

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, FEBRUARY 20, 2018 — except where noted

FEBRUARY: The days are getting longer, but dealing with the mud and smaller milk checks does not help the mood on dairy farms today. Spring weather and stronger milk prices will come in due course.

Cow numbers have plateaued at 9.4 million since May. December slaughter numbers are similar to the past three Decembers. The milking herd averaged 71.2 pounds per day nationally and 64.7 pounds in Pennsylvania. Both values are 0.5% above last year. Butter stocks are 1.8% larger than last year. Cheese inventories grew almost 7% over the past twelve months and nonfat dry milk stocks are 45 percent bigger.

Consumer confidence is still close to its 17-year high, and unemployment is at a 17-year low. The dollar index is at its lowest point since 2014, but still on the high end of the 2004 to 2014 range when exports exploded. These should be positive indicators for U.S. milk sales. Export values and volumes of nonfat dry milk, cheese, butterfat, and whey all increased in 2017.

The Class III milk price tumble last fall is resulting in indemnity payments for farms that bought LGM-Dairy coverage last summer. Check with your crop insurance agent on the specifics of your policy. Farms that purchased price protection through their cooperative or broker are also seeing larger milk checks and brokerage account balances.

The average of Class III futures market prices for the remainder of 2017 is just over \$15.00, well below the five-year average of \$17.42. Including feed price futures to build Margin Protection Program expected margins, results in margins that are under \$8.00 through August.

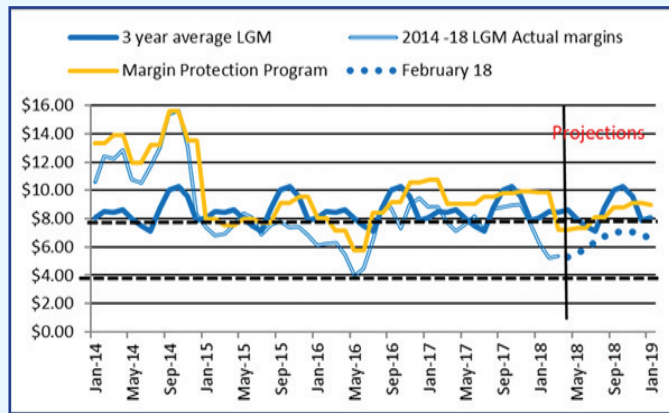
The Farm Service Agency has not released the final rules for the 2018 legislative changes to MPP yet, but it appears that the lowers premiums significantly change the net return on this program for farms with a base

of 5 million pounds or less. Unofficial estimates project that at current futures market prices, a farm enrolling 90% of their Tier I production at the \$8.00 margin would receive payments that would average +\$0.25 per hundredweight for the first eight months of 2018.

Call the Center at 717-346-0849 to set up a profit team that can help improve profitability, a transition teams that can assist with succession planning or a transformation team to help guide major business modifications.



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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 — FEBRUARY 20, 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
CLASS III MILK FUTURES (\$/CWT)	13.48	14.21	14.15	14.42	14.81	15.33	15.77	15.95	16.10	16.05	15.90	15.60	↑↑
	WEEK AGO												
	13.48	13.75	13.93	14.29	14.69	15.16	15.60	15.84	16.00	15.94	15.80	15.63	
	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	16.90 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	
MILK BASIS (\$/CWT) — PA BASIS & *3-YEAR AVERAGE OF PA/NY/VT/OH	— YOUR INDIVIDUAL BASIS WILL VARY												
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	
EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of Feb. 15, 16 and 17, 2018	N/A	N/A	5.27	5.51	5.86	6.33	6.75	7.12	7.04	6.88	6.88	5.59	↑↑
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	5.99	6.65	6.33	6.06	5.72	4.94	4.15	5.26	5.62	6.52	6.85	6.85	
MPP OFFICIAL 2-MONTH GROSS MARGINS per cwt. based on USDA-announced All-Milk price, USDA-reported com & alfalfa hay and Illinois soybean prices	USDA-announced All-Milk price, USDA-reported com & alfalfa hay and Illinois soybean prices												
JUL-AUG-16	8.42	9.16	10.54	10.82	8.95	8.97					*9.67	*9.99	↑↑
U.S. AVG ACTUAL GROSS MILK MARGIN per cwt. based on 75-lb herd average and USDA's All-Milk price, USDA-reported com & alfalfa hay & Illinois soybean prices	FEB-17	MAR-17	APR-17	MAY-17	JUN-17	JUL-17	AUG-17	SEP-17	OCT-17	NOV-17	DEC-17	JAN-18	
	13.69	12.37	11.33	11.39	12.07	12.03	12.99	12.74	12.77	13.11	13.41	*13.43	↑↑
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	FEB-17	MAR-17	APR-17	MAY-17	JUN-17	JUL-17	AUG-17	SEP-17	OCT-17	NOV-17	DEC-17	JAN-18	
	13.48	12.71	11.32	11.30	12.23	12.07	13.17	13.11	12.80	12.55	12.68	*12.66	↓↓

