

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, NOVEMBER 7, 2017 — except where noted



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What is your plan - again? Farms that are currently enrolled in the Margin Protection Program (MPP) can "opt out" of MPP for 2018 by simply doing nothing before the December 15, 2017 deadline, but is that the correct decision? MPP was designed to provide catastrophic coverage during periods when the market does not offer a strong safety net. Do today's futures market opportunities fit this description?

Most farms registered for the Margin Protection Program because they wanted a simple tool to provide some price protection during extremely stressful price periods. MPP margins are constructed from national prices. Many dairy farms around the United States, but especially in the Northeast are disappointed in MPP's performance to date. The stress on margins has been greater in the Northeast over the past several years primarily due to declining Class I sales which probably made MPP even more unpopular in this region. Don't ignore MPP because you think it underperformed over the past several years.

Farms that are comfortable with LGM-Dairy probably already have some contracts in place for this winter, and possibly next spring. It is doubtful these farms will enroll in MPP now. Current LGM-Dairy expected margins average around \$7.50 for the first ten months of 2018 which roughly translates into \$9.00 MPP margins. These \$0.00 deductible margins would cost around \$.50 per hundredweight. One-dollar deductible margins that roughly replicate the \$8.00 MPP margin cost around \$.11 per hundredweight.

Farms currently enrolled in MPP, that routinely contract milk through their cooperative or broker also probably have some coverage in place. These farms as well as those with no other coverage who fall into the "Tier 1" premium category may look at buying \$6.50 MPP margin coverage for \$.09 per hundredweight to protect against another drop in milk prices if they are still looking for a simple tool to provide some price protection during extremely stressful price periods.

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.

Farms with a base larger than four million pounds of milk, in the "Tier II" premium category are less likely build their 2018 safety net with MPP because of the higher premium cost.

The average Harvest Prices for Federal Crop Insurance came in at \$3.49 for December corn and \$9.75 for November soybeans. Call your crop insurance agent immediately if you have any possibility of a claim.

Join us Wednesday November 15 at 12:00 to discuss current market fundamentals and marketing plan options during the next "Protecting your Profits" conference call. Call me at 717-420-7448 if you would like to talk about your marketing plan.

| Coverage Level (Margin) per cwt. | Tier 1 Premium for 2016-2018 | Tier 2 Premium for 2014-2018 |
|----------------------------------|--|---|
| | Covered production history less than four million lbs. | Covered production history greater than four million lbs. |
| \$4.00 | None | None |
| \$4.50 | \$0.010 | \$0.020 |
| \$5.00 | \$0.025 | \$0.040 |
| \$5.50 | \$0.040 | \$0.100 |
| \$6.00 | \$0.055 | \$0.155 |
| \$6.50 | \$0.090 | \$0.290 |
| \$7.00 | \$0.217 | \$0.830 |
| \$7.50 | \$0.300 | \$1.060 |
| \$8.00 | \$0.475 | \$1.360 |

