

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, FEBRUARY 6, 2018 — except where noted



**ALAN ZEPP**  
Risk Management  
Program Manager  
717-420-7448  
azepp@centerfor  
dairyexcellence.org



**Dollar Index and Milk Price:** The conversation topic when Joe Dairyman and his neighbors get together is "When will milk prices recover?" No one knows the exact answer to this question, but basic economics would say that prices will recuperate when dairy product demand decreases some of the current supply (product inventories).

One way to reduce domestic inventories is to increase export sales. Export sales are both price and relationship driven. Think about your relationship with your feed supplier. You probably do not compare costs on each load of feed, but you do monitor other opportunities. If another supplier can lower your feed costs and maintain milk production, you will probably give him a chance to earn your feed business. The export world is very similar.

One of the variables affecting all export and import prices is the currency exchange rate of the exporting and importing countries. Interest rates, confidence in the economy of a country, the current account on balance of payments, economic growth, relative inflation rates, and other factors will affect the exchange rate of any currency.

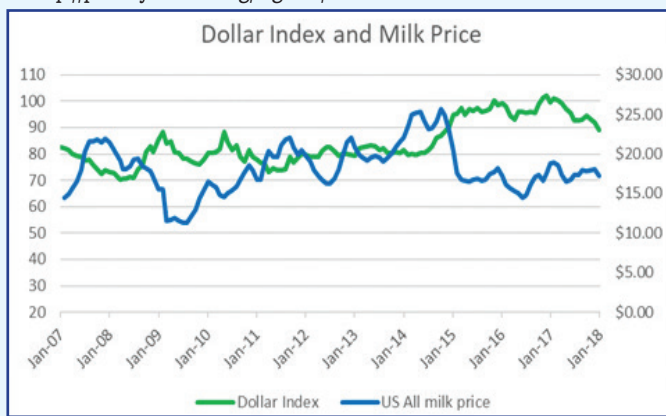
The U.S. dollar index is a measure of the value of the U.S. dollar relative to the value of a basket of currencies. Currently, this index is calculated by factoring in the exchange rates of the euro, Japanese yen, Canadian dollar, British pound, Swedish krona and Swiss franc. Does this change in currency values affect Joe's milk price?

The dollar index has been higher (stronger) over the past three years than it was most of the time between 2007 and 2014. There is a tendency for milk prices to improve after the dollar index weakens (decreases). History shows that a weaker dollar lowers the cost of dairy products to importers, which eventually leads to more dairy sales from the United States. Spring will come,

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.

and milk prices will improve. A weakening dollar could be a good sign for improving milk check prices.

Call the Center at 717-346-0849 to set up an advisory team that can help guide your business. A profit team can help improve profitability. Transition teams can assist with succession planning and a transformation team guide major business modifications. Join us at the Pennsylvania Dairy Summit on Feb. 21 and 22 in State College. To register go to <http://padairysummit.org/register/>.



## CME DAILY FUTURES & OPTIONS TRADING — FEBRUARY 6, 2018 AT THE CLOSE

	FEB-18	MAR-18	APR-18	MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	TREND
<b>CLASS III MILK FUTURES (\$/CWT)</b>	13.68	13.69	13.85	14.12	14.53	15.03	15.45	15.68	15.84	15.81	15.65	15.50	↑↑
WEEK AGO	13.38	13.41	13.59	14.02	14.50	14.99	15.41	15.61	15.83	15.74	15.61	15.40	
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED													
17.03 02/17	16.90 02/17	16.96 02/17	16.96 02/17	16.92 02/17	16.92 02/17	16.92 02/17	16.90 02/17	16.90 02/17	16.92 02/17	16.95 02/17	16.95 02/17	17.05 02/17	
13.38 01/18	13.19 01/18	13.53 01/18	13.97 01/18	14.39 01/18	15.05 01/18	15.35 01/18	15.51 01/18	15.52 01/18	15.56 01/18	15.46 01/18	15.40 01/18	15.40 01/18	
<b>MILK BASIS (\$/CWT) — PA BASIS &amp; *3-YEAR AVERAGE OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY</b>	PA 3.66	3.17	3.29	3.33	2.48	2.78	2.46	3.24	2.82	3.41	3.46	4.33	
*AVG 3.34	2.59	2.99	2.89	2.11	2.29	2.10	2.75	2.54	3.04	2.95	3.83		
<b>EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of Feb. 1, 2 and 3, 2018</b>	N/A	N/A	↑↑ 5.46	5.75	6.10	6.51	6.86	7.04	7.22	7.12	6.97	6.72	↓↓
<b>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</b>	5.99	6.65	6.33	6.06	5.72	4.94	4.15	5.26	5.62	6.52	6.85	6.85	
<b>MPP OFFICIAL 2-MONTH GROSS MARGINS per cwt. based on USDA-announced All-Milk price, USDA-reported corn &amp; alfalfa hay and Illinois soybean prices</b>	JUL-AUG-16	SEP-OCT-16	NOV-DEC-16	JAN-FEB-17	MAR-APR-17	MAY-JUN-17	JUL-AUG-17	SEPT-OCT-17					
8.42	9.16	10.54	10.82	8.95	8.97	*9.67	*9.99						↑↑
<b>U.S. AVG ACTUAL GROSS MILK MARGIN per cwt. based on 75-lb herd average and USDA's All-Milk price, USDA-reported corn &amp; alfalfa hay &amp; Illinois soybean prices</b>	JAN-17	FEB-17	MAR-17	APR-17	MAY-17	JUN-17	JUL-17	AUG-17	SEP-17	OCT-17	NOV-17	DEC-17	
14.13	13.69	12.37	11.33	11.39	12.07	12.03	12.99	12.74	12.77	*13.11	*13.41		↑↑
<b>PA AVG ACTUAL GROSS MILK MARGIN per cwt. based on 75-lb herd average and USDA's PA All-Milk price, USDA-reported corn &amp; alfalfa hay &amp; Buffalo, NY soybean prices</b>	13.65	13.48	12.71	11.32	11.30	12.23	12.07	13.17	13.11	12.80	*12.55	*12.68	↑↑

