CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — **TUESDAY, OCT. 23, 2018** — except where noted

October: Cow numbers are finally dropping, according to the most recent milk production report, but production still grew 1.3% nationally over the past year. Pennsylvania lost 8,000 cows or a reduction of 1.5% with a drop in total milk production of 4.2% in the Commonwealth.

Dairy cow slaughter numbers are 5% higher than last year and 20% more than 3 years ago. The U.S. economy is doing very well. Consumer confidence is at an 18-year high, the unemployment rate is at a 49-year low.

The large stockpiles of milk powder in Europe are slowly decreasing, but are still three times larger than they were at the beginning of 2016. Global milk production is increasing less than 1% compared to a year ago. At this time last year, world production was growing at around 3% per year.

U.S. dairy exports to date in 2018 are up 17% by volume and 4% by value -- despite trade uncertainties with China, Mexico, Canada and other trading partners.

The regional, national, and global supply of dairy products are abundant. Demand for dairy products is also strong at all levels. If world and domestic economies continue to grow, we would expect dairy inventories to keep on decreasing and prices to slowly increase. Future economic uncertainty, along with the plentiful supply of milk and milk powder is generating flat, mediocre futures market dairy prices.

Class III futures market prices for the next 12 months currently average $15.85, more than a dollar under the 5-year average of $16.99. Class IV futures average $15.43, $0.80 below the 5-year $16.28 average. LGM-Dairy expected margins for the next 10 months average $7.59, under the 5-year average of $8.00.

Margin Protection Program margins will remain above the $8.00 payment level for the rest of the year, barring a surprise to the markets. The current MPP program expires at the end of this year along with the 2014 farm bill. House and Senate Farm Bill proposals both include revised versions of the MPP. Some details vary slightly, but it appears coverage will be raised to $9.00 and the premiums for Tier I producers under 5 million pounds of milk production will be much lower if Congress passes a similar version.

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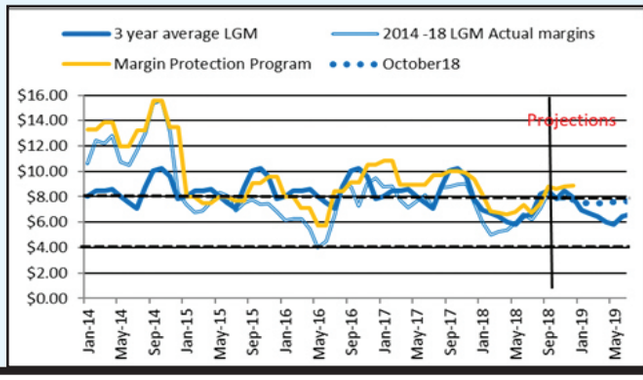
Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, using CME and USDA reports and the CDE Scorecard.



CME DAILY FUTURES & OPTIONS TRADING — OCT. 23, 2018 AT THE CLOSE

	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	TREND
CLASS III MILK FUTURES ($/CWT)	15.50	15.10	15.12	15.08	15.15	15.35	15.62	15.75	15.90	16.16	16.37	16.54	↓↓
WEEK AGO	15.62	15.75	15.73	15.69	15.73	15.86	16.03	16.02	16.10	16.27	16.45	16.58	
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT *AND MONTH/YEAR IT OCCURRED*	16.97 *05/18*	16.95 *02/17*	16.95 *02/17*	17.05 *02/17*	17.27 *08/17*	16.85 *02/17*	16.75 *02/17*	16.90 *02/17*	16.85 *02/17*	16.90 *02/17*	16.90 *02/17*	16.92 *02/17*	
	15.33 *07/18*	15.10 *10/18*	15.12 *10/18*	15.08 *10/18*	13.45 *01/18*	13.50 *01/18*	13.60 *01/18*	13.85 *01/18*	13.75 *01/18*	13.62 *01/18*	13.62 *01/18*	13.55 *01/18*	
MILK BASIS ($/CWT) — **PA BASIS & 2014-16 AVG OF PA/NY/VT/OH** — ***YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)***													
PA	1.87	1.70	2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	
*AVG	1.82	1.65	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	
EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) *per cwt. based on futures prices for Class III milk, soybeans, corn as of Oct. 18, 19, and 20, 2018*	N/A	N/A	7.77	7.58	7.46	7.44	7.59	7.56	7.59	7.74	7.93	8.04	↓↓
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*	5.26	5.62	6.52	6.85	6.85	5.99	6.65	6.33	6.06	5.72	4.94	4.15	

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

*MARGIN = Milk Price over Feed Cost per cwt.

