



CENTER FOR
Dairy EXCELLENCE
Dairy Week In Review



Dated February 27, 2019

Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Milk Price (Feb) **	\$14.94/cwt.	▼ 0.5 %	▼ 0.3 %	▼ 0.6 %
Corn (Mar)	\$3.66/bushel	▼ 1.1 %	▼ 4.0 %	▼ 2.2 %
SBean Meal (Mar)	\$303.2/ton	▼ 0.7 %	▼ 2.6 %	▼ 23.1 %
Milk Margin (Dec)*	\$11.60/cwt.	—	▲ 2.7 %	▼ 4.3 %

*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.

- US butter stocks grew by 16.6 percent during the month December to 179 million pounds, up 6.2 percent from a year ago and the largest carryout since 1993, according to the *Daily Dairy Report*. The USDA Cold Storage data also shows that the increase from November to December was 25.6 million pounds, the largest Nov-to-Dec expansion since 2012. US total cheese stocks ended 2018 at the largest year-ending level on record, down 0.3 percent from November and up 5 percent from December to 1.34 billion pounds. This marked the first time Nov-to-Dec stocks declined since 2015.
- USDA announced the Class I base price for March at \$15.98 per hundredweight, up 68 cents from February and \$2.62 above March 2017.
- USDA's Economic Research Service reported that total sales of packaged fluid milk fell 2.1 percent in 2018, the second largest decline since USDA began tracking sales in 2000. Sales of whole milk, organic milk, flavored milks, designer milks and milk-based beverages continue to grow. Nonfat milk sales were down 9.8 percent year-over-year.
- The December All Milk Price of \$16.40 per hundredweight was 60 cents lower than November and 80 cents lower than December 2017, according to the USDA's Ag Prices report. Prices for both corn and soybeans were increased, resulting in a lower Dairy MPP margin.

Government and Industry:

- Farmers enrolled in the Dairy MPP Program in 2018 and covered at the \$8 margin level will receive a payment of \$15.5 cents per hundredweight. The Dairy MPP Margin for December was announced at \$7.84529 last week. The program has now expired and will be replaced by the new Dairy Margin Coverage Program, which is expected to be retroactive to January 1, 2019. USDA is expected to release the rules for this program shortly.
- The application period for the Center's On-Farm Team Programs has closed, with funding committed for the 2018-19 Program Year. The Dairy Decisions Consultant Program remains open and available to those farms who want assistance in making decisions that will shape the future of their farm. Once accepted into the program, farms can receive up to \$3,500 in funds to work with a Dairy Decisions Consultant.
- Retaliatory tariffs imposed by China and Mexico are being blamed for part of the unexpected inventory buildup in the USDA Cold Storage Report. The discussion on lifting steel and aluminum tariffs imposed by the US continues. If the US lifts tariffs on steel and aluminum, it would be a big step towards having the new US Mexico Canada Trade Agreement ratified by the three countries. This would allow more dairy product exports into Mexico and provide additional access to the Canadian market. The current Administration is also postponing the March 1, 2019, automatic tariff increase on Chinese goods, citing progress being made in trade negotiations.
- Farmers can enroll in the Dairy Revenue Protection (Dairy R-P) Program. Producers can choose to cover the second through fourth quarterly coverage periods of 2019 or the first and second quarters of 2020 until March 15, 2019. Dairy Revenue Protection offers two pricing options: the class pricing option and the component pricing option. Available pricing is based off of CME prices and offers minimal coverage against unforeseen changes in the market. Farmers must first enroll in the program before they can choose to buy coverage. Dairy RP coverage is being sold through approved crop insurance agents. A list of crop insurance agents is available at all USDA service centers and on the RMA website at www.rma.usda.gov/tools/agent.html.