-18	DEC-18	MAR-19	MAY-19	JUL-19	SEP-19	TREND
	3.922	4.017	4.142	4.232	4.280	4.322	4.227	4.282	4.347	4.387	4.420	4.267	↑↑
	WEEK AGO												
	3.780	3.885	3.992	4.082	4.135	4.182	4.130	4.170	4.232	4.267	4.305	4.190	
	SOYMEAL FUTURES (\$/TON)												
	JUL-17	AUG-17	SEP-17	OCT-17	DEC-17	JAN-18	MAR-18	MAY-18	JUL-18	AUG-18	SEP-18	OCT-18	TREND
	336.8	338.7	340.8	342.7	346.2	347.5	346.0	347.2	346.6	344.8	340.0	339.3	↑↑
	WEEK AGO												
	311.9	313.8	315.7	317.5	320.4	321.3	321.5	321.8	323.1	322.8	322.2	320.0	

*=NEW	*MILK MARGIN — LATEST PSU VALUES — MAY 2017			CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/11/17							SPOT CASH	TREND	
IOFC =	*FEED COST	*IOFC (\$/COW	*PA MILK MARGIN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	07/11/17	07/11/17	TREND
Income	(\$/CWT milk)	@ 65 lbs milk)	(\$/CWT milk)	NFDM	WHEY	BUTTER	CHEESE	CHEESE	CHEESE	CHEESE	CHEESE	CHEESE	
	*MAY	6.21	7.96	12.25	0.900	0.911	0.928	0.945	0.950	0.967	0.950	0.8725	↑↑
	*PREV MO	6.53	7.19	11.07	0.467	0.441	0.423	0.414	0.404	0.400	0.388	N/A	
	YR AGO	7.15	5.69	8.75	2.621	2.630	2.642	2.630	2.622	2.495	2.314	2.6075	↓↓
					1.553	1.660	1.713	1.748	1.746	1.729	1.708	See Below	
					CME SPOT CHEESE: BARRELS 1.4175 / 40 LB BLOCKS 1.6150							↑↑ / ↑↑	

*=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		*WEIGHTED AVG. JUNE 1 - 24, 2017	PRODUCT	VALUE	MAKE ALLOW	NET	*JUNE 2017 COMPONENTS	
	16.59	16.15	16.44	15.89	16.70	17.40		1.6293	CHEESE	1.6293	0.2003	1.4290	PROT 1.7545	
	15.31	14.84	15.57	14.49	16.50	17.60		2.4065	BUTTER	2.4065	0.1715	2.2350	B.FAT 2.7066	
	13.70	14.12	13.22	13.77	14.50	15.70		0.9137	NFDM	0.9137	0.1678	0.7459	N.FAT 0.7384	
								0.4917	DRYWHEY	0.4917	0.1991	0.2962	OTHER 0.3014	

CATTLÉ - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. most recent July 5, 2017 sale at New Holland, PA)													TREND
COWS Fresh				HEIFERS:				BULLS (600-1200 lb)			MIXED		
Bred	Springing	Open: 300-600 lbs		600-900 lbs		900-1200 lbs							
1400	1135	1350	1235	1265	550	660	N/A	1085			MIXED		
FOUR WEEK RUNNING AV4													
1350	1175	1325	1155	1250	600	700	850	960					
Avg. of prices reported by USDA Market News for PA Auction Markets July 6-11, 2017													
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)								CURRENT	WK AGO	YR AGO			
Choice & Prime 1250-1550 lbs								light test	96.50	100.00	111.00	↓↓	
BULL CALVES: No. 1 & 2, 90-130 lbs								136.00	167.00	146.00	↓↓		
80-90 lbs								147.00	167.00	129.00	↓↓		

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