

MARGIN matters

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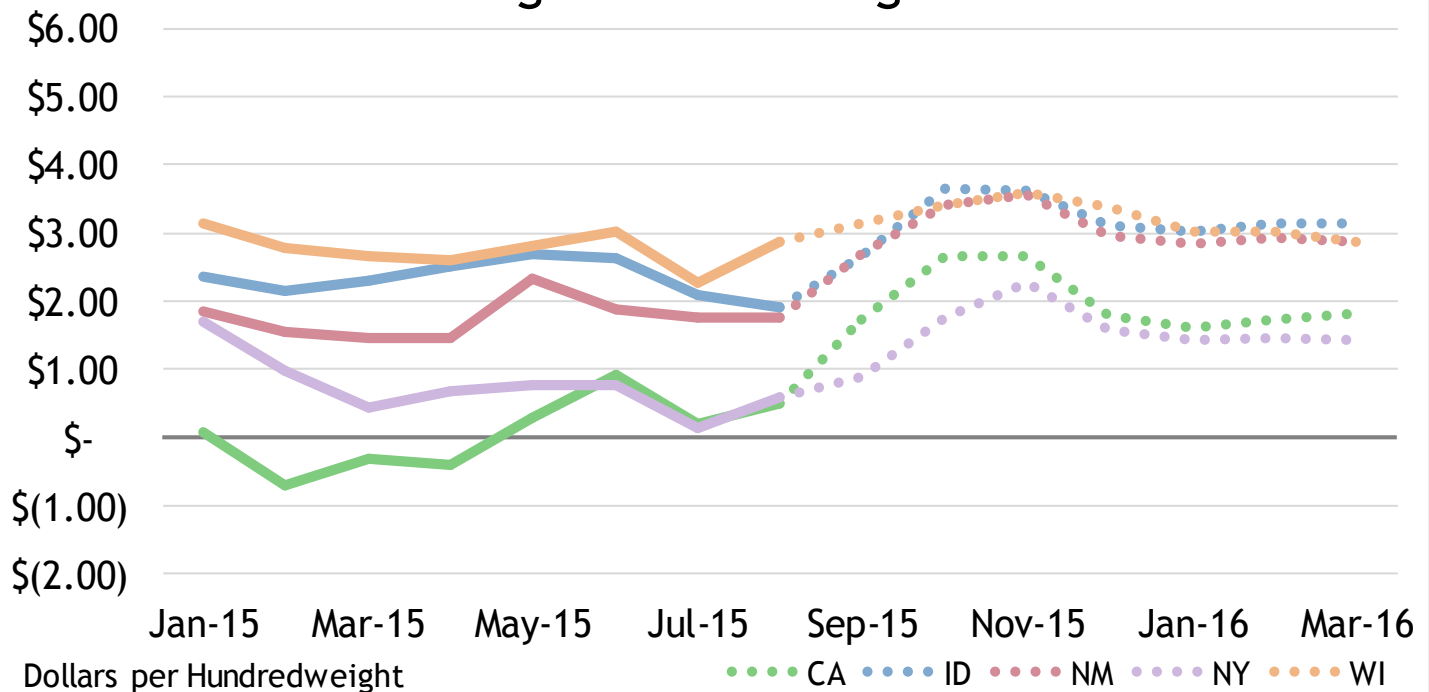
News

- Cheddar blocks fell as low as \$1.6050 per pound before bouncing back to \$1.6925, down just \$0.0025 from last week. Barrels, however, reached the lowest point since March, falling \$0.0475 to \$1.5425 per pound.
- The butter market added on another \$0.1525, bringing prices to an 11-month high of \$2.7175 per pound. Class IV futures have followed higher, with the October and November contracts both closing above \$16.00 per hundredweight.
- Spot NDM hit 91-cents, the highest settlement since mid-June.
- US milk production was up 0.8% in August. The Midwest grew by 4.0%, while California output continued to fall short, down 3.4%.

