

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

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

## CROP INSURANCE: The National Weather Service long term forecast projects the wet weather we have been seeing in the Northeast to continue through this summer, but it projects parts of the western corn belt to be dryer than normal later this summer. What if too much rain prevents you from getting the crop in on time or an unforeseen dry spell affects the pollination?

Revenue Protection Crop Insurance coverage will pay the higher of the projected price (Feb average of Dec corn contract) and the harvest price (Oct average of Dec contract) to replace his feed supply for next winter. The December 2018 projected corn price is \$3.96 per bushel, calculated as the average of December 2018 CME corn contract prices in the month of February. November soybean futures averaged \$10.16 during the same time frame, yielding the 2018 projected soybean price. These prices are almost identical to last year's \$3.96 for corn and \$10.19 for soybeans. Joe's (APH) Actual Production History averages 120 bushels of corn per acre and he will buy coverage at the seventy-five percent coverage level, so his policy's guaranteed yield is 90 bushels per acre. What if

Joe's corn yield falls to 60 bushels per acre while national yields also fall resulting in a \$5.00 harvest price? Joe's payment would be 30 bushels times \$5.00 per bushel yielding an indemnity of \$150.00 per acre. Joe would receive a check of \$15,000 for the fifty percent loss of production on his 100 acres of corn. This could buy 3,000 bushels of corn to feed the dairy herd. If Joe's yield falls to 60 bushels / acre (ac), and the harvest price also falls to \$3.00, his income would be \$180.00 / ac. (60 bu. x \$3.00). Joe's policy guarantee would be \$356.40 of income for each planted acre (90 x \$3.96). In this example his indemnity payment would be \$176.40 for each acre or \$17,640 for his farm (\$356.40 - \$180 = \$176.40 x 100 = \$17,640). This could buy 5,880 bushels of

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.

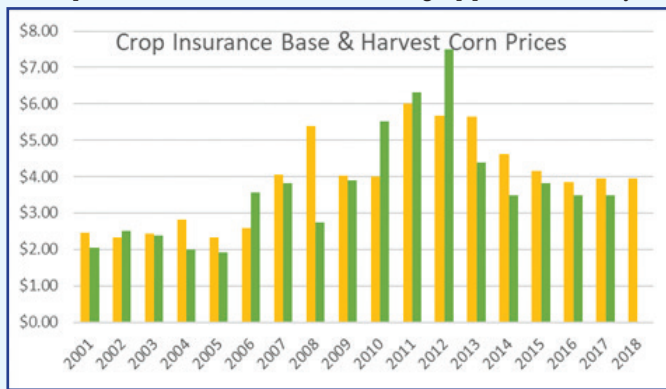
corn to replace his lost crop.

March 15 is the deadline to enroll or make changes to an existing spring crop insurance policy. Contact your crop insurance agent now to determine the appropriate plan for your farm. A list of crop insurance agents is available at: <http://prodwebnlb.rma.usda.gov/apps/AgentLocator/#/>

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 under 5 million pounds. We will list the final rules and sign-up periods when they are



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

MAR-18 APR-18 MAY-18 JUN-18 JUL-18 AUG-18 SEP-18 OCT-18 NOV-18 DEC-18 JAN-19 FEB-19 TREND

### CLASS III MILK FUTURES (\$/CWT)

14.17 14.15 14.25 14.77 15.33 15.65 15.87 15.90 15.79 15.71 15.52 15.57 ↓↓

WEEK AGO

14.05 14.13 14.29 14.78 15.32 15.67 15.89 15.97 15.85 15.80 15.62 15.60

### HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED

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 17.05 02/17 17.27 08/17

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 13.45 01/18

### MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)

PA 1.58 1.19 1.60 1.28 1.01 0.85 1.33 1.87 1.70 2.75 2.30 1.81

\*AVG 2.02 1.25 2.14 1.80 1.12 0.90 1.32 1.82 1.65 2.72 2.70 2.25

### EXPECTED LGM GROSS MARGINS\* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of March 1, 2 and 3, 2018

N/A N/A 4.97 5.47 5.98 6.38 6.68 6.79 6.67 6.59 6.37 6.44 ↓↓

### 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

SEP-OCT-16 NOV-DEC-16 JAN-FEB-17 MAR-APR-17 MAY-JUN-17 JUL-AUG-17 SEPT-OCT-17 NOV-DEC-17 \*9.88 ↓↓

### 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

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)

