

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, AUG. 7, 2018 — except where noted



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**Dairy inventories and production:** Most inventories of dairy products in the United States are very large by historical standards, but is that the whole story? The graph looks at monthly inventories for cheese, nonfat dry milk, and butter divided by the monthly production of each of these components. This calculation creates, and the graph shows, the number of months that it takes to build inventories on hand that month.

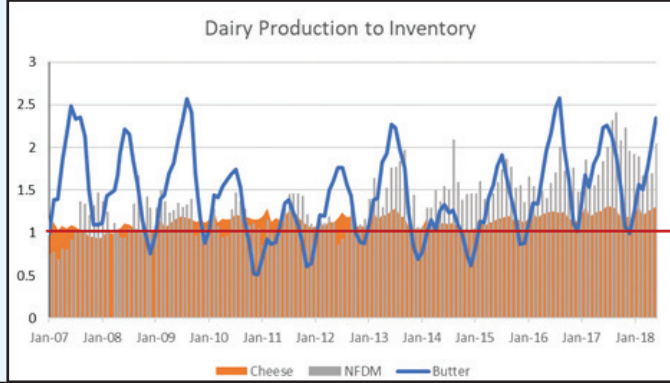
The orange-shaded area illustrates this ratio for cheese. Even though inventories of natural cheese stocks have grown from 873 million pounds in June of 2007 to almost 1.7 billion pounds last month, there is only about 1.3 month's supply of cheese on hand in domestic storage. This is not much different than the 1.1 months supply in June of 2007, even though cheese production increased more than 50% in the past decade.

The blue line illustrates the seasonality of butter production and sales. Inventories surge as butter churns run at full capacity during the spring flush and over the summer in connection with non fat dry milk production when fluid milk sales slow down due to school vacations and summer diets. Butter sales peak at the end of each year as cooks prepare traditional Thanksgiving, Christmas and New Year's meals, reducing these butter stockpiles. Butter stocks are 25% larger than they were 11 years ago, but at the beginning of the year there was still only one month's production on inventory, just like January 2007.

As we would expect, powder inventories are much higher today than they were a decade ago. Over the past 12 months, the average amount of powder in storage would equate to almost two months of production. In 2007, the 12-month average was just under one month's supply. This is why federal order nonfat solids values averaged \$0.60 per pound over

the past 12 months while the 2007 average was \$1.52.

Unfortunately, August milk check prices will fall back to where they were earlier this spring. The concern about U.S. exports, along with the large powder inventories here and abroad, have pushed milk prices lower over the past six weeks. The price recovery that we expected this fall has been delayed. Stronger consumer demand or exports could turn markets around fairly quickly if these stockpiles of dairy products begin to shrink. For the short term, the stress will continue. Stop in to see us in the dairy tent at Ag Progress Days.



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 — AUG. 7, 2018 AT THE CLOSE



	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	TREND
<b>CLASS III MILK FUTURES (\$/CWT)</b>	<b>14.83</b>	<b>15.59</b>	<b>16.04</b>	<b>16.08</b>	<b>15.91</b>	<b>15.68</b>	<b>15.51</b>	<b>15.49</b>	<b>15.64</b>	<b>15.81</b>	<b>15.91</b>	<b>16.09</b>	↓
	14.76	15.56	16.18	16.21	16.05	15.80	15.59	15.52	15.75	15.83	16.00	16.17	
WEEK AGO													
	14.76	15.56	16.18	16.21	16.05	15.80	15.59	15.52	15.75	15.83	16.00	16.17	
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED													
	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	16.85 02/17	16.90 02/17	
	14.60 07/18	15.05 07/18	15.33 07/18	15.42 07/18	15.35 07/18	15.32 07/18	13.45 01/18	13.50 01/18	13.60 01/18	13.85 01/18	13.75 01/18	13.62 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	0.85	1.33	1.87	1.70	2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	
*AVG	0.90	1.32	1.82	1.65	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	
<b>EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of July 19, 20 and 21, 2018</b>													
	N/A	N/A	<b>7.49</b>	<b>7.56</b>	<b>7.43</b>	<b>7.28</b>	<b>7.11</b>	<b>7.06</b>	<b>7.05</b>	<b>7.12</b>	<b>7.17</b>	<b>7.24</b>	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>													
	4.94	4.15	5.26	5.62	6.52	6.85	6.85	5.99	6.65	6.33	6.06	5.72	
<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>													
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	JUN-18			
8.95	8.97	9.67	9.99	9.88	8.12	<b>6.88</b>	<b>6.77</b>	<b>6.62</b>	<b>6.78</b>	<b>7.37</b>			↑
<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>													
JUL-17	AUG-17	SEP-17	OCT-17	NOV-17	DEC-17	JAN-18	FEB-18	MAR-18	APR-18	MAY-18	JUN-18		
12.03	12.99	12.74	12.77	13.11	12.16	10.95	9.97	9.97	9.82	<b>9.48</b>	<b>*9.32</b>		↓
<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>													
12.23	12.07	13.14	13.11	12.80	12.32	10.89	10.08	9.90	10.25	<b>9.68</b>	<b>*9.66</b>		↓

\*AVG = Average basis for North-East and Mid-East

\*MARGIN = Milk Price over Feed Cost per cwt.



