

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, MAY 7, 2019 — except where noted



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**Dairy Margin Coverage Update:** Some dairy farmers approach risk management as a tool to use when milk price is low and then choose not to think about it when milk price is high, but this is the wrong attitude to have.

Risk management should be part of a dairy's year-to-year budgeting and planning. If risk management is used consistently, a dairy operation can mitigate financial losses in the short term and be more financially stable in the long term.

Good and bad milk price years cannot always be predicted. If a risk management plan is in place, unexpected drops will have less severe effect on an operation's bottom line.

A successful risk management plan should help you cover your cost of production and take some of the volatility out of the milk price. There will always be volatility, but it can be managed if proper planning for risk management is used.

The Dairy Margin Coverage (DMC) program implementation was delayed due to the governmental shutdown last December and January. Dairy Margin Coverage is the 2018 Farm Bill program that replaces the Margin Protection Program (MPP) from the 2014 Farm Bill. Some information has started to filter out, so I thought it was an appropriate time for an update.

**Enrollment for DMC begins on June 17, 2019 and ends on September 20, 2019.** Coverage is retroactive to January 1, 2019. The actual margins for January, February and March are \$7.99, \$8.22 and \$8.85 per hundredweight, respectively.

The USDA has released a new decision tool online at <https://www.fsa.usda.gov/programs-and-services/farm-bill/farm-safety-net/dairy-programs/dmc-decision-tool/index> allowing farmers to insert their production numbers to determine the margin coverage scenario that works best for them.

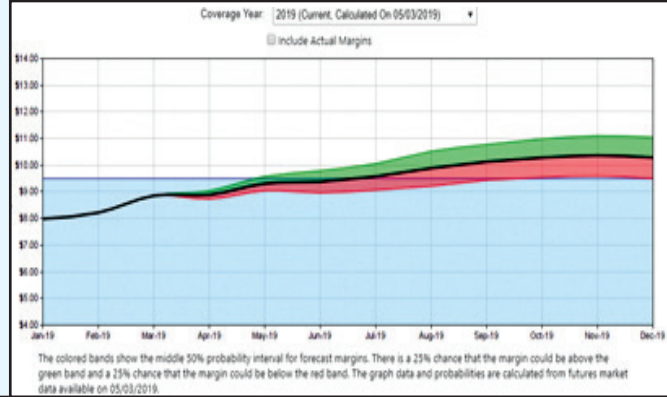
The 2018 Farm Bill allows dairy farmers to request a refund for additional premiums paid into MPP for margins greater than \$4.00 per hundredweight during program years 2014-2017. Eligible dairy farmers should soon receive a letter from

FSA informing them that they qualify for a refund. Two refund options are available.

A 75% refund is offered to dairy farmers who wish to use the refund to pay for DMC premiums.

Alternatively, dairy farmers can request a one-time 50% refund as cash. Both refunds are also available where production history has been transferred to an heir or new owner.

The 50% refund option is available to dairy farmers who participated in MPP but have since exited the dairy business. Eligible farmers can request refunds beginning May 8, 2019 at their local Farm Service Agency (FSA) office. **The deadline to request a refund is September 20, 2019.**



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 — MAY 7, 2019 AT THE CLOSE

|  | MAY-19 | JUN-19 | JUL-19 | AUG-19 | SEP-19 | OCT-19 | NOV-19 | DEC-19 | JAN-20 | FEB-20 | MAR-20 | APR-20 | TREND |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| <b>CLASS III MILK FUTURES (\$/CWT)</b> | 16.45  | 16.55  | 16.69  | 16.99  | 17.18  | 17.14  | 16.96  | 16.65  | 16.28  | 16.29  | 16.26  | 16.33  | ↑↑    |
|  | 16.08  | 16.21  | 16.37  | 16.66  | 16.84  | 16.81  | 16.72  | 16.49  | 16.23  | 16.20  | 16.20  | 16.20  |       |

**HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED**

|             |             |             |             |             |             |             |             |             |             |             |             |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 16.90 02/17 | 16.85 02/17 | 16.90 02/17 | 16.99 05/17 | 17.18 05/17 | 17.14 05/19 | 16.96 05/19 | 16.65 05/19 | 16.28 05/19 | 16.29 05/19 | 16.26 05/19 | 16.33 05/19 |
| 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 | 14.63 11/18 | 14.59 11/18 | 14.65 11/18 | 14.65 11/18 |

**MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)**

|      |      |      |      |      |      |      |      |      |      |      |      |      |
|------|------|------|------|------|------|------|------|------|------|------|------|------|
| PA   | 1.60 | 1.28 | 1.01 | 0.85 | 1.33 | 1.87 | 1.70 | 2.75 | 2.30 | 1.81 | 1.58 | 1.19 |
| *AVG | 2.14 | 1.80 | 1.12 | 0.90 | 1.32 | 1.82 | 1.65 | 2.72 | 2.70 | 2.25 | 2.02 | 1.25 |

**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 | 5.99 | 6.65 | 6.33 | 6.06 | 5.72 | 4.94 | 4.15 | 5.26 | 5.62 | 6.52 | 6.85 |
|------|------|------|------|------|------|------|------|------|------|------|------|

**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)**

|        |        |        |        |        |        |        |        |        |        |        |         |         |         |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|
| 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 | *APR-19 |
| 6.77   | 6.62   | 6.78   | 7.37   | 6.72   | 7.43   | 8.26   | 8.96   | 8.66   | 7.85   | 7.99   | 8.22    | *8.85   | ↑↑      |

**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)**

|        |        |        |        |        |        |        |        |        |        |         |         |                    |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|--------------------|
| APR-18 | MAY-18 | JUN-18 | JUL-18 | AUG-18 | SEP-18 | OCT-18 | NOV-18 | DEC-18 | JAN-19 | *FEB-19 | *MAR-19 | *APR-19            |
| 9.82   | 10.04  | 10.40  | 9.62   | 10.24  | 11.00  | 11.73  | 11.40  | 10.63  | 10.79  | *11.00  | *11.22  | ↑↑ estimated 11.60 |

**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)**

|       |       |       |       |       |       |       |       |       |       |        |        |                    |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------------------|
| 10.25 | 10.71 | 11.10 | 10.26 | 10.04 | 11.01 | 11.68 | 11.29 | 10.46 | 10.37 | *11.34 | *11.90 | ↑↑ estimated 11.93 |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------------------|

**CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium**

|            |            |            |            |            |            |            |            |            |            |            |            |
|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| 16.50 0.14 | 16.50 0.28 | 16.75 0.51 | 17.00 0.56 | 17.25 0.67 | 17.25 0.74 | 17.00 0.72 | 16.75 0.76 | 16.25 0.67 | 16.25 0.70 | 16.25 0.73 | 16.25 0.66 |
|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|

**CORN (\$/BU) OPTIONS — CALLS**

|            |            |            |            |
|------------|------------|------------|------------|
| 3.10 54.20 | 3.30 55.10 | 3.50 50.30 | 3.60 50.10 |
| 3.95 03.20 | 5.20 01.70 | 5.20 03.00 | 5.50 03.70 |

**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 |
| 3.552  | 3.642  | 3.722  | 3.822  | 3.950  | 4.026  | 4.096  | 4.032  | 4.084  | 4.174  | 4.234  | 4.280  | MIXED |

**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 |
| 288.7  | 292.9  | 294.6  | 296.6  | 298.0  | 300.7  | 302.0  | 303.2  | 305.1  | 307.4  | 306.7  | 306.4  | ↓↓    |

