

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, OCTOBER 3, 2017 — except where noted

What is your MPP strategy? USDA recently announced changes to the Margin Protection Program (MPP) that all dairy producers should be aware of. Farms that are currently enrolled in MPP may choose to "opt out" of MPP in 2018 by simply doing nothing. All outstanding premium balances for 2017 and prior years must be paid in full. Farms that wish to continue MPP coverage for 2018 must complete and submit form CCC-782 and pay the \$100 administrative fee at their local Farm Service Agency office by close of business on December 15, 2017.

Producers who opt out of MPP-Dairy for the 2018 coverage year will be eligible to purchase LGM-Dairy beginning with the November 2017 sales period, with insurance coverage beginning in January 2018. Producers may not participate in both MPP-Dairy and LGM-Dairy programs at the same time. FSA and RMA will monitor their respective programs to ensure producers are not participating in both programs at the same time.

A little-known nuance of MPP is that unenrolled farms can register for "catastrophic coverage" (90 percent of the established production history at the \$4.00 margin level) after the December 15, registration period. "A registered dairy operation that loses coverage for failure to make a coverage election or pay the annual administrative fee can regain coverage for the applicable coverage year, at CAT-level only beginning with the next consecutive 2-month period following completion of both of the late payment of the administrative fee and submission of completed CCC-782 with a CAT-level coverage election. Practically speaking, this means that if a farm takes no action on MPP this fall and "opts out", they could re-enroll in MPP if markets were to crash in the future so long as they do not own a LGM-Dairy policy at the time.

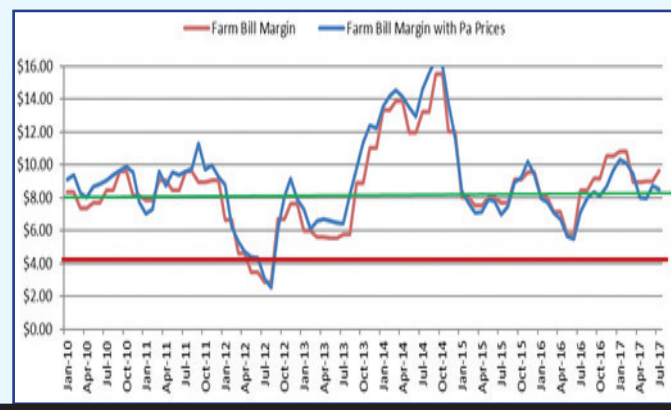
Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, using CME and USDA reports and the CDE Scorecard.

Market driven programs like LGM-Dairy have provided a higher safety net than MPP has over the past several years. MPP was designed to provide price protection in a disastrous price environment. This component of MPP would allow farms with no safety net to enroll in MPP after a price collapse. Call your local Farm Service Agency office with questions.

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Pennsylvania margins have fallen below national margins over the past three years. Will this year's corn crop lower feed prices enough to bring margins back to a more "normal" historic relationship?



CME DAILY FUTURES & OPTIONS TRADING — OCTOBER 3, 2017 AT THE CLOSE

	SEP-17	OCT-17	NOV-17	DEC-17	JAN-18	FEB-18	MAR-18	APR-18	MAY-18	JUN-18	JUL-18	AUG-18	TREND											
CLASS III MILK FUTURES (\$/CWT)	16.37	16.43	16.28	16.11	15.77	15.63	15.49	15.47	15.60	15.80	16.16	16.32	↓↓											
	16.37	16.28	16.54	16.41	16.08	16.02	15.95	15.73	15.83	15.97	16.26	16.34												
WEEK AGO																								
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED																								
	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	16.90 02/17												
	15.16 09/15	15.06 09/15	15.20 11/15	15.30 03/16	15.26 03/16	15.45 05/16	15.56 09/17	15.64 03/16	15.70 03/16	15.72 03/16	15.82 03/16	15.80 03/16												
MILK BASIS (\$/CWT) — PA BASIS & *3-YEAR AVERAGE OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY	PA 3.24	2.82	3.41	3.46	4.33	3.66	3.17	3.29	3.33	2.48	2.78	2.46												
	*AVG 2.75	2.54	3.04	2.95	3.83	3.34	2.59	2.99	2.89	2.11	2.29	2.10	TREND											
EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of Sept. 28, 29 and 30, 2017	N/A	N/A	8.44	8.24	7.86	7.72	7.59	7.46	7.48	7.56	7.79	7.91	↓↓											
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	5.26	5.62	6.52	6.85	6.85	5.99	6.65	6.33	6.06	5.72	4.94	4.15												
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	AUG-16	SEP-16	OCT-16	NOV-16	DEC-16	JAN-17	FEB-17	MAR-17	APR-17	MAY-17	JUN-17	JUL-17	↓↓											
	12.43	11.17	11.24	11.58	12.48	13.10	13.07	12.03	11.90	12.25	12.03	11.80												
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)	16.50 CAB	16.50	0.09	16.25	0.23	16.00	0.31	15.25	0.24	15.00	0.24	15.00	0.32	15.25	0.48	15.25	0.50	15.25	0.47	15.75	0.57	16.00	0.65	↓↓

