

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, AUGUST 29, 2017 — except where noted



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Marketing Plan? Marketing plans need to be continuously monitored and modified, at least mentally if not on paper. Joe Dairyman hoped milk prices would strengthen by this point in the milk price cycle, but hope does not move markets. A marketing plan can reduce the emotion that accompanies these decisions.

Joe's formal marketing plan is written down and updated monthly. It includes his current cost of production, Class III milk prices, and expected margins built with the Margin Protection Program feed ration. He keeps monthly 5-year average margins as well as Class III closing prices for the same period. His farm's monthly milk production and the Class III basis for that month complete his historical information. Joe watches futures markets looking for a profitable margin (or price) goal listed on the marketing plan. He monitors market fundamentals monthly to continually refine these price goals.

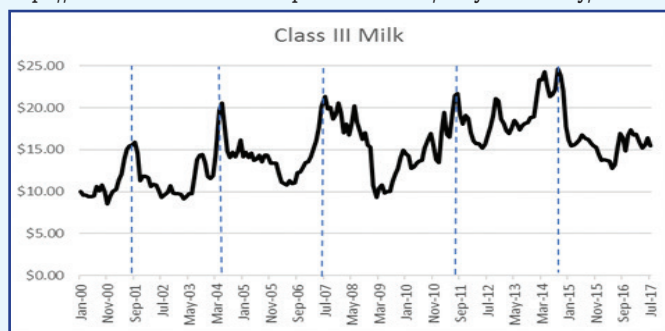
Even though the price cycle graph may anticipate a bump in milk prices, the market fundamentals tell us there is currently still a lot of dairy products in inventories, and production capacity on farms. Option and LGM-Dairy contracts can protect price upticks if prices continue bounce up and down. This strategy will allow Joe to receive the higher price if they surge unexpectedly.

Dairy producers and industry representatives are invited to contribute to the Study to Support Growth and Competitiveness of Pennsylvania's Dairy Industry at two Listening sessions next month. Wednesday, September 13, from 7 p.m. – 9 p.m. in the Southeast Hall of the Lebanon Valley Expo Center, 80 Rocherty Road, Lebanon, PA 17042, and Thursday, Septem-

ber 14, from 10 a.m. – 12 p.m. in Conference Room 10 at the Kovalchick Complex, Indiana University of Pennsylvania, 711 Pratt Drive, Indiana, PA 15705. Pre-registration is not required.

For more information, please contact the Center for Dairy Excellence at 717-346-0849 or email Heidi Zimmerman at hzimmerman1@centerfordairyexcellence.org.

The Federal Crop Insurance Corporation recently approved and provided funding assistance for development of the Dairy-Revenue Protection policy that American Farm Bureau has sponsored. Farm Bureau is conducting a survey to collect your opinions on the risk management needs of the dairy industry. The survey, and examples of how Dairy-RP works, can be found at: <https://www.farmbureau.org/cropinsurance.com/dairy-risk-survey/>



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 29, 2017 AT THE CLOSE

	AUG-17	SEP-17	OCT-17	NOV-17	DEC-17	JAN-18	FEB-18	MAR-18	APR-18	MAY-18	JUN-18	JUL-18	TREND
CLASS III MILK FUTURES (\$/CWT)	16.53	16.34	16.45	16.35	16.22	16.15	16.20	16.27	16.27	16.39	16.50	16.66	MSTLY ↓↓
	WEEK AGO												
	16.52	16.92	16.79	16.68	16.60	16.45	16.48	16.52	16.50	16.58	16.74	16.84	
	HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED												
	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	16.92 02/17	NC
	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	15.82 03/16	
MILK BASIS (\$/CWT) — PA BASIS & *3-YEAR AVERAGE OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY	PA 2.46	3.24	2.82	3.41	3.46	4.33	3.66	3.17	3.29	3.33	2.48	2.78	
*AVG	2.10	2.75	2.54	3.04	2.95	3.83	3.34	2.59	2.99	2.89	2.11	2.29	TREND
EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of Aug. 24, 25 and 26, 2017	N/A	N/A	8.95	8.83	8.68	8.49	8.51	8.48	8.45	8.47	8.55	8.68	↓↓
3-YR. AVG LGM ACTUAL GROSS MARGINS (at 0.00 deductible) per cwt. based on historical futures contract close-out prices Class III milk, soybeans and corn	4.15	5.26	5.62	6.52	6.85	6.85	5.99	6.65	6.33	6.06	5.72	4.94	
MPP OFFICIAL 2-MONTH GROSS MARGINS per cwt. based on USDA-announced All-Milk price, USDA-reported com & alfalfa hay and Illinois soybean prices	JUL-AUG-16	SEP-OCT-16	NOV-DEC-16	JAN-1FEB-17	MAR-APR-17	*MAY-JUN-17							
	8.42	9.16	10.54	10.82	8.95	8.97							
PA AVG ACTUAL GROSS MILK MARGIN per cwt. based on 75-lb herd average and USDA's PA All-Milk price, USDA-reported com & alfalfa hay & Buffalo, NY soybean prices	JUL-16	AUG-16	SEP-16	OCT-16	NOV-16	DEC-16	JAN-17	FEB-17	MAR-17	APR-17	MAY-17	*JUN-17	↓↓
	9.22	12.43	11.17	11.24	11.58	12.48	13.10	13.07	12.03	11.90	12.25	12.03	↓↓
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)	16.50 CAB	16.25 0.14	16.25 0.29	16.25 0.45	16.00 0.47	16.00 0.54	16.00 0.57	16.25 0.74	16.25 0.74	16.25 0.70	16.50 0.85	16.50 0.77	↓↓

