

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, JUNE 25, 2019 — except where noted



ZACH MYERS
Risk Education
Manager
336-468-0726
zmyers@centerfordairy
excellence.org



JUNE: Summer is here, and heat and humidity are on the rise. Cow comfort should be a priority year-round, but it's especially important when it becomes hotter and more humid. Cows do not dissipate heat very well on their own, and mastitis-causing organisms love to grow in hot, wet environments. Make sure fans and sprinkler systems are functioning properly and that bedding is clean and dry. If pastures have low, wet areas, consider temporarily fencing cattle out to allow the area to dry and prevent cattle from lying in the mud.

Current Class III and IV milk futures prices continue to improve. Class III futures as of June 24, 2019 for the next 12 months are averaging \$17.00 per hundredweight, up 37 cents compared to the same time in May. Class IV futures are averaging \$17.29, only 5 cents above this time last month, but still trading \$1.52 per hundredweight above the five-year Class IV average of \$15.77.

There is a lot of volatility in the market right now due to trade uncertainties and feed availability with late planting in much of the country. Corn and soybean futures are both currently trading at over \$1.00 per bushel more than April closing prices.

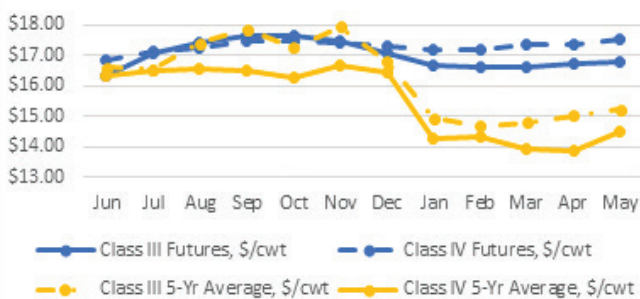
The U.S. dairy herd shrank again in May. Cow numbers were down 0.75% to 9.333 million head compared to 9.404 million in May 2018. This led to a 0.31% reduction in total milk production to 9.3 billion pounds despite an increase of 0.45% in production per cow. Dairy slaughter was up 5.30% to 258,100 head over May 2018, 13,000 head more than last year. The Pennsylvania dairy herd also declined in May versus last year. Cow numbers fell from 523,000 to 493,000 head. Milk production dropped 7.0% from last year to 887 million pounds.

April export numbers are the latest data available and show that tariff and trade issues continued to affect U.S. exports. Total dairy exports were down 5.25%, on a value basis, to \$491 million. Last April, prior to

tariffs, the U.S. exported over \$500 million worth of exports. The U.S. government removed aluminum and steel tariffs for North American trading partners as of July 1, 2019. Subsequently, Mexico and Canada suspended their retaliatory tariffs on dairy, opening dairy trade between the U.S., Mexico and Canada to pre-tariff NAFTA trade guidelines.

The U.S. Administration is hopeful that the new United States-Mexico-Canada Agreement (USMCA) will be ratified by the U.S. Congress soon. Chinese and U.S. representatives are scheduled to resume trade discussions soon. Despite trade disputes within North America and China, the U.S. is making significant progress in Southeast Asia and the Middle East especially with cheese exports.

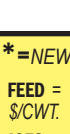
June Class III and IV Futures Prices Versus 5-Year Average



CME DAILY FUTURES & OPTIONS TRADING — JUNE 25, 2019 AT THE CLOSE

*AVG = Average basis for North-East and Mid-East

*MARGIN = Milk Price over Feed Cost per cwt. YELLOW = payment triggered



*NEW

FEED = \$/CWT.

