

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, NOV. 27, 2018 — except where noted



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Many farms are evaluating their current business plans. The Center for Dairy Excellence can not change the milk price, but we can provide resources to help give a fresh perspective on your situation. Dairy Profit Teams consist of a farm's most trusted advisors with a facilitator to coordinate meetings and work flow. The Center has a list of 15 Dairy Decision Consultants who can review your financial performance and identify strategies for improved viability. Risk management and stress management resources are also available. Call the Center at 717-346-0849 or email info@centerfordairyexcellence.org for more information.

November: When will milk prices recover? The trough on this cycle has not been as deep as 2009, but it has lasted longer than previous cycles, creating even more cash flow stress on many farms than during that traumatic period.

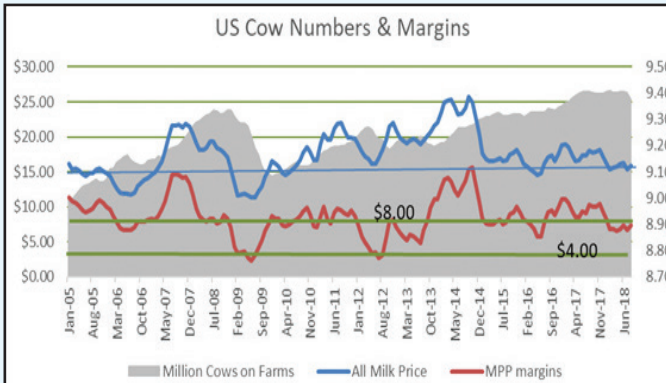
Dairy cow numbers in the country are falling slowly, but production per cow is still growing the nation's total milk production. Domestic butter and cheese inventories are 6 and 8% larger than last October. The rolling one-year averages for these products are 6 and 8% larger than their 3-year averages. U.S. powder nonfat dry milk inventories are falling -- 18% lower than last year.

Export volumes of milk powders, cheese, butterfat products, whey and lactose from the U.S. are all significantly larger in the first 7 months of this year than the first 7 months of 2017. World prices for most of these products are around 10% lower than they were a year ago, so the total value of these exports is only 6% above last year.

Last May, November Class III futures were trading around \$16.50 as the market anticipated production declines and shrinking inventories. The combination of trade sanctions on agriculture products from the U.S., growing milk production in New Zealand, steady milk production in this country with rising inventories, and world dairy inventories that are still significant, have pushed November Class III futures down \$2.00 per hundredweight from where the futures trade "expected" them to be when looking ahead, back in May.

Class III futures market prices return to \$16.00 and above for summer and fall 2019 contracts, but as we are learning, these are marketing opportunities, not assured prices. A trade war settlement could quickly send futures prices up and more tariffs could keep settlement prices down.

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 — NOV. 27, 2018 AT THE CLOSE

	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	OCT-19	TREND
CLASS III MILK FUTURES (\$/CWT)	14.49	14.04	14.24	14.58	14.88	15.26	15.44	15.62	15.93	16.16	16.43	16.34	↓
	14.47	14.46	14.56	14.76	15.01	15.36	15.54	15.68	16.01	16.27	16.54	16.40	
----- HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED -----													
	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	16.93 02/17	
	14.57 11/18	14.04 11/18	14.90 11/18	14.58 11/18	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	13.75 01/18	
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/CH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)	PA 1.70	2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87	
*AVG	1.65	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82	
EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of Nov. 22, 23 and 24, 2018	N/A	N/A	6.50	6.68	7.02	7.29	7.48	7.78	7.97	8.17	7.99	7.99	↑
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	5.62	6.52	6.85	6.85	5.99	6.65	6.33	6.06	5.72	4.94	4.15	5.26	
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	8.26	↑
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)	DEC-17	JAN-18	FEB-18	MAR-18	APR-18	MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	
	12.16	10.95	9.97	9.62	9.82	10.04	10.40	9.62	10.24	11.00	11.81	11.67	↑
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)	DEC-17	JAN-18	FEB-18	MAR-18	APR-18	MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	
	12.32	10.89	10.08	9.90	10.25	10.71	11.10	10.26	10.04	11.01	13.04	13.27	↑

