

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, DEC. 11, 2018 — except where noted



ALAN ZEPP
Risk Management
Program Manager
717-420-7448
azepp@centerfor
dairyexcellence.org



December: The shorter days and wet dreary weather are dampening the mood on dairy farms even before we talk about price outlooks. The current price cycle is like a long cold Northeast winter. Farms need to manage one storm at a time and remember that spring (higher prices) will come eventually, but we must endure plenty of cloudy muddy days before spring blooms.

For much of the past year futures markets anticipated stronger dairy prices in six to nine months as dairy market fundamentals pointed toward less milk production and lower inventories. The recent pattern has been that as we move forward, the milk production and inventories have not decreased as quickly as the market anticipated earlier. The nearby futures market prices then fell as they approached settlement, but the futures contracts six to nine months away remained steady.

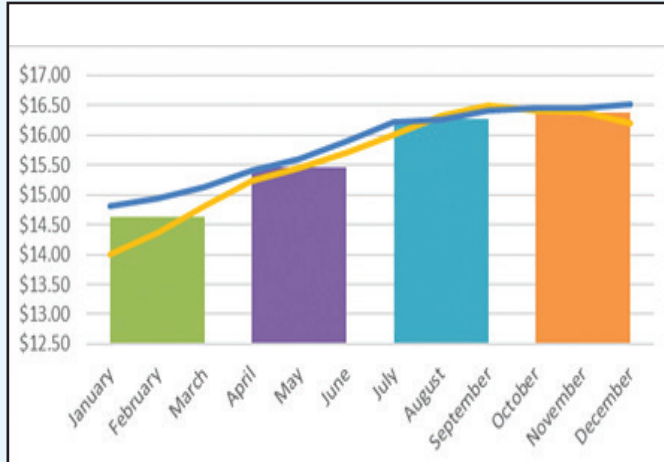
December 2018 Class III milk futures market prices dropped \$2.00 per hundredweight since October while Class IV prices remained stable. Class III prices for the first quarter of 2019 fell more than a dollar over the past sixty days. These same Class III contracts for the second half of 2019, from July to December 2019, did not change much. The graph representing Dairy Revenue Protection pricing opportunities illustrates this.

The current first quarter expected price for a blend of 60 percent Class III and 40% Class IV is \$14.62. This is around a dollar less than the expected price for this blend at the beginning of October. Expected prices for the third and fourth quarters of 2019 are not significantly different than they were two months ago.

When production slows, and demand grows milk prices will recover. If milk futures prices climb unexpectedly, farms who purchased Dairy R-P will receive the higher prices. Farms are buying Dairy R-P and using other price

risk management tools to help weather the financial storms along the way to better days.

We will discuss this in more depth on the upcoming "Protecting Your Profits" conference call on Wednesday December 19. To register and obtain the conference information, please call 717-420-7448, or email azepp@centerfor-dairyexcellence.org.



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. 11, 2018 AT THE CLOSE

	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	TREND
CLASS III MILK FUTURES (\$/CWT)	13.71	14.03	14.42	14.91	15.36	15.60	15.81	16.13	16.34	16.52	16.42	16.37	MIXED
	13.89	14.31	14.73	15.05	15.44	15.63	15.78	16.08	16.34	16.56	16.48	16.38	
----- WEEK AGO -----													
	13.89	14.31	14.73	15.05	15.44	15.63	15.78	16.08	16.34	16.56	16.48	16.38	
----- HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED -----													
	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		
	13.71 12/18	14.03 12/18	14.42 12/18	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/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)													
	PA 2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87	1.70	
	*AVG 2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82	1.65	
EXPECTED LGM GROSS MARGINS* (at 0.00 deductible) per cwt. based on futures prices for Class III milk, soybeans, corn as of Dec. 6, 7 and 8, 2018													
	N/A	N/A	6.11	6.59	6.91	7.10	7.25	7.48	7.73	7.94	7.83	7.74	↓↓
	3-YR. AVG LGM	ACTUAL	GROSS	MARGINS (at 0.00 deductible)									
	6.52	6.85	6.85	5.99	6.65	6.33	6.06	5.72	4.94	4.15	5.26	5.62	
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)													
	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)													
	13.75 0.09	14.00 0.20	14.50 0.32	15.00 0.44	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	16.50 0.72	
	DEC-18	MAR-19	JUL-19	DEC-19	Example Daily Strike Price / Premium				JAN-19	MAR-19	JUL-19	SEP-19	
CORN (\$/BU) OPTIONS — CALLS													
	3.55 29.70	3.60 26.70	3.80 28.30	4.00 27.10					290 24.85	290 28.90	310 22.50	320 21.00	
	3.95 02.30	4.20 03.00	4.70 04.50	5.00 06.10					345 02.00	335 04.65	460 01.20	430 02.95	

