

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, MAR. 19, 2019 — except where noted



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Dairy Farm Numbers: Dairy farm numbers have been falling for at least the last five years. Production has not followed the same trend. While farm numbers are declining, the average herd size and production per cow is increasing enough to make up for the loss of dairies.

According to last week's Milk Production report, 2018 milk production was up 1% nationally over 2017. In contrast, the national number of licensed dairy farms fell 6.8% year-over-year from 40,199 to 37,468 farms. Pennsylvania dairy farm numbers fell 5.7% from 6,570 to 6,200 farms, while production decreased 2%. Twelve states were able to maintain dairy farm numbers last year, while the rest of the states experienced decreased farm numbers. No state was able to increase the number of dairies within its borders.

The graph shows U.S. dairy farm numbers, milk production and herd size for the last five years. In 2014, there were 44,809 dairy farms. That number fell 16% by the end of 2018. In the same time frame, milk production increased 3.9% from 22,249 pounds per cow to 23,149 pounds per cow. Average herd size in 2014 in the U.S. was 207 cows per farm, and it rose 17.5% to 251 cows per dairy in 2018. Increased herd size and increased production per cow has enabled overall national production to continue to expand.

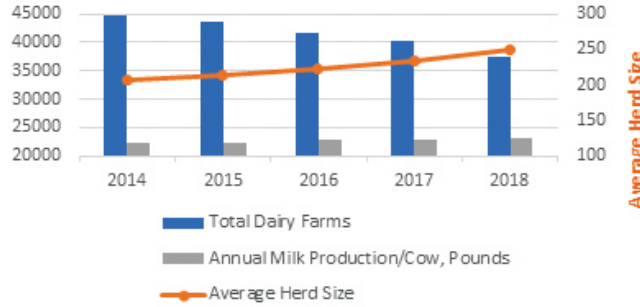
One way you can improve your chances of success in the future is to know your cost of production (COP). Knowing your COP allows you to better understand your business and to be better prepared to participate in risk management opportunities you have as a dairy farmer. One of the consultants I used when I was milking cows always said: "Nobody ever went out of business booking a profit." In order to book a profit, you must know your COP.

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.

It is nearly time for The Center for Dairy Excellence's Industry Professionals Spring Roundtables. Those who work with dairy farm families are encouraged to join us at the Roundtable nearest you as we will help you understand the importance of COP and how to help your clients determine their COP.

Mark your calendar and come to one of the following Roundtable meetings: April 30 in State College, PA, May 2 in Martinsburg or Grove City, PA, May 3 in Carlisle, PA and May 10 in Lancaster, PA. More details on the time and place will be forthcoming.

US Dairy Farm Numbers, Milk Production and Herd Size



CME DAILY FUTURES & OPTIONS TRADING — MAR. 19, 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)	14.93	14.98	15.15	15.48	15.94	16.17	16.39	16.32	16.25	16.14	15.80	15.74	Stdy	
WEEK AGO	15.09	14.98	15.14	15.46	15.96	16.17	16.38	16.36	16.24	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/DMC OFFICIAL GROSS MARGINS & 1-MO 2018 ON per cwt. (USDA All-Milk, com/alfalfa hay & 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-DMC	
8.12	6.88	6.77	6.62	6.78	7.37	6.72	7.43	8.26	8.96	8.66	7.85	7.99	↑↑	
U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg & USDA's All-Milk price, USDA-reported com & alfalfa hay & Ill. soybean prices (lactating feed only)	MAR-18	APR-18	MAY-18	JUN-18	JUL-18	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	*FEB-19	MAR-19	
9.62	9.82	10.04	10.40	9.62	10.24	11.00	11.73	11.40	10.63	10.79	*10.66	↓↓	estimated 10.78	
PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA com & alfalfa hay & Buff., NY soybean prices (lactating feed only)	9.90	10.25	10.71	11.10	10.26	10.04	11.01	11.68	11.29	10.46	10.37	*10.60	↓↓	estimated 10.62

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium (per dailydairyreport.com)	15.00 0.07	15.00 0.14	15.25 0.27	15.50 0.32	16.00 0.43	16.25 0.50	16.50 0.57	16.25 0.50	16.25 0.59	16.25 0.71	15.75 0.60	15.75 0.59
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 36.50	3.50 32.60	3.70 35.60	4.00 28.70	Price / Premium	280 31.20	290 27.65	290 31.40	300 26.00				
3.85 04.40	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)	MAY-19	JUL-19	SEP-19	DEC-19	MAR-20	MAY-20	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	TREND
3.714	3.810	3.880	3.954	4.064	4.116	4.150	4.080	4.094	4.170	4.200	4.274	4.274	↑↑
WEEK AGO	3.664	3.762	3.834	3.922	4.036	4.094	4.126	4.030	4.070	4.144	4.174	4.159	
SOYMEAL FUTURES (\$/TON)	MAY-19	JUL-19	AUG-19	SEP-19	OCT-19	DEC-19	JAN-20	MAR-20	MAY-20	JUL-20	AUG-20	SEP-20	TREND
311.6	315.2	316.6	318.2	319.2	321.2	322.2	322.8	323.6	325.1	324.8	325.3	325.3	↑↑
WEEK AGO	304.7	308.7	310.5	312.2	313.3	315.4	316.5	317.7	318.4	320.0	320.7	321.6	

PA MILK MARGIN & IOFC—LATEST PSU VALUES— *FEB. 2019	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	CME DAIRY CASH-SETTLED FUTURES (\$/LB)	03/19/19	SPOT CASH	TREND							
*FEB	7.51 ↑↑	7.95 ↑↑	10.60 ↑↑	MAR	0.965	0.965	0.975	0.995	1.010	1.025	1.039	↓↓	0.9625	N/C
*PREV MO	7.33	7.78	10.37	APR	0.965	0.965	0.975	0.995	1.010	1.025	1.039	↓↓	0.3050	↓↓
YR AGO	5.82	7.56	10.08	MAY	0.394	0.362	0.365	0.362	0.387	0.372	0.378	↓↓	2.2800	N/C
				JUN	2.277	2.299	2.319	2.325	2.347	2.347	2.348	↑↑	See Below	
				JUL	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				AUG	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				SEP	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				OCT	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				NOV	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				DEC	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				JAN	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				FEB	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				MAR	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				APR	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				MAY	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
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				FEB	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				MAR	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				APR	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				MAY	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
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				NOV	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				DEC	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				JAN	1.538	1.562	1.578	1.611	1.654	1.677	1.693	↑↑		
				FEB	1									