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)	MAR-18	MAY-18	JUL-18	SEP-18	Example Daily Strike	MAY-18	JUL-18	OCT-18	JAN-19		
13.50 0.05	14.25 0.20	14.25 0.40	14.50 0.53	14.75 0.50	15.50 0.69	15.75 0.70	16.00 0.79	16.00 0.73	16.00 0.81	16.00 0.90	15.75 0.87
CORN (\$/BU) OPTIONS — CALLS	MAR-18	MAY-18	JUL-18	SEP-18	Example Daily Strike	MAY-18	JUL-18	OCT-18	JAN-19		
3.20 46.88	3.30 44.38	3.40 43.25	3.30 59.63	3.70 01.63	4.00 03.25	4.10 08.25	4.40 09.63	330 40.00	330 42.30	330 37.05	340 32.70
SOYMEAL (\$/TON) OPTIONS — CALLS	MAY-18	JUL-18	OCT-18	JAN-19							
405 06.70	440 05.80	420 08.90	480 05.85								

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
	3.657	3.740	3.817	3.887	3.965	4.042	4.087	4.130	4.080	4.105	4.167	4.207	
	WEEK AGO												
	3.667	3.742	3.820	3.885	3.960	4.037	4.085	4.127	4.090	4.107	4.167	4.207	

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
	376.5	379.3	376.0	370.9	366.6	361.3	360.4	357.9	353.9	354.4	353.2	350.9	
	WEEK AGO												
	365.2	366.7	366.0	361.2	358.4	355.3	355.4	353.7	351.7	351.1	351.9	351.0	

*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)	02/20/18	SPOT CASH	TREND
*JAN	6.02 ↑↑	9.49 ↓↓	12.66 ↓↓	FEB	0.710	0.783	↓↓ 0.6825 ↓↓
*PREV MO	6.01	9.51	12.68	MAR	0.725	0.783	↑↑ N/A
YR AGO	6.35	10.24	13.65	APR	0.725	0.783	↑↑ 2.1400 ↑↑
				MAY	0.740	0.783	↑↑ See Below
				JUN	0.750	0.783	↑↑
				JUL	0.769	0.783	↑↑
				AUG	0.783	0.783	↑↑
				SEP	0.783	0.783	↑↑
				OCT	0.783	0.783	↑↑
				NOV	0.783	0.783	↑↑
				DEC	0.783	0.783	↑↑
				JAN	0.783	0.783	↑↑
				FEB	0.783	0.783	↑↑

*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 February 14, 2018 sale at New Holland, PA)	COWS Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open:	300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (900-1500 lb)
	1000	850	975	900	1050	450	600	810	1050	MIXED
	FOUR WEEK RUNNING AV4									
	1150	825	1000	850	1000	450	600	750	950	
	Avg. of prices reported by USDA Market News for PA & NY Auction Markets Feb. 15-20 2018									
	CULL MARKET COWS (\$/CWT LIVEWEIGHT)					FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)				
	Premium White	Breakers	Boners	Lean	Choice & Prime 1250-1550 lbs	light test	NO TEST	84.50	95.00	
	N/A	61.25 ↑↑	60.50 ↑↑	55.00 ↓↓	BULL CALVES: No. 1 & 2, 90-130 lbs		122.00	105.00	78.00	↑↑
		WEEK AGO			80-90 lbs		73.00	65.00	71.00	↑↑
		61.10	60.25	56.50						
		YEAR AGO								
	65.50	64.10	62.35	60.35						