

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, AUGUST 1, 2017 — except where noted

**Shifting Utilization:** Consumer preferences are always changing. Since the Federal Milk Marketing Order constructs milk check prices from milk's end products, we can see how the demand for categories of milk products change over time. Total milk production in the U.S. increased 29% from June 2000 to June 2017. This past June, around 63% of the nation's milk production was pooled and priced in the Federal Order system. Federal Orders pooled and priced almost 70% of national production in 2000.

The graph below demonstrates the changing relationship of the 4 Federal Order classes of milk, in the 2 Zones affecting Pennsylvania as well as the average of all 10 Federal Milk Marketing Orders.

The proportion of milk going to beverage use fell from around 45% for the Northeast and Mid-east Orders in 2000 to about 30% for the first 6 months of this year, matching the current average of all Federal Orders. In 2000, the Northeast and Mid-east put significantly more milk into beverages than the national average.

Class II milk is used in fluid cream products, yogurts, or perishable manufactured products (ice cream, cottage cheese, and others). This category grew about 5% in our region and nationally as Greek and other yogurts sales increased, even though ice cream sales are slipping.

In the Mid-east Order, the percentage of Class III milk, used to produce cream cheese and hard manufactured cheese was stable over the past seventeen years. Nationally and in the Northeast the proportion of milk going into Class III dropped, but cheese is still the largest use for milk in this country, as 40% of the nation's milk goes toward cheese, which is why the CME Class III contract is the foundation for dairy futures markets.

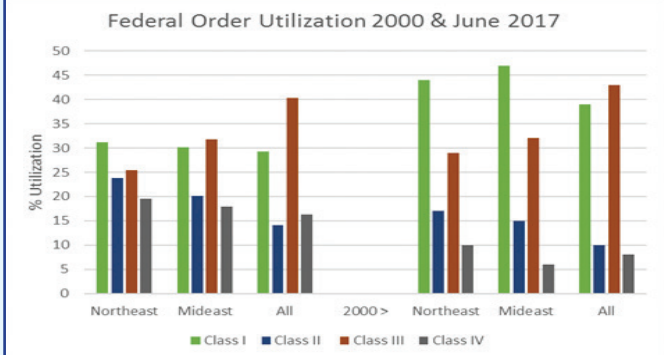
The percentage of Class IV, which is Grade A milk used to produce butter and any milk in dried form, doubled nationally and regionally as butter consumption and powder exports grew over the past 17 years.

Total dairy product consumption per person has not changed much over this period, but the way consumers eat or drink dairy products has changed. As Class I utilization falls, so do prices on the farm.

Stop by the Center for Dairy Excellence booth in the Dairy tent at Ag Progress Days to enroll in a drawing for a Dairy Summit registration, ask a question or just say hello.



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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 — AUGUST 1, 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
<b>CLASS III MILK FUTURES (\$/CWT)</b>	15.49	16.73	17.48	17.53	17.43	17.11	16.79	16.72	16.68	16.58	16.62	16.69	Mostly ↑
	15.51	16.31	16.73	16.97	17.00	16.90	16.69	16.65	16.58	16.55	16.60	16.70	

HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED

Contract	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	16.92 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	15.72 03/16	

\*AVG = Average basis for Northeast and Mid-East

CLASS III MILK BASIS (\$/CWT)	PA	NE	ME	ALL
Basis	2.78	2.46	3.24	2.82
*AVG	2.29	2.10	2.75	2.54

\*MARGIN = Milk Price over Feed Cost per cwt.

EXPECTED GROSS MARGINS* PER CWT. (at 0.00 deductible) *	SEP-17	DEC-17	MAR-18	JUL-18
	N/A	N/A	8.69	8.78
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
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

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)	15.50 CAB	16.75	0.13	17.50	0.39	17.75	0.46	17.50	0.59	17.25	0.63	17.00	0.61	16.75	0.74	16.75	0.78	16.75	0.75	16.75	0.81	16.75	0.89	↑↑
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TREND	SEP-17	DEC-17	MAR-18	JUL-18	Example Daily Strike Price / Premium	SEP-17	DEC-17	MAR-18	JUL-18	TREND
↓↑	3.50	3.50	3.80	4.10	310	07.55	16.50	330	13.75	↓↑
	3.70	3.80	4.10	4.50	325	02.55	06.70	350	10.90	
	3.90	4.30	4.60	5.10	360	00.30	02.70	390	03.45	
	4.30	4.90	5.00	5.50	375	00.05	01.75	400	02.75	



