

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUESDAY, DEC. 10, 2019 — except where noted



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**2020 Milk Price:** It is hard to believe that 2019 is almost in the books. The year started with low milk prices, but by summer, prices had risen to a breakeven or profitable rate for many U.S. dairy farmers. Milk price this year has not been good enough to make up for the last few years, but it has certainly been a welcome relief for many dairy farmers.

January Class III closing price was \$13.96 and increased to \$18.72 in October. January Class IV was \$15.48 and increased to a high of \$16.90 in July before falling back to \$16.39 in October. The U.S. 'all milk' price was \$16.60 in January and increased to \$19.90 in October. Prices the last half of 2019 have been the highest prices since 2014. When November final prices are released at the end of December, the U.S. 'all milk' price is expected to be over \$20 per hundredweight. It looks like the trend for increasing milk price should continue into next year.

The USDA released its Livestock, Dairy, and Poultry Outlook report in mid-November. As a result of increasing prices during the last part of the year, the USDA predicts that the 2019 'all milk' price will average at \$18.60 per hundredweight. This is 20 cents higher than the expected average published a month ago.

In February 2019, the USDA predicted the 2019 all milk price to average somewhere between \$16.90 and \$17.60. Here at the end of the year, it is expected to be \$1.00 more than what was forecast at the beginning of the year. The November report forecasted the 2020 all milk price to average \$18.85, a quarter higher than 2019. Why was milk price better in 2019 than what was predicted at the first of the year? Why are prices expected to remain strong through 2020?

As a result of years-long suppressed milk prices, the milk supply started showing signs of contraction. Dairy cow slaughter has been at 30-year highs during several months this year, causing the national herd size to decrease. Cow numbers have decreased 26,000 head since December of 2018.

Although year-over-year milk production has increased much of this year, it has only increased at about 0.5% compared to the 10-year average of 1.5%. Also, exports were expected to take a huge hit as a result of ongoing trade disputes. The trade dispute with China continues. However, increases in exports to other trading partners like South Korea, Southeast Asia, and South America have offset some of the decrease to China. 2019 is on pace to become a record year for export value even though volume is off.

In addition to decent exports, domestic dairy product disappearance has been relatively strong all year. Strong demand and better-than-expected exports, coupled with declining cow numbers and slower milk production growth than previous years, have created a perception of a milk shortage. We are seeing the anticipation of a milk shortage push milk futures higher.

Coming out of a multi-year downturn, it will take time for dairy farmers to pay down debt before they will be ready and able to expand. Milk production is not expected to grow much again next year. All these factors are helping to bolster milk prices into the new year. Now is the time to create a risk management plan and lock in a profit for next year. You never know what can happen to send milk prices falling. Contact me to learn more about how risk management can work for you.

Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, via CME & USDA reports

## CME DAILY FUTURES & OPTIONS TRADING — DEC. 10, 2019 AT THE CLOSE

DEC-19	JAN-20	FEB-20	MAR-20	APR-20	MAY-20	JUN-20	JUL-20	AUG-20	SEP-20	OCT-20	NOV-20	TREND
<b>CLASS III MILK FUTURES (\$/CWT)</b>												
19.43	18.40	17.63	17.19	17.02	17.01	17.15	17.42	17.58	17.66	17.60	17.55	MIXED
WEEK AGO												
19.34	18.92	18.16	17.76	17.50	17.37	17.36	17.48	17.58	17.65	17.53	17.48	
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED												
20.41 12/19	19.34 12/19	18.92 12/19	18.16 12/19	17.76 12/19	17.50 12/19	17.38 11/19	17.59 11/19	17.64 11/19	17.73 11/19	17.65 12/19	17.55 12/19	
14.60 11/18	14.62 11/18	14.63 11/18	14.59 11/18	14.65 11/18	15.12 11/18	15.01 11/18	15.01 11/18	14.99 11/18	14.52 11/18	14.52 11/18	15.02 11/18	