IOFC = \$/COW

USDA FEB. 2019 ALL-MILK MAILBOX

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

Average to high dressing

| JUN-19 | JUL-19 | AUG-19 | SEP-19 | OCT-19 | NOV-19 | DEC-19 | JAN-20 | FEB-20 | MAR-20 | APR-20 | MAY-20 | TREND |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|

| CLASS III MILK FUTURES (\$/CWT) | | | | | | | | | | | | |
|---------------------------------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|----|
| 16.31 | 17.04 | 17.44 | 17.68 | 17.71 | 17.56 | 17.10 | 16.68 | 16.58 | 16.58 | 16.70 | 16.75 | ↑↑ |
| WEEK AGO | | | | | | | | | | | | |
| 16.28 | 16.87 | 17.17 | 17.39 | 17.46 | 17.36 | 16.95 | 16.49 | 16.42 | 16.50 | 16.52 | 16.64 | |

| HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED | | | | | | | | | | | | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|
| 16.85 02/19 | 17.04 06/19 | 17.44 06/17 | 17.68 06/19 | 17.71 06/19 | 17.56 06/19 | 17.10 06/19 | 16.68 06/19 | 16.58 06/19 | 16.58 06/19 | 16.70 06/19 | 16.75 06/19 | |
| 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 | 14.59 11/18 | 14.65 11/18 | 15.12 01/18 | |

| MILK BASIS (\$/CWT) — PA BASIS & 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3) | | | | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|------|------|--|
| PA 1.28 | 1.01 | 0.85 | 1.33 | 1.87 | 1.70 | 2.75 | 2.30 | 1.81 | 1.58 | 1.19 | 1.60 | |
| *AVG 1.80 | 1.12 | 0.90 | 1.32 | 1.82 | 1.65 | 2.72 | 2.70 | 2.25 | 2.02 | 1.25 | 2.14 | |

| MPP/DMC OFFICIAL GROSS MARGINS per cwt. (USDA All-Milk, com/alfalfa hay & Illinois soybean prices, feed for all classes of dairy cattle on the farm) | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|---------|---------|
| MPP 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 |
| 6.62 | 6.78 | 7.37 | 6.72 | 7.43 | 8.26 | 8.96 | 8.66 | 7.85 | *7.71 | *7.91 | *8.66 | *8.82 |

| 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) | | | | | | | | | | | | |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|---------|---------|
| MAY-18 | JUN-18 | JUL-18 | AUG-18 | SEP-18 | OCT-18 | NOV-18 | DEC-18 | JAN-19 | FEB-19 | MAR-19 | *APR-19 | *MAY-19 |
| 10.04 | 10.40 | 9.62 | 10.24 | 11.00 | 11.73 | 11.40 | 10.63 | 10.79 | 11.00 | 11.63 | *11.61 | *11.58 |

| 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) | | | | | | | | | | | | |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|--------|--------|--------|
| 10.71 | 11.10 | 10.26 | 10.04 | 11.01 | 11.68 | 11.29 | 10.46 | 10.37 | 11.34 | *11.39 | *11.21 | *12.08 |

| CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium | | | | | | | | | | | | |
|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|--|
| 16.25 0.03 | 16.75 0.08 | 17.25 0.33 | 17.50 0.46 | 17.50 0.49 | 17.25 0.49 | 17.00 0.58 | 16.50 0.60 | 16.50 0.66 | 16.50 0.65 | 16.50 0.66 | 16.50 0.64 | |

| CORN (\$/BU) OPTIONS — CALLS | | | | | | | | | | | | |
|------------------------------|------------|------------|------------|------------|------------|------------|------------|--|--|--|--|--|
| 3.70 71.10 | 3.90 69.40 | 4.10 62.20 | 4.90 28.50 | 4.70 02.00 | 6.90 02.20 | 6.10 07.20 | 6.70 04.50 | | | | | |

| CORN FUTURES (\$/BU) | | | | | | | | | | | | |
|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| JUL-19 | SEP-19 | DEC-19 | MAR-20 | MAY-20 | JUL-20 | SEP-20 | DEC-20 | MAR-21 | MAY-21 | JUL-21 | SEP-21 | TREND |
| 4.432 | 4.494 | 4.544 | 4.594 | 4.610 | 4.616 | 4.240 | 4.180 | 4.272 | 4.334 | 4.380 | 4.172 | ↑↑ |