CORN FUTURES (\$/BU)	SEP-17	DEC-17	MAR-18	MAY-18	JUL-18	SEP-18	DEC-18	MAR-19	MAY-19	JUL-19	SEP-19	DEC-19	TREND
	3.625	3.765	3.885	3.940	3.992	4.025	4.085	4.167	4.217	4.262	4.175	4.200	↓↑
WEEK AGO	3.687	3.822	3.935	3.987	4.035	4.057	4.112	4.182	4.230	4.270	4.147	4.157	

SOYMEAL FUTURES (\$/TON)	AUG-17	SEP-17	OCT-17	DEC-17	JAN-18	MAR-18	MAY-18	JUL-18	AUG-18	SEP-18	OCT-18	DEC-18	TREND
	308.3	310.3	312.0	314.5	316.1	317.7	318.6	320.4	320.2	319.2	316.7	316.8	↓↑
WEEK AGO	318.3	320.3	322.0	324.9	326.6	327.7	328.1	329.4	328.9	327.9	325.0	325.3	

\* = NEW FEED = \$/CWT. IOFC = \$/COW

*INCOME OVER FEED COST - PSU DAIRY CENTS - MID-MONTH	@61 LBS MILK FEED IOFC	@75 LBS MILK FEED IOFC	@85 LBS MILK FEED IOFC
*JUN-17	6.17 ↓↑	7.82 ↑↑	5.67 ↓↑
*MAY-17	6.42	7.14	5.90
*JUN-16	6.90	5.79	6.34

CME DAIRY CASH-SETTLED FUTURES (\$/LB)	JUL	AUG	SEP	OCT	NOV	DEC	08/01/17	SPOT CASH	TREND
NFDM	0.902	0.885	0.900	0.916	0.927	0.944	↓	0.8675	↑
WHEY	0.450	0.428	0.405	0.405	0.401	0.406	↑	N/A	
BUTTER	2.605	2.693	2.724	2.716	2.730	2.533	↑	2.6825	↑↑
CHEESE	1.547	1.688	1.774	1.779	1.772	1.745	↑	See Below	
CME SPOT CHEESE:	BARRELS 1.6600 / 40 LB BLOCKS 1.7875								↑ / ↑↑

\*\*USDA APRIL 2017\*\* ALL-MILK MAILBOX N. ENGL \$17.80 \$17.66 FL \$20.50 \$17.45 WI \$17.10 \$17.00 IL \$17.30 \$16.85 APPAL \$18.20 \$16.72 OH \$17.50 \$16.58 NY \$17.20 \$16.44 PA \$17.60 \$16.42 S.W. \$16.50 \$16.16 SE N/A \$16.67 MI \$15.40 \$14.29

* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	CL I ADV	CL II	CL III	CL IV	*ALL-MILK U.S.	*ALL-MILK PA	*WEIGHTED AVG. JULY 1-28, 2017	*JULY 2017 COMPONENTS
	↑↑ 16.72 (AUG)	*17.48 (JUL)	↓ 15.45 (JUL)	*16.60 (JUL)	*17.30 (JUN)	*18.20 (JUN)		*PROT 1.2248 ↓
	16.59	16.15	16.64	15.89	16.70	17.40		*B.FAT 2.9456 ↑
	15.16	14.12	15.24	13.70	14.80	15.80		*N.FAT 0.7240 ↓
								*OTHER 0.2599 ↓

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

CATTLE - DAIRY PURPOSES (\$/HD)		NORTHEAST (Avg. most recent August 2, 2017 sale at New Holland, PA)					TREND
COWS Fresh	1400	Bred	1225	Springing	1425	HEIFERS: Bred	1185
						Springing	1225
						Open:	300-600 lbs 425
							600-900 lbs 715
							900-1200 lbs 635
							BULLS (900-1200 lb) 1050

CULL MARKET COWS (\$/CWT LIVEWEIGHT)	Premium White	Breakers	Boners	Lean
	N/A	75.50 ↓	74.50 ↓	67.50 ↓
		WEEK AGO	75.00	67.75
		YEAR AGO	75.00	67.75
			75.00	74.10
			73.00	68.50