

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, OCT. 30, 2018 — except where noted



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**Dairy Revenue Protection Projections:** Dairy Revenue Protection (Dairy-RP) is a new crop insurance product designed to insure against unexpected declines in the quarterly revenue from milk sales relative to a guaranteed coverage level. The expected revenue is based on futures prices for milk and dairy commodities and the amount of milk production dairy producers choose to cover. The covered milk production is indexed to the state or region where the dairy producer is located and sold daily.

The graph below illustrates coverage projection estimates for the four quarters of 2019 that were available to purchase at the end of October. The blue line represents Class III futures milk prices into the first quarter of 2020. The orange line signifies Class IV prices.

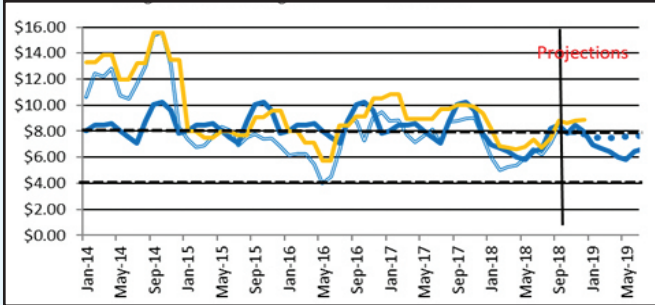
As an example, we will look at a blend of 60% Class III milk futures and 40% Class IV milk futures prices which reflects utilization in Federal Orders 1 and 33. The first quarter of 2019 includes January, February and March. The average projected price for this price blend in the first quarter is \$15.15. The second quarter \$15.70, the third and fourth quarters are currently offering a \$16.25 milk price floor.

Cost will vary depending on the coverage level selected, the amount of time until the insured quarter, and the "protection factor" chosen by the buyer. Producers can choose to protect between 70 and 95% of the projected price each day after prices settle on the CME (Chicago Mercantile Exchange).

Protecting the first quarter projected price at 95% would construct a price floor for the first three months of 2019 of \$14.40 (\$15.15 \* 0.95) that would cost around \$0.07 per hundredweight. Lowering the coverage level

for this same quarter to 70%, would guarantee a \$10.61 price floor (\$15.15 \* 0.70 = \$10.605) costing around \$0.087 per hundredweight, less than a penny.

For quarter two, 95% coverage would secure a \$14.92 Class III / Class IV blended price (\$15.70 \* 0.95 = \$14.915) costing \$0.1578 per hundredweight. The 95% coverage in quarter 3 would protect a \$15.44 floor at a cost of \$0.2083 per cwt. In quarter 4, the projected price is identical to quarter 3, so 95% coverage will create the same \$15.44 price floor, but cost for this identical coverage increases to \$0.2406 per hundredweight due to the greater amount of time between purchase and maturity of the policy. Crop insurance agents selling Dairy R-P are listed at <https://prodwebnlb.rma.usda.gov/apps/AgentLocator/>



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. 30, 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
<b>CLASS III MILK FUTURES (\$/CWT)</b>	15.54	14.77	15.05	15.00	15.07	15.27	15.55	15.65	15.65	15.79	16.06	16.48	↓
	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													
	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	14.77 10/18	14.95 10/18	14.92 10/18	14.87 10/18	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	
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED													
<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 1.87	1.70	2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	
<b>*AVG</b>	1.82	1.65	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	
<b>EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of Oct. 25, 26 and 27, 2018</b>													
	N/A	N/A	7.12	6.99	7.03	7.16	7.38	7.48	7.58	7.80	7.97	8.10	↓
<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>	5.26	5.62	6.52	6.85	6.85	5.99	6.65	6.33	6.06	5.72	4.94	4.15	
<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>													
	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	
<b>*AVG</b>	9.67	9.99	9.88	8.12	6.88	6.77	6.62	6.78	7.37	6.72	7.43	*8.26	↑
<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>													
	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	↑
<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>													
	12.75	12.32	10.89	10.08	9.90	10.25	10.71	11.10	10.26	10.04	*11.79	*13.03	↑

\*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>																								
15.50	CAB 14.75	0.16	15.00	0.23	15.00	0.31	15.00	0.35	15.25	0.45	15.50	0.58	15.75	0.64	15.75	0.64	15.75	0.62	16.00	0.64	16.50	0.86		
	<b>DEC-18</b>	<b>MAR-19</b>	<b>JUL-19</b>	<b>DEC-19</b>	Example Daily Strike Price / Premium		<b>DEC-18</b>	<b>JAN-19</b>	<b>MAR-19</b>	<b>JUL-19</b>	<b>SOYMEAL (\$/TON) OPTIONS — CALLS</b>													
	3.45	25.70	3.70	19.60	3.80	27.60	4.00	27.20	290	21.80	295	20.45	300	21.10	310	18.40	335	01.05	340	02.20	380	01.80	400	02.70
	3.95	01.00	4.30	02.20	5.00	02.50	4.90	06.70																