**PA MILK MARGIN & IOFC—LATEST PSU VALUES — \*MAR. 2019**

|                          |                              |                               |
|--------------------------|------------------------------|-------------------------------|
| *FEED COST (\$/CWT milk) | *IOFC (\$/COW @ 75 lbs milk) | *PA MILK MARGIN (\$/CWT milk) |
| *MAR 6.73 ↓↓             | *8.93 ↑↑                     | *11.90 ↑↑                     |

**CME DAIRY CASH-SETTLED FUTURES (\$/LB)**

|            |       |       |       |       |       |       |                    |       |
|------------|-------|-------|-------|-------|-------|-------|--------------------|-------|
| MAY        | JUN   | JUL   | AUG   | SEP   | OCT   | NOV   | SPOT CASH 05/07/19 | TREND |
| NFDM 1.013 | 1.059 | 1.082 | 1.095 | 1.108 | 1.124 | 1.137 | ↑↑ 1.0600          | ↑↑    |

**\*\*USDA JAN. 2019\*\* ALL-MILK MAILBOX**

|                  |         |
|------------------|---------|
| *FL \$20.30      | \$18.58 |
| *N. ENGL \$17.90 | \$17.92 |
| *APPAL \$18.40   | \$17.04 |
| *SE \$17.00      | \$16.99 |
| *NY \$17.70      | \$16.57 |
| *OH \$17.30      | \$16.57 |
| *WI \$16.20      | \$16.18 |
| *I.L.S. \$16.60  | \$16.14 |
| *MI \$16.70      | \$16.09 |
| *IN \$15.70      | \$14.83 |

**\* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)**

|               |              |              |              |                 |                 |
|---------------|--------------|--------------|--------------|-----------------|-----------------|
| *CL I ADVT ↑↑ | *CL II ↓↓    | *CL III ↑↑   | *CL IV ↑↑    | *ALL-MILK-U.S.  | *ALL-MILK-PA    |
| *16.42 (MAY)  | *16.38 (APR) | *15.96 (APR) | *15.72 (APR) | *17.50 (MAR) ↑↑ | *18.50 (MAR) ↑↑ |

**CURRENT FEDERAL ORDER VALUES (\$/LB) \* = NEW**

|                                    |                       |
|------------------------------------|-----------------------|
| *WEIGHTED AVG. 4-WK APR 1-27, 2019 | *APR. 2019 COMPONENTS |
| *CHEESE 1.6468                     | 0.2003 1.4465 ↑↑      |
| *BUTTER 2.2669                     | 0.1715 2.4975 ↑↑      |
| *NFDM 0.9641                       | 0.1678 0.7963 ↓↓      |
| *DRYWHEY 0.3923                    | 0.1991 0.1932 ↑↑      |
|                                    | *OTHER 0.1990 ↓↓      |

**CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. May 8, 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) |
| 1050       | N/A  | 950       | 900           | 1050      | 275   | 450         | N/A         | 600          |                     |

**FOUR WEEK RUNNING AV4**

|     |     |     |     |     |     |     |     |     |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|
| 975 | 800 | 900 | 800 | 950 | 300 | 475 | 600 | 600 |
|-----|-----|-----|-----|-----|-----|-----|-----|-----|

**FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)**

|                              |            |     |       |       |
|------------------------------|------------|-----|-------|-------|
| Choice & Prime 1250-1550 lbs | light test | N/A | 84.50 | 86.00 |
|------------------------------|------------|-----|-------|-------|

**BULL CALVES: No. 1 & 2, 90-130 lbs**

|           |        |        |    |
|-----------|--------|--------|----|
| 125.00    | 100.00 | 1+1.00 | ↑↑ |
| 80-90 lbs | 70.00  | 50.00  | ↑↑ |

**CULL MARKET COWS (\$/CWT LIVEWEIGHT)**

|               |          |          |          |
|---------------|----------|----------|----------|
| Premium White | Breakers | Boners   | Lean     |
| N/A           | 64.25 ↑↑ | 62.50 ↑↑ | 55.75 ↑↑ |

Price averages do not include lower-end common cows and heifers. Average to high dressing

brought to you by:

