

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JANUARY 19, 2010 — except where noted



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## Margins?

The graph at the right compares *actual* Dairy Gross Margin Insurance historical values to *expected* margins available for purchase during the January 2010 sales period from approved crop insurance agents. The lighter bars to the left represent the *actual* margins since January of 2000. The darker bars to the right represent the *expected* margins for upcoming months.

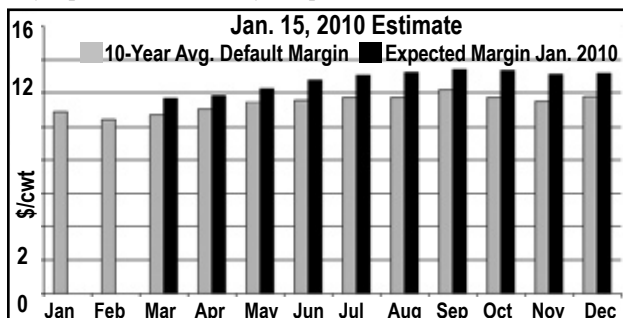
The gross margin is simply the income over the feed cost for every 100 lbs. (cwt) of milk produced. This graph uses the *default actual* and *expected* margin values that are available with Dairy Gross Margin Insurance. *Default* margin values assume that 1/2 bushel (.014T) of corn and 4 lbs. (.002T) of soybean meal will produce 100 lbs. of milk. The insurance agreement uses futures contract prices for Class III milk, corn, and soybean meal from the Chicago Mercantile Exchange (CME) to calculate these *actual* and *expected* margins.

The lighter bars represent *actual gross margins*. These are calculated using the closing Class III milk, corn and soybean meal futures prices from the past 10 years. The average *actual* margin since February 2000 is \$11.39. Since January of 2006, the average *actual* margin is \$12.06. The highest monthly *actual* margin was \$19.21 in July of 2007. The lowest was \$6.93 last February.

The darker bars show the 10 months that Joe Dairyman can buy coverage. He can purchase coverage for one month, or

any group of months up to 10. The insurance policy does not create coverage for the sales month or the month following the sales period, so there are no dark bars in January and February. The anticipated *expected* margins for the January sales period range from \$11.69 for March to \$13.41 for Sept. **All 10 of the purchase months' expected margins are higher than the average of the actual margins from the past 10 years.**

The next Dairy Gross Margin sales period is January 29 & 30. January 31 is the deadline for the AGR/AGRLite Farm and Inventory reports. We welcome your questions.



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 — JANUARY 19, 2010 CLOSE

	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10
<b>CLASS III MILK FUTURES (\$/CWT)</b>	14.45	14.39	14.76	14.82	15.18	15.64	15.97	16.07	16.12	16.16	15.90	15.96
	----- WEEK AGO -----											
	14.32	13.65	13.99	14.24	14.67	15.23	15.65	15.78	16.01	15.99	15.78	15.78
	----- HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED -----											
	20.30 6/08	19.89 6/08	19.75 6/08	19.60 6/08	19.50 6/08	19.20 7/08	19.20 7/08	18.00 9/08	17.20 10/08	16.26 1/10	16.03 12/09	16.05 12/09
	13.23 1/09	13.31 8/09	13.41 8/09	13.58 8/09	13.82 8/09	14.49 8/09	14.71 1/09	14.90 1/09	14.90 1/09	15.05 1/09	15.30 2/09	15.22 2/09
	<b>MILK BASIS (\$/CWT) — SELECTED NORTHEAST &amp; MID-ATLANTIC STATES (2008 Historical Reference)</b>											
	PA 3.40	3.19	3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87	3.19	3.01
	NY 2.32	2.11	2.32	1.04	1.43	1.57	1.61	1.44	1.39	1.79	2.17	1.97
	VT 2.38	2.15	2.42	1.10	1.39	1.69	1.71	1.44	1.53	1.99	2.27	1.99
	NJ 2.20	1.99	2.12	0.74	1.03	1.43	1.41	1.18	1.17	1.67	1.99	1.81
	DE 2.82	2.61	2.74	1.36	1.65	2.05	2.03	1.80	1.79	2.29	2.61	2.43
	MD 2.78	2.57	2.70	1.32	1.61	2.01	1.99	1.76	1.75	2.25	2.57	2.39
	OH 2.32	2.15	2.34	0.98	1.25	1.51	1.63	1.26	1.33	1.91	2.31	2.23
	WV 2.22	2.01	2.14	0.76	1.05	1.45	1.43	1.20	1.19	1.69	2.01	1.83
	<b>MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Fri., Jan. 15, 2010</b>											
	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>											
	14.25 0.01	14.25 0.15	14.75 0.44	14.75 0.51	15.00 0.55	15.50 0.66	15.75 0.74	16.00 0.87	16.00 0.90	16.00 0.94	15.75 0.98	15.75 1.05