MPP OFFICIAL GROSS MARGINS & 1-MO 2018 ON *per cwt.(USDA All-Milk, corn & alfalfa hay and Illinois soybean prices, feed for all classes of dairy cattle on the farm)*

JUL-AUG-17	SEPT-OCT-17	NOV-DEC-17	JAN-18	FEB-18	MAR-18	APR-18	MAY-18	JUN-18	JUL-18	*AUG-18	SEP-18	
9.67	9.99	9.88	8.12	6.88	6.77	6.62	6.78	7.37	6.72	*7.43	N/A	↑↑

U.S. AVG ACTUAL MILK MARGIN *per cwt. based on 75-lb herd average and USDA's All-Milk price, USDA-reported corn & alfalfa hay & Ill. soybean prices (lactating herd only)*

NOV-17	DEC-17	JAN-18	FEB-18	MAR-18	APR-18	MAY-18	JUN-18	JUL-18	AUG-18	*SEP-18	*OCT-18	
13.21	12.16	10.95	9.97	9.62	9.82	10.04	10.40	9.62	*10.24	*10.67	*11.81	↑↑

PA AVG ACTUAL MILK MARGIN *per cwt. based on 75-lb herd average and USDA's PA All-Milk price, USDA corn & alfalfa hay & Buff., NY soybean prices (lactating herd only)*

12.75	12.32	10.89	10.08	9.90	10.25	10.71	11.10	10.26	10.04	*11.79	*13.03	↑↑

CLASS III MILK ($/CWT) **OPTIONS — PUTS — Daily Strike Price** / Premium *(per dailydairyreport.com)*

15.50	0.03	15.00	0.16	15.25	0.38	15.00	0.36	15.25	0.51	15.25	0.47	15.50	0.52	15.75	0.64	16.00	0.72	16.25	0.73	16.50	0.80	16.50	0.75

DEC-18		MAR-19		JUL-19		DEC-19	
CORN ($/BU) OPTIONS — CALLS							
3.45	25.70	3.70	19.60	3.80	27.60	4.00	27.20
3.95	01.00	4.30	02.20	5.00	02.50	4.90	06.70

Example Daily Strike Price / Premium

DEC-18		JAN-19		MAR-19		JUL-19	
SOYMEAL ($/TON) OPTIONS — CALLS							
290	21.80	295	20.45	300	21.10	310	18.40
335	01.05	340	02.20	380	01.80	400	02.70

CORN FUTURES ($/BU)

DEC-18	MAR-19	MAY-19	JUL-19	SEP-19	DEC-19	FEB-20	MAY-20	JUL-20	SEP-20	DEC-20	JUL-21	TREND
3.702	3.824	3.900	3.956	3.974	4.024	4.112	4.166	4.214	4.152	4.160	4.306	↓↓
WEEK AGO												
3.752	3.872	3.942	3.992	4.004	4.052	4.140	4.194	4.236	4.170	4.164	4.306	

SOYMEAL FUTURES ($/TON)

DEC-18	JAN-19	MAR-19	MAY-19	JUL-19	AUG-19	SEP-19	OCT-19	DEC-19	JAN-20	MAR-20	JUL-20	TREND
310.7	312.8	314.5	314.6	315.7	316.4	316.9	316.2	316.8	319.0	319.7	321.4	↓↓
WEEK AGO												
324.2	323.1	320.9	321.2	321.5	321.6	320.7	322.4	325.3	325.3	332.3	331.2	

*=NEW

FEED = $/CWT.

