

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MONDAY, JULY 2, 2018 — except where noted

**Market Uncertainty:** Milk production is slowing around the world. The United States is the only one of the top four dairy exporting countries that has consistently increased production year over year. New Zealand is currently producing a little less milk than it did a year ago and production in the European Union is growing much more slowly than six months ago. This should be a positive sign for world prices but, the possibility of a trade war is concerning domestic markets.

The U.S. imposed steel and aluminum tariffs on Mexico, Canada and the European Union. Mexico responded with new tariffs on U.S. products, including tariffs that will soon reach 20 to 25% on U.S. cheeses. In recent history, dairy exporters paid no tariffs when their cheeses crossed the border into Mexico as part of the North American Free Trade Agreement (NAFTA). Mexico was our No. 1 cheese export market with \$391 million in sales last year and a 75% share of Mexico's cheese imports.

The U.S. announced 25% tariffs on a list of Chinese products. China retaliated by announcing tariffs of 25% on hundreds of U.S. imports, including a wide range of dairy products. In 2017, the U.S. sold \$577 million in dairy products to China, an increase of 49% over the previous year.

In the first four months of 2018, exports amounted to 16.8% of the milk solids produced in this country. In April, dairy exports set a new monthly record at 18.8% of milk solids produced.

Can we maintain these export volumes in this environment? This market uncertainty emphasizes the need for a flexible marketing plan that can build a soft floor if there is a sudden loss of exports and

prices crash, while keeping the ceiling high enough to participate in an unexpected upswing if demand grows for any reason.

The U.S. Dairy Export Council provided much of this information. They have several resources to help farmers follow trade policy developments affecting dairy; access the U.S. Dairy Exporter Blog, follow USDEC on Twitter @USDairyExporter or read USDEC trade policy news releases.

July 15 is the deadline to report spring crop plantings to the Farm Service Agency and Crop Insurance. Schedule a time with your county FSA office and your crop insurance agent to describe your plantings.



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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 — JULY 2, 2018 AT THE CLOSE

	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	TREND
<b>CLASS III MILK FUTURES (\$/CWT)</b>	15.27	14.68	15.33	15.87	15.97	15.95	15.88	15.79	15.79	15.73	15.86	15.91	↑↑
WEEK AGO	15.22	14.06	14.88	15.57	15.77	15.73	15.70	15.63	15.65	15.66	15.77	15.90	
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED													
16.92 02/17	16.92 02/17	16.92 02/17	17.05 05/18	16.97 05/18	16.95 02/17	16.95 02/17	17.05 02/17	17.27 08/17	16.85 02/17	16.75 02/17	16.90 02/17	16.90 02/17	
14.39 01/18	14.06 06/18	14.88 06/18	15.51 01/18	15.52 01/18	15.46 01/18	15.46 01/18	15.40 01/18	13.45 01/18	13.50 01/18	13.60 01/18	13.85 01/18	13.85 01/18	
<b>MILK BASIS (\$/CWT) — PA BASIS &amp; 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</b>													
PA	1.28	1.01	0.85	1.33	1.87	1.70	2.75	2.30	1.81	1.58	1.19	1.60	
*AVG	1.80	1.12	0.90	1.32	1.82	1.65	2.72	2.70	2.25	2.02	1.25	2.14	
<b>EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of June 28, 29 and 30, 2018</b>													
N/A	N/A	6.89	7.45	7.50	7.34	7.21	7.09	7.20	7.14	7.13	7.17	7.17	MIXED
<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>													
6.06	5.72	4.94	4.15	5.26	5.62	6.52	6.85	6.85	5.99	6.65	6.33	6.33	
<b>MPP OFFICIAL GROSS MARGINS &amp; 1-MO 2018 ON per cwt. (USDA All-Milk, corn &amp; alfalfa hay and Illinois soybean prices, feed for all classes of dairy cattle on the farm)</b>													
JAN-FEB-17	MAR-APR-17	MAY-JUN-17	JUL-AUG-17	SEPT-OCT-17	NOV-DEC-17	JAN-18	FEB-18	MAR-18	APR-18	*MAY-18			
10.82	8.95	8.97	9.67	9.99	9.88	8.12	6.88	6.77	6.62	*6.78			↑↑
<b>U.S. AVG ACTUAL MILK MARGIN per cwt. based on 75-lb herd average and USDA's All-Milk price, USDA-reported corn &amp; alfalfa hay &amp; Ill. soybean prices (lactating herd only)</b>													
JUN-17	JUL-17	AUG-17	SEP-17	OCT-17	NOV-17	DEC-17	JAN-18	FEB-18	MAR-18	APR-18	*MAY-18		↓↓
12.07	12.03	12.99	12.74	12.77	13.11	12.16	10.95	9.97	9.97	9.82	*9.51		↓↓
<b>PA AVG ACTUAL MILK MARGIN per cwt. based on 75-lb herd average and USDA's PA All-Milk price, USDA corn &amp; alfalfa hay &amp; Buff., NY soybean prices (lactating herd only)</b>													
11.30	12.23	12.07	13.14	13.11	12.80	12.32	10.89	10.88	9.90	10.25	*9.68		↓↓

