

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, DEC. 4, 2018 — except where noted



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Market drivers: There is not one simple cause of the financial stress on Northeast dairy farms. The average of the Pennsylvania All Milk Price from January 2013 through December 2015 was \$21.85. The difference between this pay price and the Class III prices, or the basis, over this 3-year period was \$3.14. Since January 2016, the Pennsylvania All Milk Price has lost more than \$4.00 per hundredweight, averaging \$17.59. Adding to the pain, the premium, or basis, above the Class III price in Pennsylvania lost \$0.80, falling to an average of \$2.34 over the last three years.

tra" milk in this market.

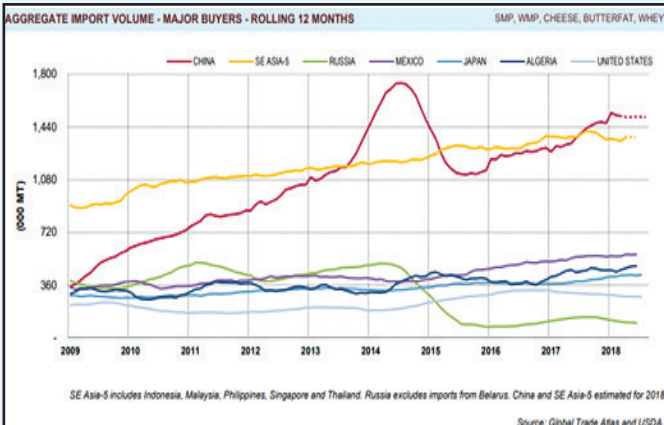
World events and changing consumer preferences will continue to drive demand for dairy products from both a positive and negative perspective. These changing markets will affect the business plans on all size farms in all regions.

The Center for Dairy Excellence offers several tools that can help your farm navigate this uncertain future. Call the Center at 717-346-0849 or email info@centerfordairyexcellence.org for more information on these tools.

The graph below from the US Dairy Export Council (USDEC) shows the dairy imports of seven countries and regions around the world since 2009. This illustrates the explosion in Chinese demand for dairy into 2014, the 33% import decline in 2015, and the slow recovery since then. The steady import growth in Indonesia, Malaysia, the Philippines, Singapore and Thailand. The effect of the 2014 Russian dairy import embargo. Mexico, Japan, and Algeria have steadily increased dairy exports while imports into the United States have not changed much in the past 10 years. What will this graph look like in five years?

World prices fell as China and Russia imported less product in 2014. The European Union milk quota regime ended on March 31, 2015 just as world supply was growing and prices were falling. This explains why world prices have stagnated, keeping U.S. prices in a range between \$15.00 and \$17.00.

Pennsylvania production has grown about 0.4% over the past three years while national production grew about 1.24%. Because fluid consumption is dropping everywhere, and this region has supported the fluid market so strongly, the non-fluid plants in the Northeast were overflowing at times over the past several years — despite relatively flat milk production. The decreased premiums, or basis, are a result of the cost to accommodate this “ex-



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 — DEC. 4, 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)

14.47 13.89 14.31 14.73 15.05 15.44 15.63 15.78 16.08 16.34 16.56 16.48 ↑↑

14.49 14.04 14.24 14.58 14.88 15.26 15.44 15.62 15.93 16.16 16.43 16.34

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

14.47 11/18 13.89 11/18 14.90 11/18 14.58 11/18 13.50 01/18 13.60 01/18 13.75 01/18 13.62 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 AV OF PA/NY/VT/OH — 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. 29, 30 and Dec. 1, 2018

N/A N/A 6.50 6.72 6.93 7.21 7.35 7.47 7.72 7.88 8.13 8.00 ↓↓

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)

SEPT-OCT-17 NOV-DEC-17 JAN-18 FEB-18 MAR-18 APR-18 MAY-18 JUN-18 JUL-18 AUG-18 SEP-18 *OCT-18 *NOV-18

9.99 9.88 8.12 6.88 6.77 6.62 6.78 7.37 6.72 7.43 8.26 8.96 ↑↑

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)

