

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — **TUESDAY, MAR. 12, 2019** — except where noted



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EXPORTS: Last week I discussed the discouraging decline of fluid milk sales in 2018. However, the bright side is total demand for dairy products has increased for the last several years, but milk production is still outpacing domestic demand. The milk surplus causes downward pressure on milk prices and threatens the viability of individual dairy farm families. What is the answer to oversupply?

The US Census Bureau estimated 2018 U.S. population at about 327 million people and world population at about 7.6 billion people. The U.S. population is about 4.3% of the total world population. Part of the answer to our milk surplus lies in exports. Over 95% of the world population lives outside of the US. This is a huge opportunity for the US dairy industry. As the global economy improves, people in other nations can afford to buy more dairy products. Reducing supply through exports will increase US dairy farm profitability.

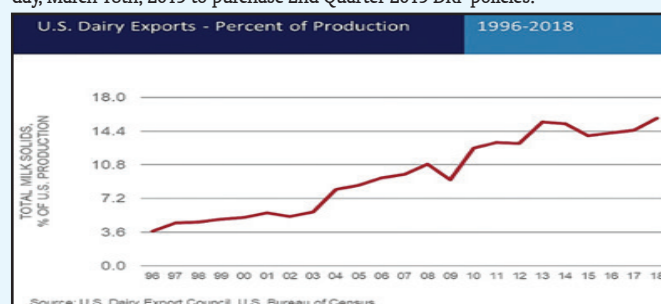
The US Dairy Export Council (USDEC) reported last week that 2018 set a record for export volume. An equivalent of 15.8% of total milk solids, with a value over \$5 billion, left the US borders last year. Milk from one out of seven milk tankers was processed into products sold to other countries. The record occurred despite second half of the year export declines as a result of retaliatory tariffs for dairy products destined for Mexico and China.

Dry dairy ingredients drove export growth in 2018. Skim milk powder and non-fat dry milk exports increased 18%, whey protein concentrate was up 4%, whey protein isolate was up 20% and lactose increased 9% over 2017. Cheese exports were only up 3% over 2017, but the increase was enough to make the US the world's leading cheese exporter. The US is not a major butterfat exporter in terms of total volume, but exports of butterfat increased 61% over 2017, driven by an increase of 288% to Mexico.

When trade to China was impacted by government tariffs in the second half of the year. During the first half of 2018, whey sales to China were up 3%, but dropped

39% during the second half of the year to complete the year 18% down over 2017. Some of this decrease was offset by increased exports to Southeast Asia (+28%), Japan (+26%), South Korea (+41%) and Mexico (+9%). It makes one wonder what exports would have been without trade issues between the US, Mexico, and China. Mexico and China make up the number one and number three US export markets, respectively. You can view the full USDEC report at: <http://blog.usdec.org/usdairyexporter/2018-sets-record-year-for-us-dairy-exports-reaching-nearly-16-percent-of-milk-production-0>.

March 15 is the deadline to enroll or make changes to your spring crop Insurance policy. Contact your crop insurance agent now to see what plan fits your farm. A list of crop insurance agents can be found at: <https://prodwebnlb.rma.usda.gov/apps/AgentLocator/#/>. March 15, 2019 is also the deadline for 2nd Quarter 2019 Dairy Revenue Protection sales. You will have until 9:00 a.m. Central Time on Monday, March 18th, 2019 to purchase 2nd Quarter 2019 DRP policies.