TREND	DEC-17	MAR-18	MAY-18	JUL-18	Example Daily Strike Price / Premium	OCT-17	DEC-17	MAY-18	JUL-18	TREND							
↓↓	CORN (\$/BU) OPTIONS — CALLS					SOYMEAL (\$/TON) OPTIONS — CALLS				↓↓							
	3.35	16.20	3.10	51.30	3.30	42.60	3.30	51.20	305	04.30	305	10.75	310	19.25	300	29.05	
	3.70	01.60	3.25	37.00	3.70	17.00	3.70	25.00	315	00.20	320	04.05	330	10.90	340	11.35	
	3.90	00.05	3.75	04.60	4.00	07.30	4.00	11.00	325	01.05	340	01.05	360	04.70	380	04.55	
	4.05	00.02	4.00	01.20	4.20	04.00	4.20	08.70	340	00.05	375	00.20	400	01.75	410	02.50	
	CORN FUTURES (\$/BU)																
	DEC-17	MAR-18	MAY-18	JUL-18	SEP-18	DEC-18	MAR-19	MAY-19	JUL-19	SEP-19	DEC-19	Feb-19	TREND				
	3.494	3.624	3.714	3.792	3.862	3.954	4.044	4.094	4.130	4.102	4.120	4.100	↓↓				
	WEEK AGO																
	3.522	3.652	3.737	3.810	3.877	3.967	4.072	4.125	4.170	4.102	4.120	4.100					
	SOYMEAL FUTURES (\$/TON)																
	OCT-17	DEC-17	JAN-18	MAR-18	MAY-18	JUL-18	AUG-18	SEP-18	OCT-18	DEC-18	MAR-19	MAY-19	TREND				
	306.9	311.0	313.1	316.1	318.5	320.8	321.2	320.6	317.5	3218.0	318.8	320.3	↓↓				
	WEEK AGO																
	308.8	313.1	315.3	318.1	320.7	323.2	323.6	323.1	320.1	320.4	321.0	322.2					

*NEW	*INCOME OVER FEED COST - PSU DAIRY CENTS - MID-MONTH				CME DAIRY CASH-SETTLED FUTURES (\$/LB)				10/03/17		SPOT CASH	TREND	
FEED = \$/CWT.	@65 LBS MILK FEED IOFC	@75 LBS MILK FEED IOFC	@85 LBS MILK FEED IOFC		SEP	OCT	NOV	DEC	JAN	FEB	MAR	10/03/17	
AUG-17	6.66↑↑	7.76↓	6.12↑↑	9.36↓	5.86↑↑	10.83↓						0.8250	↓↓
JUL-17	6.15	7.83	5.65	9.41	5.41	10.87						N/A	
AUG-16	6.42	7.20	5.90	8.70	5.86	10.08						2.330	↓
												See Below	
												CME SPOT CHEESE: BARRELS 1.7250 / 40 LB BLOCKS 1.6900	↑ / NC

*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. SEPT. 1-30, 2017			AUG. 2017 COMPONENTS							
	16.44(OCT)	16.80(SEP)	16.36(SEP)	15.86(AUG)	17.32(JUL)	18.20(JUL)	*PRODUCT VALUE	MAKE ALLOW	NET	*CHEESE	1.6608	2.0003	1.4605	↓	*PROT	1.6988	↑
							*BUTTER	2.5298	0.1715	2.3583	↓	↓	↓	*B.FAT	2.8559	↓	
							*NFD	0.8499	0.1678	0.6821	↓	↓	↓	*N.FAT	0.6753	↓	
							*DRYWHEY	0.4167	0.1991	0.2176	↓	↓	↓	*OTHER	0.2241	↓	

CATTLE - DAIRY PURPOSES (\$/HD)				NORTHEAST (Avg. most recent October 4, 2017 sale at New Holland, PA)				TREND			
COWS	Fresh	Bred	Springing	HEIFERS:	Bred	Springing	Open:				
↑↑	1275	N/A	1460	1075	1265	445	635	790	750	↑↑	
				FOUR WEEK RUNNING AV4							
	1275	1225	1300	1100	1250	450	675	800	820		
	Avg. of prices reported by USDA Market News for PA Auction Markets Sept. 28 - Oct 3, 2017				FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)				CURRENT	WK AGO	YR AGO
	CULL MARKET COWS (\$/CWT LIVEWEIGHT)				Choice & Prime 1250-1550 lbs light test				85.00	101.25	101.00
	Premium White				BULL CALVES: No. 1 & 2, 90-130 lbs				99.50	90.00	90.00
	Breakers				80-90 lbs				80.50	97.00	88.00
	Boners										
	Lean										
	N/A										
	WEEK AGO										
	63.25 ↑↑										
	62.75										
	YEAR AGO										
	66.75										
	64.00 ↑↑										
	57.50 ↑↑										

Average to high dressing	Price averages do not include lower-end common cows and heifers.
N/A	62.75
N/A	61.00
N/A	56.75
N/A	66.75
N/A	65.85
N/A	59.75

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