CME DAILY FUTURES & OPTIONS TRADING — NOVEMBER 7, 2017 AT THE CLOSE

| | NOV-17 | DEC-17 | JAN-18 | FEB-18 | MAR-18 | APR-18 | MAY-18 | JUN-18 | JUL-18 | AUG-18 | SEP-18 | OCT-18 | TREND |
|---|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| CLASS III MILK FUTURES (\$/CWT) | 16.47 | 15.42 | 15.04 | 15.02 | 14.97 | 15.05 | 15.23 | 15.51 | 15.83 | 15.94 | 16.00 | 16.08 | ↔ |
| | WEEK AGO | | | | | | | | | | | | |
| | 16.58 | 15.98 | 15.65 | 15.55 | 15.40 | 15.35 | 15.50 | 15.74 | 16.01 | 16.14 | 16.19 | 16.17 | |
| | HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED | | | | | | | | | | | | |
| | 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 | 16.90 02/17 | 16.92 02/17 | 16.92 02/17 |
| | 15.20 11/15 | 15.30 03/16 | 15.04 11/17 | 15.02 11/17 | 14.97 11/17 | 15.05 11/17 | 15.23 11/17 | 15.51 11/17 | 15.82 03/16 | 15.80 03/16 | 15.80 03/16 | 15.85 03/16 | |
| MILK BASIS (\$/CWT) — PA BASIS & *3-YEAR AVERAGE OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY | PA 3.41 | 3.46 | 4.33 | 3.66 | 3.17 | 3.29 | 3.33 | 2.48 | 2.78 | 2.46 | 3.24 | 2.82 | |
| *AVG | 3.04 | 2.95 | 3.83 | 3.34 | 2.59 | 2.99 | 2.89 | 2.11 | 2.29 | 2.10 | 2.75 | 2.54 | |
| EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of Nov. 2, 3 and 4, 2017 | N/A | N/A | 7.50 | 7.32 | 7.10 | 7.04 | 7.13 | 7.36 | 7.60 | 7.70 | 7.74 | 7.75 | MIXED |
| 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 | 6.52 | 6.85 | 6.85 | 5.99 | 6.65 | 6.33 | 6.06 | 5.72 | 4.94 | 4.15 | 5.26 | 5.62 | |
| MPP OFFICIAL 2-MONTH GROSS MARGINS per cwt. based on USDA-announced All-Milk price, USDA-reported corn & alfalfa hay and Illinois soybean prices | JUL-AUG-16 | SEP-OCT-16 | NOV-DEC-16 | JAN-FEB-17 | MAR-APR-17 | MAY-JUN-17 | JUL-AUG-17 | | | | | | |
| | 8.42 | 9.16 | 10.54 | 10.82 | 8.95 | 8.97 | *8.75 | | | | | | ↔ |
| U.S. AVG ACTUAL GROSS MILK MARGIN per cwt. based on 75-lb herd average and USDA's All-Milk price, USDA-reported corn & alfalfa hay & Illinois soybean prices | OCT-16 | NOV-16 | DEC-16 | JAN-17 | FEB-17 | MAR-17 | APR-17 | MAY-17 | JUN-17 | JUL-17 | AUG-17 | *SEP-17 | |
| | 11.85 | 13.07 | 14.18 | 14.13 | 13.69 | 12.37 | 11.33 | 11.39 | 12.07 | 12.03 | 12.99 | *12.80 | ↔ |
| PA AVG ACTUAL GROSS MILK MARGIN per cwt. based on 75-lb herd average and USDA's PA All-Milk price, USDA-reported corn & alfalfa hay & Buffalo, NY soybean prices | OCT-16 | NOV-16 | DEC-16 | JAN-17 | FEB-17 | MAR-17 | APR-17 | MAY-17 | JUN-17 | JUL-17 | AUG-17 | *SEP-17 | |
| | 11.17 | 11.41 | 13.20 | 13.65 | 13.48 | 12.71 | 11.32 | 11.30 | 12.23 | 12.07 | 13.14 | *13.38 | ↔ |

| CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com) | | DEC-17 | | MAR-18 | | MAY-18 | | JUL-18 | | Example Daily Strike Price / Premium | | DEC-17 | | MAY-18 | | JUL-18 | | OCT-18 | | | | | |
|--|------|------------|------|------------|------|------------|------|------------|------|--------------------------------------|------|-----------|------|-----------|------|-----------|------|-----------|------|-------|------|-------|------|
| 16.25 | 0.01 | 15.50 | 0.32 | 15.25 | 0.55 | 15.00 | 0.51 | 15.00 | 0.59 | 15.00 | 0.59 | 15.25 | 0.69 | 15.50 | 0.74 | 15.75 | 0.72 | 16.00 | 0.84 | 16.00 | 0.85 | 16.00 | 0.85 |
| CORN (\$/BU) OPTIONS — CALLS | | 3.25 25.40 | | 3.40 23.60 | | 3.70 15.10 | | 3.80 18.30 | | | | 320 02.55 | | 330 11.90 | | 340 12.50 | | 330 17.00 | | | | | |
| | | 3.50 01.30 | | 4.00 02.20 | | 3.90 08.40 | | 4.20 07.50 | | | | 360 00.10 | | 390 02.35 | | 400 03.40 | | 410 03.95 | | | | | |

| 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 |
|----------------------|--|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| | | 3.477 | 3.610 | 3.697 | 3.772 | 3.842 | 3.935 | 4.030 | 4.082 | 4.125 | 4.092 | 4.115 | 4.252 | ↔ |
| | | WEEK AGO | | | | | | | | | | | | |
| | | 3.457 | 3.595 | 3.682 | 3.760 | 3.827 | 3.917 | 4.010 | 4.065 | 4.105 | 4.072 | 4.095 | 4.232 | |

| SOYMEAL FUTURES (\$/TON) | | DEC-17 | JAN-18 | MAR-18 | MAY-18 | JUL-18 | AUG-18 | SEP-18 | OCT-18 | DEC-18 | JAN-19 | MAR-19 | MAY-19 | TREND |
|--------------------------|--|----------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| | | 315.5 | 317.7 | 321.1 | 323.6 | 322.6 | 326.3 | 325.2 | 321.8 | 322.7 | 323.2 | 324.6 | 326.4 | ↔ |
| | | WEEK AGO | | | | | | | | | | | | |
| | | 311.8 | 313.8 | 317.1 | 319.5 | 322.1 | 322.4 | 321.3 | 318.4 | 318.9 | 319.7 | 321.1 | 322.9 | |