| SOYMEAL FUTURES (\$/TON) | | | | | | | | | | | | |
|--------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| JUL-19 | AUG-19 | SEP-19 | OCT-19 | DEC-19 | JAN-20 | MAR-20 | MAY-20 | JUL-20 | AUG-20 | SEP-20 | OCT-20 | TREND |
| 313.4 | 314.5 | 315.9 | 317.7 | 321.2 | 322.8 | 323.9 | 324.8 | 326.5 | 326.4 | 326.3 | 325.0 | ↓↓ |

| PA MILK MARGIN & IOFC—LATEST PSU VALUES — *MAY 2019 | | | | | | | | | | | | |
|---|------------------------------|-------------------------------|--|--|--|--|--|--|--|--|--|--|
| *FEED COST (\$/CWT milk) | *IOFC (\$/COW @ 75 lbs milk) | *PA MILK MARGIN (\$/CWT milk) | | | | | | | | | | |
| *MAY 7.02 ↓↓ | *9.06 ↑↑ | *12.08 ↑↑ | | | | | | | | | | |

| CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/25/19 SPOT CASH TRENDS | | | | | | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|-------|-----------|----|--|--|
| NFDM | 1.041 | 1.045 | 1.057 | 1.070 | 1.089 | 1.103 | 1.114 | Mixed | 1.0350 | ↓↓ | | |
| WHEY | 0.362 | 0.360 | 0.362 | 0.360 | 0.359 | 0.355 | 0.357 | ↑↑ | 0.3550 | ↑↑ | | |
| BUTTER | 2.375 | 2.409 | 2.450 | 2.464 | 2.463 | 2.407 | 2.350 | ↑↑ | 2.4175 | ↑↑ | | |
| CHEESE | 1.696 | 1.772 | 1.810 | 1.834 | 1.845 | 1.831 | 1.788 | ↑↑ | See Below | | | |

| ANNOUNCED FEDERAL ORDER PRICES (\$/CWT) | | | | | | | | | | | | |
|---|-------------|-------------|-------------|----------------|----------------|--|--|--|--|--|--|--|
| CL I ADV | CL II | CL III | CL IV | ALL-MILK-U.S. | ALL-MILK-PA | | | | | | | |
| 17.18 (JULY) | 16.48 (MAY) | 16.38 (MAY) | 16.29 (MAY) | 17.70 (APR) ↑↑ | 18.30 (APR) ↓↓ | | | | | | | |

| CURRENT FEDERAL ORDER VALUES (\$/LB) *NEW | | | | | | | | | | | | |
|---|--------|------------|--------|----|--|--|--|--|--|--|--|--|
| PRODUCT | VALUE | MAKE ALLOW | NET | | | | | | | | | |
| CHEESE | 1.6745 | 0.2003 | 1.4742 | ↓↓ | | | | | | | | |
| BUTTER | 2.3622 | 0.1715 | 2.1907 | ↑↑ | | | | | | | | |
| NFDM | 1.0407 | 0.1678 | 0.8729 | ↓↓ | | | | | | | | |

| CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. June 12, 2019 sale New Holland, PA) *MOST RECENT REPORT | | | | | | | | | | | | | | | | | |
|---|------|------|------|-----------|------|---------------|-----|-----------|------|-------|-----|-------------|-----|--------------|-----|---------------------|-----|
| COWS Fresh | 1215 | Bred | 1150 | Springing | 1055 | HEIFERS: Bred | 810 | Springing | 1000 | Open: | 300 | 600-900 lbs | 600 | 900-1200 lbs | 600 | BULLS (600-1800 lb) | 925 |

| CULL MARKET COWS (\$/CWT LIVEWEIGHT) | | | | | | | | | | | | |
|--------------------------------------|----------|----------|----------|--|--|--|--|--|--|--|--|--|
| Premium White | Breakers | Boners | Lean | | | | | | | | | |
| N/A | 68.25 ↑↑ | 66.85 ↑↑ | 61.50 ↑↑ | | | | | | | | | |