

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, DEC. 18, 2018 — except where noted



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Thank you to all of you who helped me transition into the Center, and I ask that you welcome Zach and help him as well. Merry Christmas and Happy New Year from the staff of the Center for Dairy Excellence and their families. Stop into the Center's booth at Keystone Farm show to meet Zach and register

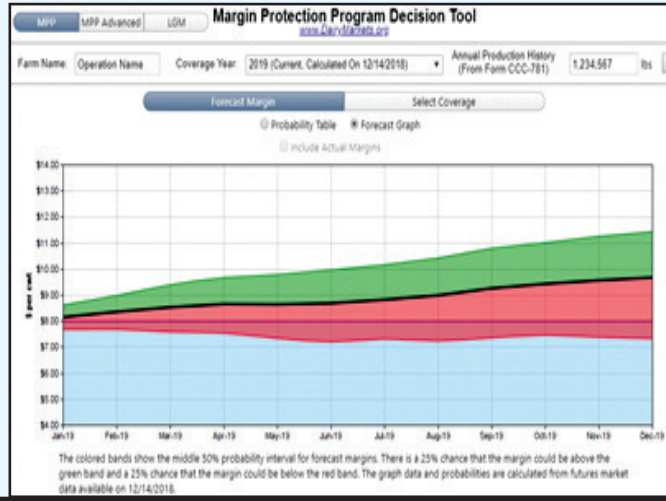
Transition: Transition is an unavoidable and normal part of life. As we age, the environment around us changes and we must adapt one way or another. After federal dairy price supports were eliminated, USDA developed the Milk Income Loss Contract Program (MILC), then the Margin Protection Program (MPP). When the new farm bill is signed, we expect MPP to transition into Dairy Market Coverage (DMC).

All farms will probably want to protect some portion of their production base to take advantage of the higher coverage levels and lower premiums. Tier 1 coverage expands to \$8.50, \$9.00 & \$9.50 Coverage Level Thresholds. Tier II continues to peak at \$8.00. Indemnities will be calculated monthly. There are several discounts and credits that will appeal to many producers. The details will be announced after the 2018 farm bill is signed. The provisions of the bill will allow plenty of time to enroll.

The black line on the graph (at right) -- projecting anticipated MPP/DMC margins based on today's futures market -- is below \$9.50 until next November. The red and green bands estimate the middle 50% probable range of final margins for next year. This graph looks very much like projections at the beginning of 2016. That year, margins fell under \$6.00 in May and June. We hope that margins climb to \$12.00 in 2019, but what if we hit another bump in the road before prices and margins recover? DMC can protect the cash flow on your farm next year.

The risk management position at the Center for Dairy Excellence will also transition as Zach Myers will take over these duties over the next couple of months. Zach owned and managed a dairy and brings a valuable perspective to the Center. I have totally enjoyed working at the Center and with the dairy industry over the past 10 years. I am transitioning away from full-time in order to travel and spend more time with my grandchildren.

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. 18, 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
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CLASS III MILK FUTURES (\$/CWT)													
	13.85	14.31	14.59	14.97	15.49	15.79	15.96	16.25	16.46	16.64	16.52	16.43	↑↑
	13.71	14.03	14.42	14.91	15.36	15.60	15.81	16.13	16.34	16.52	16.42	16.37	

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	16.55 12/18	16.50 05/18	
	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	16.08 11/18	

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. 13, 14 and 15, 2018													
	N/A	N/A	5.97	6.53	6.92	7.10	7.27	7.51	7.72	7.93	7.80	7.73	
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	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	TREND
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	TREND	
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	TREND	
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 0.10	14.25 0.16	14.50 0.28	15.00 0.31	15.50 0.38	15.75 0.48	16.00 0.53	16.25 0.61	16.50 0.64	16.75 0.65	16.50 0.69	16.50 0.69		

CORN (\$/BU) OPTIONS — CALLS				SOYMEAL (\$/TON) 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)													
MAR-19	MAY-19	JUL-19	SEP-19	DEC-19	FEB-20	MAY-20	JUL-20	SEP-20	DEC-20	JUL-21	SEP-21	TREND	
3.816	3.896	3.966	3.982	4.024	4.112	4.164	4.210	4.136	4.152	4.306	4.306	↓↓	

SOYMEAL FUTURES (\$/TON)													
JAN-19	MAR-19	MAY-19	JUL-19	AUG-19	SEP-19	OCT-19	DEC-19	JAN-20	MAR-20	MAY-20	JUL-20	TREND	
307.8	312.0	315.6	319.4	321.0	322.1	322.6	323.9	325.0	326.1	326.9	328.1	↓↓	

PA MILK MARGIN & IOFC—LATEST PSU VALUES— NOV. 2018														
FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/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) 12/18/18 SPOT CASH TRENDS													
DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TREND
NFDM 0.910	0.927	0.950	0.968	0.986	1.004	1.018	↑↑	0.9475	↑↑				
WHEY 0.468	0.467	0.453	0.439	0.430	0.420	0.420	↑↑	0.4725	↑↑				
BUTTER 2.220	2.170	2.180	2.211	2.245	2.265	2.280	↑↑	2.2000	↓↓				
CHEESE 1.381	1.431	1.466	1.516	1.570	1.600	1.632	↓↓	See Below					
CME SPOT CHEESE: BARRELS 1.3200 / 40 LB BLOCKS 1.4100 ↑↑ / ↑↑													

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)													
CL I ADV	CL II	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													
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								

CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW													
PRODUCT	VALUE	MAKE ALLOW	NET										
CHEESE	1.4463	0.2003	1.2460	↓↓									
BUTTER	2.2677	0.1715	2.0962	↓↓									
NFDM	0.8860	0.1678	0.7182	↓↓									
DRYWHEY	0.4626	0.1991	0.2635	↓↓									

*** CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. most recent Dec. 12, 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)				
900	N/A	775	600	675		325	400	550	550				
FOUR WEEK RUNNING AV4													
900	700	800	625	700		300	375	N/A	600				
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Dec. 13-18, 2018													
FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)													
Choice & Prime 1250-1550 lbs light test													
CURRENT													
83.50													
WEEK AGO													
81.00													
YR AGO													
88.00													
BULL CALVES: No. 1 & 2, 90-130 lbs													
CURRENT													
77.00													
WEEK AGO													
57.00													
YR AGO													
112.00													
80-90 lbs													
CURRENT													
30.00													
WEEK AGO													
37.00													
YR AGO													
111.00													

CULL MARKET COWS (\$/CWT LIVEWEIGHT)													
Premium White	Breakers	Boners	Lean										
N/A	48.25 ↓↓	46.25 ↑↑	40.25 ↑↑										
WEEK AGO													
N/A	48.75	44.00	39.50										
YEAR AGO													
N/A	58.25	57.00	50.50										