PA	2.75	2.30	1.81	1.58	1.19	1.60	1.28	1.01	0.85	1.33	1.87	1.70			
<b>MILK BASIS (\$/CWT) — PA BASIS &amp; 2014-16 AVG OF PA/NY/VT/OH — YOUR INDIVIDUAL BASIS WILL VARY (MAILBOX - CLASS 3)</b>															
*AVG	2.72	2.70	2.25	2.02	1.25	2.14	1.80	1.12	0.90	1.32	1.82	1.65			
<b>MPP/DMC OFFICIAL GROSS MARGINS per cwt. (USDA All-Milk, com/alfalfa hay &amp; Illinois soybean prices, feed for all classes of dairy cattle on the farm)</b>															
MPP	SEP-18	OCT-18	NOV-18	DEC-18	DMC	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	SEP-19	*OCT-19
	8.26	8.96	8.66	7.85		7.71	7.91	8.66	8.82	9.00	8.63	9.27	9.85	10.41	*10.88 ↑↑
<b>U.S. AVG MILK MARGIN per 100 lbs milk based on 75-lb herd avg &amp; USDA's All-Milk price, USDA-reported com &amp; alfalfa hay &amp; Ill. soybean prices (lactating feed only)</b>															
	AUG-18	SEP-18	OCT-18	NOV-18	DEC-18	JAN-19	FEB-19	MAR-19	APR-19	MAY-19	JUN-19	JUL-19	AUG-19	*SEP-19	*OCT-19
	10.24	11.00	11.73	11.40	10.63	10.79	11.00	11.63	11.61	11.76	11.82	12.52	12.94	*12.86	*13.19 ↑↑
<b>PA AVG MILK MARGIN per 100 lbs milk based on 75-lb herd average and USDA's PA All-Milk price, USDA com &amp; alfalfa hay &amp; Buff., NY soybean prices (lactating feed only)</b>															
	10.04	11.01	11.68	11.29	10.46	10.37	11.34	11.39	11.21	11.54	11.52	11.48	12.73	*13.28	*13.99 ↑↑

DEC-19	MAR-20	JUL-20	SEP-20	Example Daily Strike Price / Premium	DEC-19	MAY-20	JUL-20	SEP-20															
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>																							
19.50	0.18	18.50	0.52	17.75	0.51	17.25	0.51	17.00	0.49	17.00	0.53	17.25	0.62	17.50	0.22	17.50	0.58	17.75	0.68	17.50	0.57	17.50	0.63
<b>CORN (\$/BU) OPTIONS — CALLS</b>																							
3.40	28.50	3.45	34.20	3.70	28.70	3.80	26.40	3.80	26.40														
3.65	03.60	3.95	05.10	4.70	03.70	4.90	03.60																
<b>SOYMEAL (\$/TON) OPTIONS — CALLS</b>																							
280	21.05	280	25.90	290	22.60	290	25.80																
300	01.65	350	01.80	370	01.80	390	01.70																

DEC-19	MAR-20	MAY-20	JUL-20	SEP-20	DEC-20	MAR-21	MAY-21	JUL-21	SEP-21	DEC-21	JUL-21	TREND
<b>CORN FUTURES (\$/BU)</b>												
3.576	3.712	3.780	3.836	3.846	3.880	3.984	4.036	4.062	4.014	4.042	4.212	↓↓
WEEK AGO												
3.686	3.784	3.844	3.892	3.874	3.920	4.022	4.072	4.102	4.034	4.062	4.232	
<b>SOYMEAL FUTURES (\$/TON)</b>												
293.3	295.0	299.3	303.4	307.4	309.2	310.1	310.1	312.0	311.6	309.6	309.0	MIXED
WEEK AGO												
294.6	296.7	299.6	302.6	305.8	307.4	308.6	308.8	310.9	310.9	310.0	310.3	

