

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, MAR. 5, 2019 — except where noted



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Declining Fluid Milk Sales: Fluid milk consumption has declined for decades. Milk has more competition today than ever. As more options are made available, consumers are choosing something besides milk. As parents choose non-dairy options, perhaps they are teaching their children to do the same. Fluid milk is the highest valued dairy product. Reversing this declining trend will lead to better milk prices in the future.

The line graph shows per capita fluid milk consumption from 1975 to 2017. Per capita consumption is determined by dividing the total sales by the US population. Milk consumption fell two pounds per year between 1975 and 2010 but has fallen over four pounds per year since then, representing a total decline of 40%.

The same negative trend occurs for 2018 sales. According to February's Estimated Fluid Milk Products Sales Report released by the USDA, fluid milk sales were down 2.0% in 2018. Like consumption, there is a more rapid decline in fluid milk sales in recent years. The bar graph shows sales data from 1975 to 2018. Sales are relatively flat between 1975 and 2010 but drop 14% from 2010 to 2018. The USDA reported actual 2018 sales at 47.1 billion pounds.

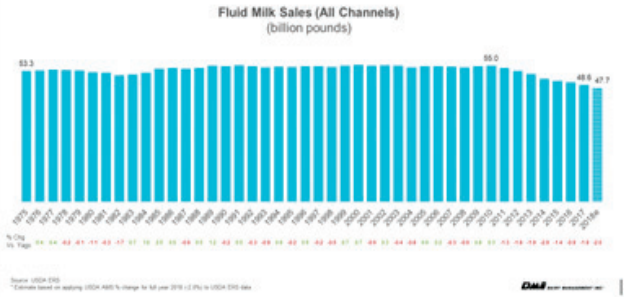
A 14% decline in sales does not correlate with a 40% drop in consumption. However, when you look at the change in population, it helps to explain the drop in per capita consumption. The US Census Bureau estimated 1975 population at 216 million people and 2018 population was 327 million. An increase of 111 million people over 45 years translated to relatively stable milk sales until 2010, even though per capita consumption was falling.

The continued drop in sales reported by the USDA is discouraging, but there are some positives. Whole milk sales in 2018 were positive for the second year in a row, up 1.6% versus 0.8% in 2017. Flavored milk also continues its positive track, up 12.6% over 2017. The fastest growing products are the "Other Fluid

Milk Products" category. This category includes lactose free milk products. This category saw 28.5% growth in 2018 after 38.9% growth in 2017. Organic fluid milk sales are also included in the total fluid milk sales. Organic fluid milk sales, as a separate category, were up 0.6% versus 2.0% in 2017.

The USDA report separated milk sales by Federal Order and shows some encouraging trends. Over half the Federal Orders show a slower decline rate than 2017 with the Appalachian (+0.1%) and Arizona (0.5%) Federal Orders showing slight positive gains over last year. Hopefully, this trend will continue, and we, as an industry, can turn the category around.

Fluid Milk Sales Fairly Flat through 2010, Deteriorating More Recently



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 — MAR. 5, 2019 AT THE CLOSE

MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	OCT-19	NOV-19	DEC-19	JAN-20	FEB-20	TREND			
CLASS III MILK FUTURES (\$/CWT)															
15.12	15.01	15.17	15.49	15.97	16.17	16.38	16.31	16.25	16.15	15.85	15.75	↓			
-----WEEK AGO-----															
15.27	15.03	15.27	15.72	16.19	16.35	16.49	16.46	16.38	16.20	15.80	15.81				
-----HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED-----															
16.85 02/17	16.75 02/17	16.90 02/17	16.85 02/17	16.90 02/17	16.90 02/17	16.90 02/17	16.92 02/17	16.65 01/19	16.52 01/19	16.40 01/19	16.20 01/19	16.10 01/19			
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	14.08 11/18	14.60 11/18	14.62 11/18	14.63 11/18				
MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)															
PA 1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87	1.70	2.75	2.30	1.81				
*AVG 2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82	1.65	2.72	2.70	2.25				
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	5.97	6.53	6.92	7.10	7.27	7.51	7.72	7.93	7.80	7.73	N/A				
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															
6.85	6.85	5.99	6.65	6.33	6.06	5.72	4.94	4.15	5.26	5.62	6.52				
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)															
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	*DEC-18			
9.88	8.12	6.88	6.77	6.62	6.78	7.37	6.72	7.43	8.26	8.96	8.66	↓			
U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg & USDA's All-Milk price, USDA-reported corn & alfalfa hay & Ill. soybean prices (lactating feed only)															
FEB-18	MAR-18	APR-18	MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	*OCT-18	NOV-18	*DEC-18	*JAN-19				
9.97	9.62	9.82	10.04	10.40	9.62	10.24	11.00	*11.73	11.33	*11.01	*10.62	↓			
PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA corn & alfalfa hay & Buff., NY soybean prices (lactating feed only)															
10.89	10.08	9.90	10.25	10.71	11.10	10.26	10.04	11.01	11.68	*11.60	*11.17	↓			
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dairyreport.com)															
15.00 0.03	15.00 0.18	15.25 0.35	15.50 0.38	16.00 0.46	16.25 0.55	16.50 0.61	16.25 0.54	16.25 0.64	16.25 0.71	15.75 0.59	15.75 0.62				
MAY-19				JUL-19				DEC-19				MAR-20			
CORN (\$/BU) OPTIONS — CALLS															
3.35 37.40	3.50 32.60	3.70 35.60	4.00 28.70	Example Daily Strike				JUL-19				SEP-19			
3.85 04.50	4.30 03.50	5.10 04.50	5.00 06.60	Price / Premium				280 31.20				290 27.65			
CORN FUTURES (\$/BU)															
MAR-19	MAY-19	JUL-19	SEP-19	DEC-19	MAR-20	MAY-20	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	TREND			
3.624	3.724	3.810	3.874	3.950	4.056	4.112	4.146	4.080	4.092	4.172	4.200	Mixed			
-----WEEK AGO-----															
3.636	3.736	3.822	3.880	3.944	4.052	4.106	4.142	4.082	4.086	4.172	4.226				
SOYMEAL FUTURES (\$/TON)															
MAR-19	MAY-19	JUL-19	AUG-19	SEP-19	OCT-19	DEC-19	JAN-20	MAR-20	MAY-20	JUL-20	AUG-20	TREND			
301.8	306.1	309.9	311.6	313.4	314.2	316.0	317.1	318.5	319.5	321.6	321.6	↓			
-----WEEK AGO-----															
305.0	309.2	313.1	314.8	316.6	317.7	319.7	320.7	321.4	321.8	323.2	322.7				

* = NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES- *JAN. 2019				CME DAIRY CASH-SETTLED FUTURES (\$/LB)						03/05/19 SPOT CASH			TEND		
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	19	20
*JAN	*6.66 ↑	*8.38 ↓	*11.17 ↓	NFDM	0.974	0.978	0.992	1.013	1.035	1.048	1.056	↓	0.9750	↓	
*PREV MO	*6.62	*8.70	*11.60	WHEY	0.403	0.402	0.398	0.390	0.393	0.395	0.396	↓	0.3500	↑	
YR AGO	6.11	8.17	10.89	BUTTER	2.272	2.297	2.317	2.327	2.316	2.336	2.322	↑	2.2950	↑	
				CHEESE	1.550	1.539	1.555	1.592	1.642	1.667	1.684	↑	See Below		
				CME SPOT CHEESE:	BARRELS 1.4300 / 40 LB BLOCKS 1.5700						↑ / ↓				

* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW							
CL I ADV	CL II	CL III	CL IV	*ALL-MILK-U.S.	*ALL-MILK-PA	*WEIGHTED AVG. 4-WK FEB. 1 - 25, 2019	PRODUCT VALUE	MAKE ALLOW	NET	*FEB. 2019 COMPONENTS			
15.98(MAR)	*16.13(FEB)	*13.89(FEB)	*15.86(FEB)	*16.60(JAN)	*17.70(JAN)	*CHEESE	1.3940	0.2003	1.1937	↑	*PROT	1.1776	↓
-----MONTH AGO-----						*BUTTER	2.2644	0.1715	2.0929	↑	*B.FAT	2.5345	↑
15.30	15.74	13.96	15.48	17.00	17.60	*NFDM	0.9800	0.1678	0.8122	↑	*N.FAT	0.8041	↑
-----YEAR AGO-----						*DRYWHEY	0.4545	0.1991	0.2554	↓	*OTHER	0.2631	↓
13.26	13.44	13.40	12.87	16.10	17.00								

CATTLE - DAIRY PURPOSES(\$/HD) NORTHEAST (Avg. March 6, 2019 sale New Holland, PA) *MOST RECENT REPORT														
COWS Fresh			Bred			Springing			HEIFERS: Bred			Springing		
725	825	N/A	865	725	Open:	300-600 lbs	600-900 lbs	900-1200 lbs	825	250	460	575	825	↓
-----FOUR WEEK RUNNING AV4-----														
775	850	750	825	750	250	450	575	850						
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Feb. 28 - Mar. 5, 2019														
CULL MARKET COWS (\$/CWT LIVELWEIGHT)						FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)			BULL CALVES: No. 1 & 2, 90-130 lbs					
Premium White	Breakers	Boners	Lean	Choice & Prime 1250-1550 lbs light test			CURRENT	WEEK AGO	YR AGO	80-90 lbs				
N/A	60.75↑↑	58.75↑↑	51.25↑↑	87.00			85.00	85.00	85.00	68.00				
-----WEEK AGO-----						68.00			59.00	71.00	60.00			
-----YEAR AGO-----						60.00			36.00	39.00	60.00			
N/A	65.00	65.00	56.50											