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)																		
	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	OCT-19	TREND					
	14.50	0.03	14.00	0.19	14.25	0.32	14.50	0.34	14.75	0.38	15.25	0.49	15.50	0.58				
	15.75	0.66	16.00	0.65	16.25	0.70	16.50	0.73	16.25	0.65	16.25	0.65						
CORN (\$/BU) OPTIONS — CALLS	DEC-18	MAR-19	JUL-19	DEC-19	Example Daily Strike	DEC-18	JAN-19	MAR-19	JUL-19	SOYMEAL (\$/TON) OPTIONS — CALLS	DEC-18	JAN-19	MAR-19	JUL-19				
	3.40	22.30	3.40	34.20	3.60	33.50	3.90	27.50	3.90	27.50	280	25.60	285	23.00	280	31.05	310	18.95
	3.75	02.00	4.10	02.30	4.50	04.70	4.90	05.60	4.90	05.60	305	02.65	330	01.15	355	01.70	390	03.35

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
	3.564	3.684	3.756	3.824	3.860	3.920	4.020	4.074	4.120	4.074	4.102	4.254	↓
	3.622	3.732	3.810	3.876	3.906	3.962	4.054	4.110	4.154	4.096	4.122	4.274	
----- WEEK AGO -----													
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
	304.9	307.1	310.0	312.9	315.9	317.4	318.7	319.1	320.5	320.5	321.6	322.7	mostly steady
	305.5	307.5	309.9	312.8	315.7	317.0	318.0	318.0	318.0	319.4	320.6	321.7	
----- WEEK AGO -----													

* = NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES - * NOV. 2018				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/27/18				SPOT CASH TEND				
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	NOV	DEC	JAN	FEB	MAR	APR	MAY	11/27/18	11/27/18
*NOV	6.16	9.95	13.27	0.884	0.894	0.905	0.919	0.939	0.954	0.970	0.9100	↑
IOFC	6.11	9.78	13.04	0.461	0.440	0.415	0.385	0.371	0.370	0.368	0.4200	↓
PREV MO	6.15	9.56	12.75	2.260	2.175	2.155	2.160	2.175	2.190	2.207	2.2150	↓
YR AGO				1.450	1.420	1.457	1.512	1.551	1.589	1.612	2.2150	↓
				CHEESE: BARRELS 1.2500 / 40 LB BLOCKS 1.3550								Stdy / ↑

* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)							CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW				
CL I	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA	WGTED AVG. 2-WK NOV 1-17, 2018	PRODUCT	VALUE	MAKE ALLOW	NET	*OCT. 2018 COMPONENTS
15.05(DEC)	15.54(OCT)	15.53(OCT)	15.01(OCT)	16.70(SEP)	17.10(SEP)	CHEESE	1.4507	0.2003	1.2504	↓	*PROT 1.7185
						BUTTER	2.2595	0.1715	2.0880	↓	*B.FAT 2.5551
						NFDM	0.8886	0.1678	0.7208	↑	*N.FAT 0.6990
						DRYWHEY	0.4648	0.1991	0.2657	↑	*OTHER 0.2553

*** CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. most recent Nov. 21, 2018 sale at New Holland, PA) ***													
COWS				HEIFERS				BULLS (600-1800 lb)					
Fresh	Bred	Springing	Open	Bred	Springing	Open	300-600 lbs	600-900 lbs	900-1200 lbs	1200-1800 lbs	1800-2400 lbs	2400-3000 lbs	3000-3600 lbs
850	600	700	700	650	700	260	360	N/A	525				
----- FOUR WEEK RUNNING AV4 -----													
850	650	725	725	650	750	275	380	N/A	600				
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Nov. 26-27, 2018													
CULL MARKET COWS (\$/CWT LIVEWEIGHT)													
Premium White	Breakers	Boners	Lean										
N/A	47.50	46.00	38.25										
----- WEEK AGO -----													
N/A	47.50	50.00	39.25										
----- YEAR AGO -----													
N/A	54.50	55.00	52.00										

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