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Dairy EXCELLENCE
Dairy Week In Review



Dated February 7, 2019

Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Milk Price (Feb) **	\$14.94/cwt.	▼ 0.3 %	▼ 0.8 %	▲ 1.7 %
Corn (Mar)	\$3.80/bushel	▼ 0.3 %	▼ 0.6 %	▲ 4.6 %
SBean Meal (Mar)	\$309.0/ton	▼ 0.7 %	▼ 3.2 %	▼ 6.1 %
Milk Margin (Nov)*	\$12.31/cwt.	—	▲ 5.4 %	▼ 1.9 %

*Each issue of "Dairy Week in Review" will report on current "Milk Margin," or the dollars remaining per one hundred lbs. of milk after feed is paid for, based on data for a 65-pound herd in the latest "PA Dairy Industry Performance Scorecard." Milk margin is affected by both milk & feed prices. ** The milk price reported is the Class III futures price for the next month plus a basis of \$1.00, an estimate of what could be on your milk check next month.

- The dairy price index on this week's Global Dairy Trade auction was up 6.7 percent to \$3,265 per metric ton, which was the highest average price index since November 2016. Whole milk powder led the increase, up 8.4 percent to \$3,027 per metric ton. All other products except butter milk powder also posted increases, with butter, skim milk powder and Cheddar cheese up 4.2, 3.9 and 1.4 percent, respectively.
- According to the USDA Dairy Products report, cheese production was up 1 percent year-over-year in November to 1.08 billion pounds, down 4.3 percent from October. American type cheese production totaled 423 million pounds, up 2.2 percent from a year ago but down 3.5 percent from October. Butter production was down 2.7 percent year-over-year to 146 million pounds, up 1.5 percent from October 2018.
- US butter and milkfat exports were up 41.4 percent from a year ago in November, while all other exports fell. Nonfat dry milk overseas sales were down 12.7 percent, while cheese export sales were down 9.5 percent, according to USDA Foreign Agricultural Services trade statistics.
- The USDA announced the January Class III milk price at \$13.96 per hundredweight, up 18 cents from December but down 4 cents from a year ago. The Class IV milk price was announced at \$15.48 per hundredweight, up 39 cents from December and up \$2.35 from a year ago.

Government and Industry:

- US Representatives Glenn Thompson (R-PA) and Collin Peterson (D-MN), chairs of the House Agriculture Committee, have introduced the Whole Milk for Healthy Kids Act of 2019 (HR 832), which would allow whole milk in school nutrition programs. The bill has eight other co-sponsors.
- The FDA's open comment period seeking information on how it should regulate fake dairy foods closed Jan. 28, after receiving around 13,000 comments.
- The U.S. Dairy Export Council released a study calculating the potential loss of U.S. dairy exports to Japan because of the better market access many of our global competitors enjoy. Without a strong U.S.-Japan trade treaty, competing exporters will seize a cumulative \$1.3 billion in dairy sales over the next decade that would otherwise have been supplied from the United States, a toll that climbs to \$5.4 billion once the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and Japan-EU agreements are fully implemented.
- With the federal government reopened, farmers can now utilize the Dairy Revenue Protection Program to protect their business against milk price risk. The DRP is an insurance program developed by the American Farm Bureau Federation (AFBF) and administered by the USDA Risk Management Agency (RMA). The DRP allows farmers to purchase insurance policies to protect quarterly revenue. Farmers can choose to protect revenue based on a combination of Class III and Class IV prices or based on components (% of butter fat, protein, and other solid): 70 to 95% of quarterly production can be covered in 5% increments, and premiums for that coverage are subsidized from 44 to 55%. Policies can be purchased up to five quarters in advance. For example, a farmer could purchase policies, today, to cover any or all quarters starting April 2019 and ending June 2020. Farmers must purchase policies through an Approved Insurance Provider (AIP). Class price, component price and policy premiums are based on CME futures, calculated and available for purchase daily. The premium for a policy will not be due until 30 to 60 days after the insured quarter.