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
	3.762	3.852	3.926	3.986	4.000	4.036	4.126	4.176	4.220	4.146	4.160	4.312	↑↑
----- WEEK AGO -----													
	3.742	3.846	3.914	3.982	3.990	4.026	4.114	4.166	4.212	4.144	4.150	4.296	

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
	310.8	312.6	316.6	320.2	323.7	325.3	326.5	327.1	328.5	329.5	330.7	331.7	↓↓
----- WEEK AGO -----													
	312.6	314.7	317.5	320.5	323.6	325.1	326.2	326.4	327.8	328.8	329.9	330.9	

* = NEW PA MILK MARGIN & IOFC—LATEST PSU VALUES— * NOV. 2018				CME DAIRY CASH-SETTLED FUTURES (\$/LB)										12/11/18 SPOT CASH		TREND		
	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	12/11/18	TREND
	*NOV	*6.16 ↑↑	*9.95 ↑↑	*13.27 ↑↑	0.900	0.891	0.924	0.936	0.930	0.967	0.981	↑↑	0.9100	↓↓				
	PREV MO	6.11	9.78	13.04	0.455	0.448	0.421	0.409	0.405	0.390	0.390	↑↑	0.4450	↑↑				
	YR AGO	6.15	9.56	12.75	2.205	2.185	2.185	2.202	2.233	2.251	2.271	↓↓	2.2275	↓↓				
					1.391	1.421	1.490	1.532	1.580	1.609	1.630	↓↓	See Below					
					CME SPOT CHEESE: BARRELS 1.2825 / 40 LB BLOCKS 1.3500										↑↑	↓↓		

* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)														CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW					
	CL I ADV	CL I IT	CL III IT	CL IV IT	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED	VALU	MAKE	ALLOW	NET	*NOV. 2018 COMPONENTS							
	15.05(DEC)	*15.63(NOV)	*14.43(NOV)	*15.06(NOV)	*17.40(OCT)↑↑	*18.10(OCT)↑↑	1.4463	0.2003	1.2460	↓	↓	*PROT	1.3419	↓					
	----- MONTH AGO -----						2.2677	0.1715	2.0962	↓	↓	*B.FAT	2.5385	↓					
	----- YEAR AGO -----						0.8860	0.1678	0.7182	↓	↓	*N.FAT	0.7110	↑↑					
	16.88	15.32	16.88	13.99	17.90	18.60	0.4626	0.1991	0.2635	↓	↓	*OTHER	0.2714	↑↑					

*** 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						650	725	275	350	650			
	Avg. of prices reported by USDA Market News for PA & NY Auction Markets Dec. 6-11, 2018						FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)				CURRENT	WEEK AGO	YR AGO	
	CULL MARKET COWS (\$/CWT LIVEWEIGHT)						Choice & Prime 1250-1550 lbs light test				81.00	84.50	87.00	↓↓
	Premium White						BULL CALVES: No. 1 & 2, 90-130 lbs				57.00	22.00	126.00	↑↑
	Breakers						80-90 lbs				37.50	No test	107.00	↑↑
	Boners													
	Lean													
	N/A													
	WEEK AGO													
	N/A													
	YEAR AGO													
	N/A													