14.25 0.16 14.00 0.25 14.25 0.44 14.75 0.55 15.50 0.71 15.75 0.71 15.75 0.66 16.00 0.79 15.75 0.75 15.75 0.83 15.50 0.79 15.50 0.79

MAY-18 JUL-18 SEP-18 DEC-18 Example MAY-18 JUL-18 OCT-18 JAN-19

CORN (\$/BU) OPTIONS — CALLS Daily Strike SOYMEAL (\$/TON) OPTIONS — CALLS

3.30 57.38 3.50 45.63 3.70 37.88 3.80 48.25 365 27.75 370 29.30 370 24.70 380 20.45

4.25 01.13 4.80 02.13 4.90 06.38 4.90 09.50 420 04.15 435 06.50 460 04.65 470 04.60

### 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

3.792 3.872 3.945 3.997 4.062 4.135 4.180 4.222 4.130 4.152 4.212 4.250 ↑↑

WEEK AGO

3.745 3.820 3.895 3.950 4.015 4.087 4.130 4.080 4.105 4.127 4.187 4.227

### 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

380.2 383.5 384.8 381.5 377.7 373.5 371.9 368.4 361.8 358.1 357.8 355.7 ↑↑

WEEK AGO

386.5 389.2 386.4 380.7 375.4 369.0 366.4 362.8 357.4 355.6 356.1 354.7

### \*NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES-JAN. 2018

FEED COST IOFC (\$/COW) PA MILK MARGIN CME DAIRY CASH-SETTLED FUTURES (\$/LB) 03/06/18 SPOT CASH TREND

(\$/CWT milk) @ 75 lbs milk (\$/CWT milk) MAR APR MAY JUN JUL AUG SEP 03/06/18

\*JAN 6.02 ↑ 9.49 ↓ 12.66 ↓ NFDM 0.710 0.690 0.699 0.714 0.730 0.750 0.770 ↓ 0.6475 ↓

\*PREV MO 6.01 9.51 12.68 WHEY 0.250 0.260 0.260 0.265 0.272 0.276 0.285 ↑ N/A

YR AGO 6.35 10.24 13.65 BUTTER 2.225 2.282 2.307 2.325 2.331 2.344 2.345 ↑ 2.2325 ↑

CHEESE 1.545 1.542 1.546 1.596 1.651 1.680 1.699 ↑ See Below

CME SPOT CHEESE: BARRELS 1.5150 / 40 LB BLOCKS 1.6025 ↑ / ↑

### \*\*USDA NOV. 2017\*\* \*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)

ALL-MILK MAILBOX \*CL I ADV \*CL II \*CL III \*CL IV \*ALL-MILK U.S. \*ALL-MILK PA

\$21.50 \$19.46 \*13.26(MAR) \*13.44(FEB) \*13.40(FEB) \*12.87(FEB) \*16.10(JAN) \*17.00(JAN)

\$18.30 \$18.85 \$18.60 \$18.63 \$18.70 \$18.37

\$18.70 \$17.84 \$18.10 \$17.80 \$18.70 \$17.61

\$17.90 \$16.85 \$17.50 \$17.50 \$17.90 \$16.85

\$16.60 \$15.82 16.90 16.52 16.88 15.59 18.90 20.00

### CURRENT FEDERAL ORDER VALUES (\$/LB) \*NEW

PRODUCT VALUE MAKE ALLOW NET \*FEB. 2018 COMPONENTS

\*CHEESE 1.4727 0.2003 1.2724 ↓ \*PROT 1.6262 ↓

\*BUTTER 2.1112 0.1715 1.9397 ↓ \*B.FAT 2.3490 ↓

\*NFDM 0.7084 0.1678 0.5406 ↑ \*N.FAT 0.5352 ↓

\*DRYWHEY 0.2525 0.1991 0.0534 ↓ \*OTHER 0.0550 ↓

### CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. most recent March 7, 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)

1050 935 1025 875 975 500 635 765 735 ↑↑

1100 850 1025 900 975 500 650 765 775

Avg. of prices reported by USDA Market News for PA & NY Auction Markets March 1-6, 2018

FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT) CURRENT WEEK AGO YR AGO

Choice & Prime 1250-1550 lbs light test 85.00 87.00 96.00

BULL CALVES: No. 1 & 2, 90-130 lbs 71.00 122.00 120.00

80-90 lbs 39.00 73.00 85.00

Premium White Breakers Boners Lean

N/A 65.00 ↑ 65.00 ↑ 56.50 ↑

N/A 64.50 62.25 56.25

67.00 65.25 65.00 59.50

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

Average to high dressing

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