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. 12, 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)	15.09	14.98	15.14	15.46	15.96	16.17	16.38	16.36	16.24	16.15	15.85	15.75	↓
WEEK AGO	15.12	15.01	15.17	15.49	15.97	16.17	16.38	16.31	16.25	16.15	15.85	15.75	
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	16.92 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)	JAN-18	FEB-18	MAR-18	APR-18	MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	*DEC-18	*JAN-19
8.12	6.88	6.77	6.62	6.78	7.37	6.72	7.43	8.26	8.96	8.66	7.85		↓
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 & III. 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 dailydairyreport.com)															
	MAY-19	JUL-19	DEC-19	MAR-20	Example Daily Strike	JUL-19	SEP-19	DEC-19	JAN-20						
15.00	0.03	0.18	0.35	0.38	0.46	0.55	0.61	0.54	0.64	0.71	0.59	0.62			
CORN (\$/BU) OPTIONS — CALLS															
	MAY-19	JUL-19	DEC-19	MAR-20	Example Daily Strike	JUL-19	SEP-19	DEC-19	JAN-20						
3.35	37.40	3.50	32.60	3.70	35.60	4.00	28.70	280	31.20	290	27.65	290	31.40	300	26.00
3.85	04.50	4.30	03.50	5.10	04.50	5.00	06.60	335	02.85	340	05.60	370	03.85	360	05.65

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
3.572	3.664	3.762	3.834	3.922	4.036	4.094	4.126	4.030	4.070	4.070	4.144	4.174	↓
3.624	3.724	3.810	3.874	3.950	4.056	4.112	4.146	4.080	4.092	4.172	4.200		
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
300.2	304.7	308.7	310.5	312.2	313.3	315.4	316.5	317.7	318.4	320.0	320.0	320.7	↓
301.8	306.1	309.9	311.6	313.4	314.2	316.0	317.1	318.5	319.5	321.6	321.6		

* = NEW PA MILK MARGIN & IOFC-LATEST PSU VALUES— JAN. 2019					CME DAIRY CASH-SETTLED FUTURES (\$/LB) 03/12/19 SPOT CASH TRENDS													
FEED = \$/CWT.	FEED COST (\$/CWT milk)	IOFC @ 75 lbs milk	IOFC / COW	PA MILK MARGIN (\$/CWT milk)	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	SPOT	TREND
*JAN	*6.66 ↑	*8.38 ↓	*11.17 ↓		NFDM	0.975	0.974	0.992	1.009	1.027	1.042	1.051	↓	↓	↓	↓	0.9625	↓
*PREV MO	*6.62	*8.70	*11.60		WHEY	0.407	0.403	0.400	0.400	0.395	0.395	0.396	↑	↑	↑	↑	0.3400	↓
YR AGO	6.11	8.17	10.89		BUTTER	2.265	2.276	2.289	2.300	2.306	2.318	2.325	↓	↓	↓	↓	2.2800	↓
					CHEESE	1.544	1.537	1.554	1.594	1.640	1.664	1.681	↓	↓	↓	↓	See Below	↓
					CME SPOT CHEESE: BARRELS	1.4025	/	40 LB BLOCKS	1.5200	↓	/	↓	↓					

USDA OCT. 2018 ALL-MILK MAILBOX * = 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	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	↓
15.30		15.74		13.96		15.48		17.00		17.60					*BUTTER	2.2644	0.1715	2.0929	↑	*B.FAT	2.5345	↑	
13.26		13.44		13.40		12.87		16.10		17.00					*NFDM	0.9800	0.1678	0.8122	↑	*N.FAT	0.8041	↑	
															*DRYWHEY	0.4545	0.1991	0.2554	↓	*OTHER	0.2631	↓	

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. March 6, 2019 sale New Holland, PA) *MOST RECENT REPORT												
COWS	Fresh	Bred	Springing	HEIFERS:	Bred	Springing	Open:	300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1800 lb)	TREND
725	825	N/A		865	725			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 Mar. 7-12, 2019												
CULL MARKET COWS (\$/CWT LIVEWEIGHT)												
Premium White	Breakers	Boners	Lean									
N/A	62.25	60.25	54.25									
	WEEK AGO											
	60.75	58.75	51.25									
	YEAR AGO											
	65.00	65.00	56.50									

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Price averages do not include lower-end common cows and heifers.

Average to high dressing