Thoughts

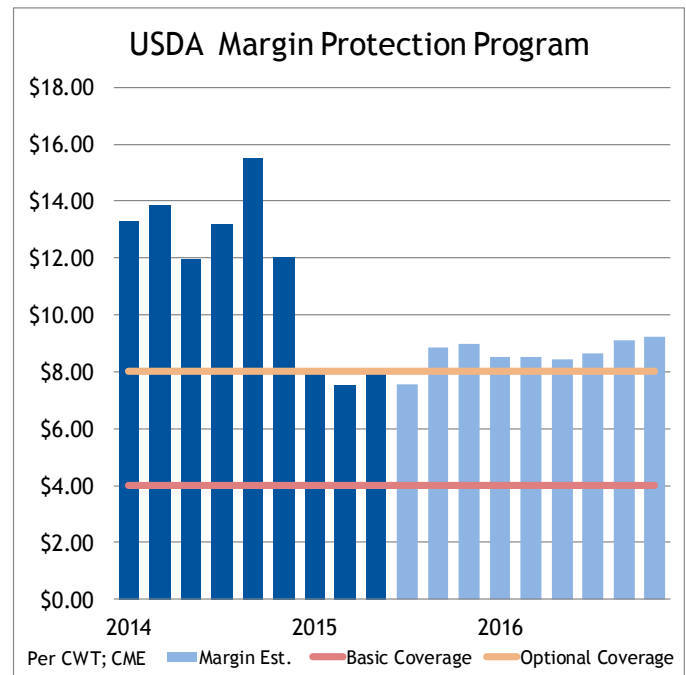
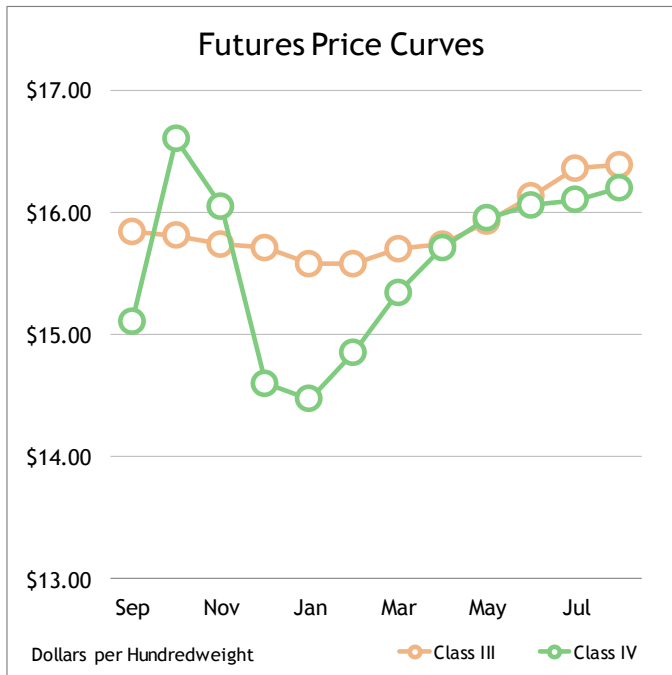
- Block cheddar prices have proved more resilient than barrel values over the past couple weeks, resulting in a 15-cent spread, the widest gap in nearly a year. With holiday demand more closely tied to natural cheese, rather than processed barrel cheddar, blocks seem to be receiving seasonal support. Plus, barrels seem to be increasingly available as product is reportedly coming out of storage at the same time that increased imports are displacing domestic supply to meet demand.
- Global skim milk powder prices have bounced off their lows in recent weeks. Buyers are taking advantage of sourcing product priced below the five-year average and the EU intervention program is now supporting prices around the 85-cent mark.

Regional Milk Margins



Blimling and Associates Regional Margins

Month	All Milk Price (via Futures)					Estimated Production Cost				
	CA	ID	NM	WI	NY	CA	ID	NM	WI	NY
Sep-15	\$16.14	\$16.64	\$16.30	\$17.64	\$18.19	\$14.40	\$13.97	\$13.59	\$14.51	\$17.30
Oct-15	\$16.99	\$17.33	\$16.99	\$17.92	\$18.58	\$14.34	\$13.68	\$13.59	\$14.51	\$16.83
Nov-15	\$16.99	\$17.29	\$17.15	\$18.18	\$18.97	\$14.34	\$13.68	\$13.59	\$14.59	\$16.71
Dec-15	\$16.14	\$16.78	\$16.54	\$17.99	\$18.27	\$14.34	\$13.68	\$13.59	\$14.59	\$16.69
Jan-16	\$15.96	\$16.67	\$16.40	\$17.82	\$18.04	\$14.35	\$13.65	\$13.56	\$14.79	\$16.59
Feb-16	\$16.11	\$16.80	\$16.51	\$17.83	\$18.08	\$14.37	\$13.67	\$13.58	\$14.81	\$16.61
Mar-16	\$16.22	\$16.84	\$16.47	\$17.71	\$18.07	\$14.39	\$13.69	\$13.60	\$14.83	\$16.63
Apr-16	\$16.23	\$16.80	\$16.38	\$17.52	\$18.06	\$14.41	\$13.70	\$13.61	\$14.85	\$16.65
May-16	\$16.28	\$16.79	\$16.29	\$17.43	\$18.01	\$14.43	\$13.72	\$13.63	\$14.87	\$16.67
Jun-16	\$16.33	\$16.83	\$16.29	\$17.48	\$18.09	\$14.45	\$13.74	\$13.65	\$14.89	\$16.68
Jul-16	\$16.36	\$16.90	\$16.32	\$17.60	\$18.17	\$14.47	\$13.76	\$13.67	\$14.90	\$16.70
Aug-16	\$16.65	\$17.14	\$16.65	\$17.92	\$18.50	\$14.45	\$13.74	\$13.65	\$14.89	\$16.69
Sep-16	\$16.82	\$17.31	\$16.90	\$18.14	\$18.69	\$14.43	\$13.72	\$13.63	\$14.87	\$16.67
Oct-16	\$16.92	\$17.47	\$17.11	\$18.40	\$18.81	\$14.43	\$13.73	\$13.64	\$14.87	\$16.67



USDA Margin Protection Program

	Jan/Feb 2015		Mar/Apr 2015		May/June 2015		July/Aug 2015		Sep/Oct 2015		Nov/Dec 2015	
Margin Estimate	\$8.00		\$7.50		\$8.00		\$7.54		\$8.83		\$8.98	
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
All Milk	\$ 17.60	\$ 16.80	\$ 16.60	\$ 16.50	\$ 16.70	\$ 16.90	\$ 16.60	\$ 16.47	\$ 17.13	\$ 17.70	\$ 17.84	\$ 17.26
Feed	\$ 9.26	\$ 9.14	\$ 9.07	\$ 9.02	\$ 8.87	\$ 8.74	\$ 9.15	\$ 8.84	\$ 8.58	\$ 8.58	\$ 8.57	\$ 8.57

Margin estimates are based on current futures values.

Futures Values and Forecast

Month	Milk Futures				Price Forecasts		US All Milk Estimate	
	Class III Futures	Weekly Change	Class IV Futures	Weekly Change	FMMO Class III	FMMO Class IV	Based on Futures	Based on Forecast
Sep-15	\$ 15.84	\$ (0.13)	\$ 15.10	\$ 0.05	\$ 15.72	\$ 14.84	\$ 17.13	\$ 16.99
Oct-15	\$ 15.81	\$ (0.20)	\$ 16.60	\$ 0.50	\$ 15.62	\$ 15.46	\$ 17.70	\$ 17.23
Nov-15	\$ 15.74	\$ (0.22)	\$ 16.05	\$ 0.56	\$ 15.79	\$ 14.13	\$ 17.84	\$ 17.07
Dec-15	\$ 15.71	\$ (0.11)	\$ 14.60	\$ 0.37	\$ 15.68	\$ 12.84	\$ 17.26	\$ 16.65
Jan-16	\$ 15.58	\$ (0.04)	\$ 14.47	\$ -	\$ 14.78	\$ 12.00	\$ 17.09	\$ 15.93
Feb-16	\$ 15.58	\$ -	\$ 14.85	\$ 0.10	\$ 14.43	\$ 12.64	\$ 17.19	\$ 15.78
Mar-16	\$ 15.70	\$ 0.02	\$ 15.34	\$ 0.08	\$ 14.40	\$ 13.05	\$ 17.20	\$ 15.63
Apr-16	\$ 15.74	\$ 0.07	\$ 15.71	\$ 0.20	\$ 14.70	\$ 13.64	\$ 17.16	\$ 15.75
May-16	\$ 15.92	\$ 0.06	\$ 15.95	\$ 0.35	\$ 14.44	\$ 14.06	\$ 17.13	\$ 15.62
Jun-16	\$ 16.13	\$ 0.07	\$ 16.06	\$ 0.22	\$ 14.50	\$ 14.08	\$ 17.19	\$ 15.49
Jul-16	\$ 16.36	\$ 0.01	\$ 16.10	\$ 0.20	\$ 15.22	\$ 14.16	\$ 17.27	\$ 15.79
Aug-16	\$ 16.39	\$ (0.05)	\$ 16.20	\$ 0.10	\$ 15.68	\$ 14.22	\$ 17.56	\$ 16.37
Avg	\$ 15.88	\$ (0.04)	\$ 15.59	\$ 0.23	\$ 15.08	\$ 13.76	\$ 17.31	\$ 16.19