IOFC = $/COW

PA MILK MARGIN & IOFC–LATEST PSU VALUES– *OCT. 2018

	FEED COST ($/CWT milk)	IOFC ($/COW @ 75 lbs milk)	PA MILK MARGIN ($/CWT milk)
*OCT	*6.11 ↓↓	*9.78 ↑↑	*13.03 ↑↑
PREV MO	*6.13	*8.84	*11.79
YR AGO	5.80	9.75	13.00

CME DAIRY CASH-SETTLED FUTURES ($/LB) 10/23/18 SPOT CASH TREND

	OCT	NOV	DEC	JAN	FEB	MAR	APR	10/23/18	
NFDM	0.877	0.885	0.892	0.902	0.913	0.925	0.937 ↑↑	0.8700	↑↑
WHEY	0.438	0.452	0.455	0.438	0.417	0.400	0.394 ↓↓	0.4750	↓↓
BUTTER	2.273	2.252	2.223	2.190	2.204	2.235	2.256 ↓↓	2.1950	↓↓
CHEESE	1.569	1.522	1.522	1.530	1.550	1.580	1.610 ↓↓	*See Below*	

CME SPOT CHEESE: BARRELS 1.2200 / 40 LB BLOCKS 1.4750 ↓↓ / ↓↓

USDA JUNE 2018

	ALL-MILK	MAILBOX
*FL	$20.40	$17.97
*N.ENGL	$17.40	$17.15
*WI	$16.50	$16.25
*APPAL	$17.60	$16.37
*SE	N/A	$16.29
*U.S.	$16.30	$15.73
*NY	$16.90	$16.01
*PA	$17.00	$15.78
*OH	$16.10	$15.44
*IN	$15.50	$14.90
*MI	$14.80	$14.07

***=NEW ANNOUNCED FEDERAL ORDER PRICES** ($/CWT)

	CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S	ALL-MILK PA
↓↓	15.52(NOV)	15.13(SEP)	16.09(SEP)	14.81(SEP)	15.76(AUG)	17.26(AUG)
MONTH AGO	16.33	15.07	14.95	14.63	15.40	16.20
YEAR AGO	16.44	16.80	16.36	15.86	18.00	19.30

CURRENT FEDERAL ORDER VALUES ($/LB) * = *NEW*

WEIGHTED AVG. 2-WK OCT. 1-13, 2018

PRODUCT	VALUE	MAKE ALLOW	NET	
CHEESE	1.5723	0.2003	1.3720	↓↓
BUTTER	2.2836	0.1715	2.1121	↑↑
NFDM	0.8707	0.1678	0.7029	↑↑
DRYWHEY	0.4379	0.1991	0.2388	↑↑

SEPT. 2018 COMPONENTS

PROT	2.0029	↑↑
B.FAT	2.5442	↓↓
N.FAT	0.6801	↑↑
OTHER	0.2098	↑↑

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

*****CATTLE - DAIRY PURPOSES** ($/HD) **NORTHEAST** (Avg. most recent Oct. 24, 2018 sale at New Holland, PA) ***

COWS Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open:	200-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1800 lb)
1000	785	835	500	725		250	435	N/A	650
FOUR WEEK RUNNING AV4									
1000	800	825	650	775		300	435	500	775

Avg. of prices reported by USDA Market News for PA & NY Auction Markets Oct. 17-23, 2018

CULL MARKET COWS ($/CWT LIVEWEIGHT)

Premium White	Breakers	Boners	Lean	
N/A	50.00 ↓↓	48.00 ↓↓	43.25 ↓↓	
WEEK AGO				
N/A	54.50	53.60	46.50	
YEAR AGO				
N/A	59.50	58.85	53.50	

Average to high dressing

FED HOLSTEIN STEERS ($/CWT LIVEWEIGHT)

	CURRENT	WEEK AGO	YR AGO	
Choice & Prime 1250-1550 lbs light test	83.00	84.00	82.00	↓↓
BULL CALVES: No. 1 & 2, 90-130 lbs	112.00	90.00	130.00	↑↑
80- 90 lbs	53.00	72.00	99.00	↓↓

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