FEED COST (\$/CWT milk)	IOFC (\$/COW @ 75 lbs milk)	PA MILK MARGIN (\$/CWT milk)	DEC	JAN	FEB	MAR	APR	MAY	JUN	12/10/19	SPOT CASH	TREND
<b>PA MILK MARGIN &amp; IOFC—LATEST PSU VALUES — *OCT. 2019</b>			<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 12/10/19</b>									
*OCT.	*6.89NC	*10.49 ↑↑	*13.99 ↑↑	1.199	1.237	1.260	1.275	1.279	1.290	1.294	↑↑	1.2625 ↑↑
PREV MO	6.89	9.96	13.28	0.332	0.377	0.392	0.397	0.417	0.429	0.422	↑↑	0.3625 ↑↑
YR AGO	6.42	8.76	11.68	2.028	2.010	2.036	2.062	2.090	2.120	2.146	↓↓	1.9440 ↑↑
			<b>CHEESE 2.053 1.919 1.827 1.776 1.752 1.750 1.758 ↓↓ See Below</b>									
			<b>CME SPOT CHEESE: BARRELS 1.9475 / 40 LB BLOCKS 1.9475 ↓↓ / NC</b>									

CL I ADV	CL II	CL III	CL IV	ALL-MILK-U.S.	ALL-MILK-PA	WEIGHTED AVG.	4-WK NOV.	1-30, 2019	*NOV 2019 COMPONENTS			
<b>**USDA JULY 2019** ALL-MILK MAILBOX * = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>												
19.33	(DEC)	*16.85	(NOV)	*20.45	(NOV)	*16.60	(NOV)	*19.30	(OCT)	*20.10	(OCT)	
MONTH AGO												
18.14		16.68		18.72		16.39		19.30		19.60		
YEAR AGO												
15.05		15.63		14.43		15.06		17.40		18.10		
<b>*CURRENT FEDERAL ORDER VALUES (\$/LB) * = NEW</b>												
<b>PRODUCT VALUE MAKEALLOW NET</b>												
*CHEESE	2.1723	0.2003	1.9720	↑↑	*PROT	3.9118	↑↑					
*BUTTER	2.0869	0.1715	1.9154	↓↓	*B.FAT	2.3195	↓↓					
*NFD	1.1540	0.1678	0.9862	↑↑	*N.FAT	0.9763	↑↑					
*DRYWHEY	0.3071	0.1991	0.1080	↓↓	*OTHER	0.1192	↓↓					

COWS Fresh	Bred	Springing	HEIFERS: Bred	Beef x (bred)	Springing	Open: 300-600 lbs	Beef X	600-800 lbs	800-1200 lbs	BULLS (600-1800 lb)
<b>CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. DEC. 4, 2019 sale New Holland, PA)</b>										
1195	1075	1275 (ltd)	675	N/A	975	N/A	N/A	N/A	N/A	975
FOUR WEEK RUNNING AVG										
1100	975	1250	650	N/A	975	250	N/A	375	650	850
Avg. of prices reported by USDA Market News for PA & NY Auction Markets Dec. 5-11, 2019										
<b>FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)</b>										
Choice & Prime 1250-1550 lbs light test <b>86.00</b>										
No. 1 & 2, 90-130 lbs <b>49.00</b>										
70-85 lbs <b>38.00</b>										
<b>BULL CALVES:</b>										
No. 1 & 2, 90-130 lbs <b>49.00</b>										
70-85 lbs <b>38.00</b>										
No Test <b>21.00</b>										
No Test <b>22.00</b>										
No Test <b>22.00</b>										
No Test <b>22.00</b>										

Premium White	Breakers	Boners	Lean
N/A	57.50 ↓↓	60.00 ↑↑	47.10 ↓↓
WEEK AGO			
N/A	58.85	54.35	47.50
YEAR AGO			
N/A	49.75	46.25	38.50

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

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