Regional Market Prices

vs Last Week	vs Last Year	Market	18-Sep	11-Sep	4-Sep	28-Aug	21-Aug	14-Aug
Springing Heifers								
-3%	-18%	CA Springing Heifers <i>Turlock</i>	\$ 2,425	\$ 2,500	\$ 2,675	\$ 2,750	\$ 2,600	\$ 2,825
	0%	ID Springing Heifers <i>Jerome</i>	\$ 2,300	\$ -	\$ 2,400	\$ -	\$ 2,300	\$ -
-4%	-15%	WI Springing Heifers <i>Stratford</i>	\$ 1,888	\$ 1,975	\$ 1,975	\$ 2,050	\$ 2,050	\$ 1,975
4%	-2%	PA Springing Heifers <i>New Holland</i>	\$ 1,775	\$ 1,700	\$ 1,888	\$ 1,950	\$ 1,913	\$ 2,000
Alfalfa Hay								
		CA Hay <i>Central, supreme del</i>	\$ -	\$ 265	\$ 258	\$ 275	\$ 295	\$ 283
0%	-16%	TX Hay <i>Panhandle, supreme/premium</i>	\$ 208	\$ 208	\$ 208	\$ 193	\$ 198	\$ 218
-10%	-26%	ID Hay <i>supreme, fob</i>	\$ 156	\$ 173	\$ -	\$ 185	\$ 170	\$ 155
		Midwest Hay <i>Prime Average Sq/Rd</i>	\$ -	\$ 166	\$ -	\$ -	\$ 197	\$ -
14%	-5%	PA Hay <i>Lancaster, high end of good</i>	\$ 205	\$ 180	\$ 180	\$ 260	\$ 215	\$ 225
Corn								
1%	-7%	CA Corn <i>\$/ton delivered HTV</i>	\$ 185	\$ 184	\$ 183	\$ 185	\$ 185	\$ 184
		ID Corn <i>\$/ton, delivered</i>	\$ -	\$ -	\$ 175	\$ 178	\$ 179	\$ 179
-3%	4%	NM Corn <i>\$/bu, fob elevator</i>	\$ 4.15	\$ 4.30	\$ 4.08	\$ 4.20	\$ 4.15	\$ 4.20
-3%	9%	MN Corn <i>\$/bu fob elevator</i>	\$ 3.31	\$ 3.41	\$ 3.18	\$ 3.29	\$ 3.29	\$ 3.23
Commodity Markets								
-2%	-31%	Block Cheddar <i>\$/lb, CME average</i>	\$ 1.67	\$ 1.70	\$ 1.72	\$ 1.68	\$ 1.70	\$ 1.72
5%	-13%	Butter <i>\$/lb, CME average</i>	\$ 2.64	\$ 2.51	\$ 2.41	\$ 2.32	\$ 2.25	\$ 2.02
2%	-37%	Nonfat Dry Milk <i>\$/lb, CME average</i>	\$ 0.90	\$ 0.87	\$ 0.84	\$ 0.78	\$ 0.75	\$ 0.69
1%	14%	Corn <i>\$/bu, CBOT</i>	\$ 3.77	\$ 3.75	\$ 3.50	\$ 3.63	\$ 3.65	\$ 3.64
-2%	-5%	Soymeal <i>\$/ton, CBOT</i>	\$ 309	\$ 314	\$ 314	\$ 321	\$ 327	\$ 331
-3%	-32%	Natural Gas <i>\$/mmbtu, NYMEX</i>	\$ 2.61	\$ 2.69	\$ 2.66	\$ 2.72	\$ 2.68	\$ 2.80
0%	-12%	Euro/Dollar	1.13	1.13	1.12	1.12	1.14	1.11