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)	MAR-18	MAY-18	JUL-18	SEP-18	Example Daily Strike Price / Premium	MAY-18	JUL-18	OCT-18	JAN-19		
13.75 0.13	13.75 0.29	14.00 0.48	14.25 0.56	14.50 0.56	15.00 0.62	15.50 0.72	15.75 0.86	16.00 0.94	15.75 0.73	15.75 0.79	15.50 0.77
CORN (\$/BU) OPTIONS — CALLS	MAR-18	MAY-18	JUL-18	SEP-18	Example Daily Strike Price / Premium	MAY-18	JUL-18	OCT-18	JAN-19		
3.20 43.63	3.30 41.38	3.40 40.00	3.30 55.75	3.70 01.75	4.20 01.50	4.10 07.50	4.10 13.88	300 31.85	300 36.45	320 27.40	320 29.25
3.70 01.75	4.20 01.50	4.10 07.50	4.10 13.88					345 02.50	385 02.05	400 05.35	420 05.80

CORN FUTURES (\$/BU)	MAR-18	MAY-18	JUL-18	SEP-18	DEC-18	MAR-19	MAY-19	JUL-19	SEP-19	DEC-19	Feb-19	May-19	TREND
3.635	3.712	3.787	3.857	3.935	4.012	4.065	4.107	4.072	4.095	4.095	4.157	4.202	MIXED
WEEK AGO													
3.615	3.6975	3.775	3.847	3.935	4.017	4.067	4.110	4.072	4.092	4.092	4.160	4.195	

SOYMEAL FUTURES (\$/TON)	MAR-18	MAY-18	JUL-18	AUG-18	SEP-18	OCT-18	DEC-18	JAN-19	MAR-19	MAY-19	JUL-19	AUG-19	TREND
331.7	335.4	337.5	337.1	336.5	334.3	334.8	335.1	335.7	336.4	3438.0	337.6		↓↓
WEEK AGO													
340.5	343.9	345.8	344.7	343.2	340.2	340.9	341.2	342.1	343.5	345.1	344.7		

* = NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - JAN. 2018	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB)	FEB	MAR	APR	MAY	JUN	JUL	AUG	SPOT CASH 02/06/18	TREND
*JAN	6.02 ↑↑	9.49 ↓↓	12.66 ↓↓	NFDM	0.740	0.762	0.778	0.797	0.812	0.830	0.845	↑↑ 0.7425	↑↑
*PREV MO	6.01	9.51	12.68	WHEY	0.262	0.257	0.265	0.270	0.282	0.292	0.299	↓↓ N/A	
YR AGO	6.35	10.24	13.65	BUTTER	2.147	2.145	2.162	2.175	2.186	2.204	2.232	↓↓ 2.0850	↓↓
				CHEESE	1.496	1.496	1.508	1.530	1.566	1.610	1.652	↑↑ See Below	
				CME SPOT CHEESE: BARRELS	1.3700	40 LB BLOCKS	1.5175	↑↑ / ↑↑					

* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)	CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA	*WEIGHTED AVG. JAN. 1-27, 2018	*JAN. 2018 COMPONENTS
↓ 14.25(FEB)	14.11(JAN)	14.00(JAN)	13.13(JAN)	17.20(DEC)	18.20(DEC)		CHEESE 1.5175 0.2003 1.3172 ↓↓	PROT 1.6612 ↓↓
							BUTTER 2.1972 0.1715 2.0657 ↓↓	B.FAT 2.4531 ↓↓
							NFDM 0.6996 0.1678 0.5318 ↑↑	N.FAT 0.5235 ↓↓
							DRYWHEY 0.2755 0.1991 0.0764 ↓↓	OTHER 0.0787 ↓↓

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. most recent January 31, 2018 sale at New Holland, PA)	COWS Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open:	300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)	TREND				
	1210	740	1110	800	990		570	640	N/A	950	MIXED				
FOUR WEEK RUNNING AV4															
	1200	800	1000	800	950		500	620	640	800					
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Feb. 1-6, 2018															
<b>CULL MARKET COWS (\$/CWT LIVEWEIGHT)</b>						<b>FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)</b>			<b>BULL CALVES:</b> No. 1 & 2, 90-130 lbs						
Premium White	Breakers	Boners	Lean	Choice & Prime 1250-1550 lbs light test			83.00			84.00					
N/A	59.85 ↓↓	59.10 ↑↑	52.25 ↑↑	80-90 lbs			135.00			88.00					
WEEK AGO															
N/A	60.00	58.75	51.00	YEAR AGO											
63.60	61.00	61.00	57.10												