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)

14.50 NAB 14.00 0.19 14.25 0.26 14.75 0.38 15.00 0.40 15.50 0.52 15.75 0.61 15.75 0.57 16.00 0.57 16.25 0.61 16.50 0.66 16.50 0.70

CORN (\$/BU) OPTIONS — CALLS

3.55 29.70 3.60 26.70 3.80 28.30 4.00 27.10

3.95 02.30 4.20 03.00 4.70 04.50 5.00 06.10

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

3.742 3.846 3.914 3.982 3.990 4.026 4.114 4.166 4.212 4.144 4.150 4.296 ↑↑

3.564 3.684 3.756 3.824 3.860 3.920 4.020 4.074 4.120 4.074 4.102 4.254

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 MAY-20 TREND

312.6 314.7 317.5 320.5 323.6 325.1 326.2 326.4 327.8 328.8 329.9 330.9 ↑↑

305.6 307.1 310.0 312.9 315.9 317.4 318.7 319.1 320.5 320.5 321.6 322.7

PA MILK MARGIN & IOFC—LATEST PSU VALUES— *NOV. 2018

FEED COST IOFC (\$/COW PA MILK MARGIN

(\$/CWT milk) @ 75 lbs milk (\$/CWT milk)

*NOV *6.16 ↑↑ *9.95 ↑↑ *13.27 ↑↑

PREV MO 6.11 9.78 13.04

YR AGO 6.15 9.56 12.75

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 12/04/18 SPOT CASH TREND

NOV DEC JAN FEB MAR APR MAY

NFDM 0.885 0.892 0.905 0.920 0.931 0.947 0.966 mixed 0.9150 ↑↑

WHEY 0.462 0.453 0.450 0.420 0.407 0.400 0.387 ↑↑ 0.4325 ↑↑

BUTTER 2.265 2.210 2.210 2.210 2.227 2.252 2.268 ↑↑ 2.2325 ↑↑

CHEESE 1.447 1.394 1.443 1.500 1.543 1.589 1.615 ↓↓ See Below

CME SPOT CHEESE: BARRELS 1.2800 / 40 LB BLOCKS 1.3600 ↑↑ / ↑↑

USDA AUG. 2018 ALL-MILK MAILBOX

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

CL I ADV ↓↓ *CL III ↑↑ *CL III ↓↓ *CL IV ↑↑ *ALL-MILK-U.S. *ALL-MILK-PA

15.05(DEC) *15.63(NOV) *14.43(NOV) *15.06(NOV) *17.40(OCT) ↑↑ *18.10(OCT) ↑↑

MONTH AGO 3.95F 3.85F

15.52 15.54 15.53 15.01 16.70 17.10

YEAR AGO

16.88 15.32 16.88 13.99 17.90 18.60

*** CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. most recent Nov. 28, 2018 sale at New Holland, PA) ***

COWS Fresh Bred Springing HEIFERS: Bred Springing Open: 300-600 lbs 600-900 lbs 900-1200 lbs BULLS (600-1800 lb)

885 675 835 635 725 285 330 N/A 725

FOUR WEEK RUNNING AV4

900 700 800 650 725 275 350 N/A 650

Avg. of prices reported by USDA Market News for PA & NY Auction Markets Nov. 26-27, 2018

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT) CURRENT WEEK AGO YR AGO

Choice & Prime 1250-1550 lbs light test 81.50 84.75 86.00 ↓↓

BULL CALVES: No. 1 & 2, 90-130 lbs 22.00 77.00 75.00 ↓↓

80-90 lbs No Test No test 62.00

Premium White Breakers Boners Lean

N/A 49.75 ↑↑ 46.25 ↑↑ 38.50 ↑↑

WEEK AGO

N/A 47.50 46.00 38.25

YEAR AGO

N/A 56.75 55.50 51.00

Average to high dressing

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