<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)</b>																							
15.25	0.01	14.50	0.07	15.25	0.36	16.00	0.72	16.00	0.60	16.00	0.65	16.00	0.74	15.75	0.67	15.75	0.71	15.75	0.79	15.75	0.74	16.00	0.89
SEP-18				DEC-18				MAR-19				JUL-19				Example Daily Strike Price / Premium							
<b>CORN (\$/BU) OPTIONS — CALLS</b>																							
2.95	52.20	3.00	50.20	3.30	45.00	3.40	50.50	3.60	50.50	3.80	50.50	3.90	50.50	3.80	50.50	3.90	50.50	3.80	50.50	3.90	50.50	3.80	50.50
<b>CORN FUTURES (\$/BU)</b>																							
JUL-18	SEP-18	DEC-18	MAR-19	MAY-19	JUL-19	SEP-19	DEC-19	FEB-19	MAY-19	JUL-19	DEC-19		TREND										
3.374	3.470	3.590	3.694	3.764	3.830	3.820	3.876	3.974	4.034	4.092	4.022		↓↓										
WEEK AGO																							
3.540	3.632	3.752	3.846	3.914	3.976	3.960	3.996	4.072	4.132	4.204	4.110												
<b>SOYMEAL FUTURES (\$/TON)</b>																							
AUG-18	SEP-18	OCT-18	DEC-18	JAN-19	MAR-19	MAY-19	JUL-19	AUG-19	SEP-19	OCT-19			TREND										
329.5	329.3	329.0	328.0	327.8	327.7	327.6	325.8	321.8	321.0	322.8	322.9		↓↓										
WEEK AGO																							
336.6	336.1	335.6	335.6	332.5	329.3	328.1	329.6	327.5	327.0	321.5	322.5												

<b>PA MILK MARGIN &amp; IOFC—LATEST PSU VALUES—*JUNE 2018</b>				<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB)</b>										<b>07/02/18 SPOT CASH TEND</b>	
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)		JUN	JUL	AUG	SEP	OCT	NOV	DEC					
*JUNE	*6.07 ↓↓	*7.25 ↓↓	*9.66 ↓↓	0.815	0.775	0.780	0.790	0.806	0.819	0.831	↓↓	0.7400	↓↓		
*PREV MO	*6.13	*7.26	*9.68	0.307	0.330	0.329	0.322	0.311	0.310	0.310	↑↑	N/A			
YR AGO	5.97	9.02	12.03	2.366	2.285	2.302	2.312	2.335	2.339	2.344	↑↑	2.2525	↑↑		
				CHEESE	1.621	1.555	1.612	1.670	1.695	1.690	1.680	↑↑	See Below	↑↑	
				CME SPOT CHEESE: BARRELS	1.4300/	40 LB BLOCKS	1.5825					↑↑	↑↑		

<b>**USDA FEB. 2018** ALL-MILK MAILBOX</b>														<b>* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>				<b>CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW</b>			
FL	\$19.20	\$16.90			CL I ADV	CL II	CL III	CL IV	*ALL-MILK U.S.	ALL-MILK PA	*WEIGHTED AVG. JUNE 1 - 16, 2018										
N. ENGL.	\$15.90	\$15.90			↑↑ 15.36 (JUL)	14.47 (MAY)	15.18 (MAY)	14.57 (MAY)	*16.20 (MAY)	*16.70 (MAY)	MAY 2018 COMPONENTS										
WI	\$15.60	\$15.38									*CHEESE	1.6324	0.2003	1.4321	↓↓	PROT	1.8609	↑↑			
APPAL.	\$15.90	\$15.38									*BUTTER	2.3714	0.1715	2.1999	↑↑	B.FAT	2.6239	↑↑			
W.PA.	\$15.90	\$15.08									*NFDM	0.8249	0.1678	0.6571	↑↑	N.FAT	0.6196	↑↑			
SE	\$15.70	\$15.05									*DRYWHEY	0.3041	0.1991	0.1050	↑↑	OTHER	0.0742	↑↑			
OH	\$15.70	\$14.84																			
U.S.	\$15.30	\$14.81																			
NY	\$15.90	\$14.59																			
E.PA.	\$15.90	\$14.59																			
MI	\$13.80	\$13.10																			

<b>***CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. most recent June 27, 2018 sale at New Holland, PA) ***</b>															
<b>COWS</b> Fresh				<b>HEIFERS:</b> Bred				<b>Open:</b> 300-600 lbs				<b>BULLS (600-1800 lb)</b>			
1065	950	935		1015	950			N/A	575	765			885		
FOUR WEEK RUNNING AV4															
1100	950	1000		900	950			465	600	750			910		
Avg. of prices reported by USDA Market News for PA & NY Auction Markets June 28 - July 3, 2018															
<b>CULL MARKET COWS (\$/CWT LIVEWEIGHT)</b>															
Premium White				Breakers				Boners				Lean			
N/A	67.50 ↓↓	66.00 ↓↓	58.00 ↓↓	WEEK AGO											
N/A	70.50	67.50	62.00	YEAR AGO											
N/A	78.75	78.25	73.75												

<b>FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)</b>															
Choice & Prime 1250-1550 lbs				light test				CURRENT				WEEK AGO			
83.00				85.00				100.00				↓↓			
<b>BULL CALVES: No. 1 &amp; 2, 90-130 lbs</b>															
88.00				85.00				167.00				↑↑			
<b>80-90 lbs</b>															
40.00				50.00				167.00				↓↓			

brought to you by:

Price averages do not include lower-end common cows and heifers. Average to high dressing