| *NEW MILK MARGIN — LATEST PSU VALUES — *SEPT. 2017 | | | | CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/07/17 | | | | | | | | | | | | SPOT CASH TEND | | | |
|--|-------------------------|-----------------------------|------------------------------|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----------------|----------|-----------|---|
| FEED = \$/CWT. | FEED COST (\$/CWT milk) | IOFC (\$/COW @ 75 lbs milk) | PA MILK MARGIN (\$/CWT milk) | NOV | DEC | JAN | FEB | MAR | APR | MAY | JUN | JUL | AUG | SEPT | OCT | NOV | 11/07/17 | TREND | |
| SEPT | 5.93 | 10.04 | 13.38 | 0.745 | 0.737 | 0.733 | 0.737 | 0.753 | 0.769 | 0.786 | 0.786 | 0.786 | 0.786 | 0.786 | 0.786 | 0.786 | 0.786 | 0.7125 | ↔ |
| IOFC = \$/COW | PREV MO | 6.06 | 9.85 | 0.340 | 0.310 | 0.282 | 0.277 | 0.263 | 0.262 | 0.270 | 0.270 | 0.270 | 0.270 | 0.270 | 0.270 | 0.270 | 0.270 | N/A | |
| | YR AGO | 6.26 | 8.88 | 2.247 | 2.223 | 2.240 | 2.240 | 2.260 | 2.292 | 2.309 | 2.309 | 2.309 | 2.309 | 2.309 | 2.309 | 2.309 | 2.309 | 2.2100 | ↔ |
| | | | | 1.734 | 1.641 | 1.620 | 1.621 | 1.623 | 1.629 | 1.645 | 1.645 | 1.645 | 1.645 | 1.645 | 1.645 | 1.645 | 1.645 | See Below | |
| | | | | CME SPOT CHEESE: BARRELS 1.7000 / 40 LB BLOCKS 1.6325 | | | | | | | | | | | | ↔ | ↔ | | |

| *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. OCT. 1 - 28, 2017 | | | | | | *OCT. 2017 COMPONENTS | | | | | | | | | | | |
| ↔ 16.41 | (NOV) 15.95 | (OCT) 16.69 | (OCT) 14.85 | (OCT) 17.80 | (SEP) 19.00 | PRODUCT | VALUE | MAKE | ALLOW | NET | *PROT | 2.1084 | ↔ | *B.FAT | 2.6646 | ↔ | *N.FAT | 0.6357 | ↔ | *OTHER | 0.1853 | ↔ | |
| | | | | | | MONTH AGO | | | | | | YEAR AGO | | | | | | | | | | | |
| | | | | | | 16.44 16.80 16.36 15.86 18.00 19.20 | | | | | | 14.78 14.09 14.82 13.66 17.30 17.90 | | | | | | | | | | | |

| CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. most recent November 1, 2017 sale at New Holland, PA) | | | | | | | | | | | | TREND |
|---|------|-----------|--|----------|-----------|------------|-------------|---------------------|--------------|-------|--|--------|
| COWS | | | | HEIFERS: | | | | BULLS (600-1200 lb) | | | | |
| Fresh | Bred | Springing | | Bred | Springing | Open: | 300-600 lbs | 600-900 lbs | 900-1200 lbs | | | |
| 1550 | 1200 | 1285 | | 985 | 1010 | | 425 | 580 | 780 | 775 | | STEADY |
| FOUR WEEK RUNNING AV4 | | | | | | | | | | | | |
| 1475 | 1225 | 1285 | | 1000 | 1100 | | 450 | 600 | 780 | 775 | | |
| Avg. of prices reported by USDA Market News for PA Auction Markets Nov. 2-7, 2017 | | | | | | | | | | | | |
| FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT) | | | | | | | | | | | | |
| Choice & Prime 1250-1550 lbs | | | | | | light test | | 73.00 | 81.00 | 90.00 | | ↔ |
| BULL CALVES: No. 1 & 2, 90-130 lbs | | | | | | | | | | | | |
| 80-90 lbs | | | | | | | | 158.00 | 125.00 | 88.00 | | ↔ |
| | | | | | | | | 134.00 | 100.00 | 77.00 | | ↔ |

| CULL MARKET COWS (\$/CWT LIVELWEIGHT) | | | |
|---------------------------------------|----------|---------|---------|
| Premium White | Breakers | Boners | Lean |
| N/A | 48.25 | ↔ 49.25 | ↔ 43.00 |
| WEEK AGO | | | |
| N/A | 55.00 | 53.25 | 50.00 |
| YEAR AGO | | | |
| 59.00 | 58.35 | 57.10 | 52.25 |