TREND	SEP-17	DEC-17	MAR-18	JUL-18	Example Daily Strike Price / Premium	SEP-17	DEC-17	MAR-18	JUL-18	TREND						
↓↓	CORN (\$/BU) OPTIONS — CALLS					SOYMEAL (\$/TON) OPTIONS — CALLS				↑↑						
	3.30	12.10	3.30	20.70	3.20	41.50	3.40	41.30	260	37.65	275	24.05	250	52.15	260	48.10
	3.60	00.10	3.45	12.30	3.40	27.30	3.60	29.60	285	12.65	295	10.40	280	25.80	300	20.40
	3.80	00.10	3.65	05.30	3.90	07.30	4.10	12.40	300	00.60	325	02.35	330	05.10	360	04.90
	4.00	00.10	3.95	01.40	4.30	02.30	4.60	05.10	320	00.05	355	00.65	380	01.25	400	02.20

	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
CORN FUTURES (\$/BU)	3.335	3.487	3.615	3.690	3.757	3.820	3.907	4.000	4.052	4.102	4.027	4.037	↓↓
	WEEK AGO												
	3.460	3.600	3.725	3.787	3.850	3.905	3.977	4.060	4.110	4.157	4.085	4.077	
SOYMEAL FUTURES (\$/TON)	294.6	296.6	296.2	300.3	303.2	305.4	307.5	308.2	308.2	306.6	307.1	307.7	↑↑
	WEEK AGO												
	295.3	296.8	298.7	299.7	302.3	304.3	306.7	307.2	307.2	305.8	306.3	306.8	

*NEW	*INCOME OVER FEED COST - PSU DAIRY CENTS - MID-MONTH						CME DAIRY CASH-SETTLED FUTURES (\$/LB)						08/29/17 SPOT CASH		TREND	
FEED = \$/CWT.	@65 LBS MILK		@75 LBS MILK		@85 LBS MILK		AUG	SEP	OCT	NOV	DEC	JAN	FEB	08/29/17	08/29/17	
IOFC = \$/COW	FEED	IOFC	FEED	IOFC	FEED	IOFC										
*JUL-17	6.15	7.83	5.65	9.41	5.41	10.87	0.872	0.869	0.873	0.882	0.891	0.904	0.917	↑↑	0.8450	↑↑
*JUN-17	6.17	7.82	5.67	9.40	5.42	10.86	0.430	0.412	0.397	0.386	0.382	0.380	0.380	↓↓	N/A	
*JUL-16	6.26	6.92	5.75	8.36	5.50	9.69	2.662	2.550	2.552	2.519	2.392	2.389	↓	2.5550	↓↓	
							1.665	1.658	1.680	1.674	1.672	1.667	1.671	↓↓	See Below	
							CME SPOT CHEESE: BARRELS 1.5000 / 40 LB BLOCKS 1.5275						↓↓ / ↓↓			

*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. AUGUST 1-26, 2017						*AUG. 2017 COMPONENTS		
	MONTH AGO						PRODUCT VALUE MAKE ALLOW NET								
	16.71	17.46	16.57	*16.61	17.30	18.20	*CHEESE	1.6664	0.2003	1.4637	↓	↓	*PROT	1.5536	↑↑
	16.72	17.48	15.45	16.60	16.70	17.40	*BUTTER	2.6578	0.1715	2.4863	↓↓	↓	*B.FAT	3.0179	↑↑
	YEAR AGO						*NFDM	0.8733	0.1678	0.7055	↓↓	↓	*N.FAT	0.6984	↓↓
	16.56	15.21	16.91	14.65	14.80	15.80	*DRYWHEY	0.4345	0.1991	0.2354	↑↑	↑	*OTHER	0.2425	↓↓

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. most recent August 23, 2017 sale at New Holland, PA)										TREND				
COWS Fresh	1235	Bred	1100	Springing	1175	HEIFERS: Bred	1160	Springing	1275	565	775	825	850	↓
FOUR WEEK RUNNING AV4														
	1300	1150	1275	1175	1250	500	700	850	900					
Avg. of prices reported by USDA Market News for PA Auction Markets Aug. 24-29, 2017														
CULL MARKET COWS (\$/CWT LIVEWEIGHT)						FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)						CURRENT WK AGO YR AGO		
Premium White						Choice & Prime 1250-1550 lbs light test						92.50 97.00 105.00		
Breakers						BULL CALVES: No. 1 & 2, 90-130 lbs						78.50 129.00 140.00		
Boners						80-90 lbs						62.00 102.00 131.00		
Lean														
N/A														
WEEK AGO														
77.75														
YEAR AGO														
71.75														

brought to you by:

Price averages do not include lower-end common cows and heifers.

Average to high dressing