<b>CORN FUTURES (\$/BU)</b>													
	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
	3.632	3.756	3.836	3.896	3.914	3.976	4.066	4.124	4.214	4.172	4.130	4.154	↓
WEEK AGO													
	3.702	3.824	3.900	3.956	3.974	4.024	4.112	4.166	4.214	4.152	4.160	4.306	

<b>SOYMEAL FUTURES (\$/TON)</b>													
	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
	306.4	308.2	309.6	310.1	311.8	312.9	313.4	312.4	313.5	314.6	315.8	316.5	↓
WEEK AGO													
	310.7	312.8	314.5	314.6	315.7	316.4	316.9	316.2	316.8	319.0	319.7	321.4	

<b>*NEW PA MILK MARGIN &amp; IOFC—LATEST PSU VALUES— *OCT. 2018</b>				<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 10/30/18 SPOT CASH TEND</b>												
<b>FEED = \$/CWT.</b>	<b>FEED COST (\$/CWT milk)</b>	<b>IOFC (\$/COW @ 75 lbs milk)</b>	<b>PA MILK MARGIN (\$/CWT milk)</b>	<b>OCT</b>	0.872	0.872	0.880	0.890	0.904	0.915	0.929	↓	0.8675	↓		
<b>IOFC = \$/COW</b>	<b>*OCT</b>	6.11	9.78	13.03	0.445	0.440	0.438	0.413	0.388	0.373	0.370	↓	0.4525	↓		
	<b>PREV MO</b>	6.13	8.84	11.79	2.279	2.257	2.239	2.198	2.217	2.240	2.262	↑	2.2250	↑		
	<b>YR AGO</b>	5.80	9.75	13.00	1.569	1.494	1.524	1.538	1.558	1.585	1.610	↑	See Below	↑		
					<b>CME SPOT CHEESE: BARRELS 1.2475 / 40 LB BLOCKS 1.5125 ↑ / ↑</b>											

<b>**USDA JULY 2018** ALL-MILK MAILBOX</b>																																
*FL	\$20.10	\$18.07	*SE	N/A	\$17.27	*APP	\$17.40	\$16.28	*N.ENG	\$16.50	\$16.27	*NY	\$15.30	\$15.24	*WI	\$15.30	\$15.01	*PA	\$16.20	\$15.01	*U.S.	\$15.40	\$14.95	*OH	\$15.20	\$14.76	*IN	\$15.20	\$14.46	*MI	\$14.20	\$13.43

<b>*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>																		
	CL I ADV	*CL II	*CL III	*CL IV	A L L-MILK U.S	A L L-MILK PA	<b>WEIGHTED AVG. 2-WK OCT. 1-28, 2018</b>							<b>*OCT. 2018 COMPONENTS</b>				
	15.52(NOV)	*15.54(OCT)	*15.53(OCT)	*15.01(OCT)	↑↑	*16.70(SEP)	↓	*17.10(SEP)	<b>PRODUCT VALUE MAKEALLOW NET</b>							*PROT	1.7185	↓
	16.33	15.13	16.09	14.81	15.76	17.26	<b>*CHEESE 1.5686 0.2003 1.3683 ↓</b>							*B.FAT	2.5551	↑		
	<b>MONTH AGO</b>						<b>*BUTTER 2.2814 0.1715 2.1099 ↓</b>							*N.FAT	0.6990	↑		
	<b>YEAR AGO</b>						<b>*NFDM 0.8739 0.1678 0.7061 ↑</b>							*OTHER	0.2553	↑		
	16.44	15.95	16.69	14.85	17.80	19.00	<b>*DRYWHEY 0.4470 0.1991 0.2779 ↑</b>											

<b>***CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. most recent Oct. 24, 2018 sale at New Holland, PA) ***</b>																		
<b>COWS</b> Fresh	1000	Bred	785	Springing	835	<b>HEIFERS:</b> Bred	500	Springing	725	Open:	200-600 lbs	250	600-900 lbs	435	900-1200 lbs	N/A	<b>BULLS</b> (600-1800 lb)	650
<b>FOUR WEEK RUNNING AV4</b>																		
	1000	800	825	650	775	300	435	500	775									
<b>Avg. of prices reported by USDA Market News for PA &amp; NY Auction Markets Oct. 25-31, 2018</b>																		
<b>CULL MARKET COWS (\$/CWT LIVEWEIGHT)</b>																		
	Premium White	Breakers	Boners	Lean														
	N/A	49.25	↓	50.00	↑	43.00	↓	<b>WEEK AGO</b>										
	N/A	50.00	48.00	43.25	<b>YEAR AGO</b>													
	N/A	55.00	53.25	55.00														

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

Average to high dressing

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