<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)</b>																								
	SEP-18	DEC-18	MAR-19	JUL-19	Example Daily Strike	AUG-18	OCT-18	JAN-19	MAR-19															
14.75	0.03	15.50	0.21	16.00	0.36	16.00	0.44	16.00	0.58	15.75	0.69	15.50	0.58	15.50	0.63	15.50	0.57	15.75	0.71	16.00	0.83	16.00	0.78	
<b>CORN (\$/BU) OPTIONS — CALLS</b>																								
	SEP-18	DEC-18	MAR-19	JUL-19	Example Daily Strike	AUG-18	OCT-18	JAN-19	MAR-19															
3.45	16.5	3.80	21.50	3.80	30.70	4.20	23.50			290	42.65	305	35.85	310	34.20	320	27.05							
3.85	01.00	4.80	02.10	5.10	02.70	5.40	03.70			360	00.25	380	02.20	440	01.75	470	02.40							

<b>CORN FUTURES (\$/BU)</b>													
	SEP-18	DEC-18	MAR-19	MAY-19	JUL-19	SEP-19	DEC-19	FEB-20	MAY-20	JUL-20	DEC-20	JUL-21	TREND
	<b>3.712</b>	<b>3.846</b>	<b>3.960</b>	<b>4.024</b>	<b>4.080</b>	<b>4.106</b>	<b>4.196</b>	<b>4.292</b>	<b>4.190</b>	<b>4.314</b>	<b>4.204</b>		↑
WEEK AGO													
	3.722	3.864	3.970	4.022	4.066	4.062	4.082	4.176	4.232	4.270	4.184	4.186	

<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	DEC-19	TREND
	<b>337.5</b>	<b>335.5</b>	<b>335.9</b>	<b>337.4</b>	<b>336.1</b>	<b>334.4</b>	<b>333.2</b>	<b>334.9</b>	<b>335.1</b>	<b>334.7</b>	<b>333.0</b>	<b>333.1</b>	↑
WEEK AGO													
	341.2	339.9	340.2	341.4	339.9	335.1	333.2	334.7	334.7	334.2	332.4	332.4	

<b>PA MILK MARGIN &amp; IOFC-LATEST PSU VALUES - *JUNE 2018</b>													
	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)										
JUNE	<b>*6.07</b>	<b>*7.25</b>	<b>*9.66</b>										
PREV MO	6.13	7.26	9.68										
YR AVO	5.97	9.02	12.03										

<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 08/07/18</b>													
	AUG	SEP	OCT	NOV	DEC	JAN	FEB	SPOT CASH TEND					
NFDM	0.820	0.865	0.882	0.891	0.900	0.912	0.914	↓	0.8375	NC			
WHEY	0.354	0.365	0.370	0.368	0.365	0.368	0.363	↑	N/A				
BUTTER	2.310	2.315	2.339	2.347	2.338	2.300	2.295	↑	2.3150	↑			
CHEESE	1.555	1.618	1.667	1.665	1.650	1.628	1.622	↓	See Below				
<b>CME SPOT CHEESE: BARRELS 1.4850 / 40 LB BLOCKS 1.5775 ↑ / ↑</b>													

<b>**USDA APR. 2018** ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>													
	CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA							
	<b>14.13</b>	<b>*15.20</b>	<b>*14.10</b>	<b>*14.14</b>	<b>16.30</b>	<b>17.00</b>							
MONTH AGO													
	15.36	15.48	15.21	14.91	16.20	16.70							
YEAR AGO													
	16.72	17.48	15.45	16.60	17.30	18.00							

<b>***CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. most recent Aug. 1, 2018 sale at New Holland, PA)***</b>													
	COWS Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open:	300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1800 lb)			
	1010	N/A	1025	900	915	475	575	N/A	900				
FOUR WEEK RUNNING AV4													
	1000	950	1000	850	915	485	600	775	875				
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Aug. 2 - 7, 2018													
<b>FED HOLSTEIN STEERS (\$/CWT LIVWEIGHT)</b>													
Choice & Prime 1250-1550 lbs										85.50	82.00	97.50	↑
<b>BULL CALVES: No. 1 &amp; 2, 90-130 lbs</b>													
80-90 lbs										165.00	152.00	130.00	↑
<b>CULL MARKET COWS (\$/CWT LIVWEIGHT)</b>													
Premium White	Breakers	Boners	Lean										
N/A	<b>60.50</b>	<b>59.00</b>	<b>52.00</b>										
WEEK AGO													
N/A	60.00	59.75	52.75										
YEAR AGO													
N/A	74.25	73.85	69.50										

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