MILC = Milk Income Loss Contract DEC MILC (not shown) is estimated at \$0.00



\* = NEW IOFC = Income Over Feed Cost

	MAR-10	MAY-10	JUL-10	SEP-10		MAR-10	MAY-10	JUL-10	AUG-10			
<b>CORN (\$/BU) OPTIONS — CALLS</b>	2.70 1.015	2.80 1.031	2.90 1.042	3.00 1.043	Example Daily Strike Price / Premium	<b>SOYMEAL (\$/TON) OPTIONS — CALLS</b>						
	3.20 0.524	3.30 0.575	3.40 0.622	3.50 0.666		260 32.65	250 36.80	260 31.80	260 31.70			
	3.70 0.141	3.80 0.241	3.90 0.327	4.00 0.394		270 23.75	260 28.85	280 19.40	280 20.35			
	3.95 0.054	4.20 0.104	4.70 0.102	5.30 0.104		290 9.70	280 15.50	300 11.50	310 10.55			
						320 1.50	340 1.60	370 1.85	380 1.70			
	<b>CORN FUTURES (\$/BU)</b>											
	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12
	3.692	3.802	3.894	3.970	4.040	4.142	4.212	4.266	4.234	4.234	4.314	4.384
	----- WEEK AGO -----											
	3.924	4.030	4.112	4.150	4.174	4.262	4.322	4.370	4.294	4.324	4.404	4.474
	<b>SOYMEAL FUTURES (\$/TON)</b>											
	JAN-10	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11
	N/A	290.9	283.0	281.2	279.4	276.4	270.0	267.9	268.9	271.7	273.7	274.7
	----- WEEK AGO -----											
	295.4	285.8	280.9	281.8	280.8	278.6	272.8	271.6	272.8	274.8	276.8	277.8

* = NEW	<b>MILK MARGIN — LATEST PSU VALUES — NOV 2009</b>				<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 01/19/10</b>								<b>SPOT CASH</b>
	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)		JAN	FEB	MAR	APR	MAY	JUN	JUL	01/19/10	
	(Now based on \$/CWT milk)				NFDM 1.260	1.227	1.220	1.220	1.210	1.220	1.240	1.3000	
	<b>CURRENT 5.93</b>	<b>6.81</b>	<b>10.47</b>		WHEY 0.385	0.360	0.360	0.357	0.337	0.367	0.350	N/A	
	PREV MO 5.82	6.49	9.98		BUTTER 1.360	1.495	1.510	1.540	1.545	1.565	1.590	1.5000	
	YR AGO 6.87	8.02	12.31		<b>CME SPOT CHEESE: 40 LB BLOCKS 1.4550 / BARRELS 1.4800</b>								

USDA REPORTS: FINAL OCTOBER 2009	* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB)					
ALL-MILK MAILBOX	CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA	WK ENDING 12/31/09			DEC. 2009		
PA \$14.20 \$14.29	15.03 (JAN)	14.25 (DEC)	14.98 (DEC)	15.01 (DEC)	16.30 (DEC)	17.90 (DEC)	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS	
US \$15.80 \$14.52	----- MONTH AGO -----						CHEESE	1.5969	0.2003	1.3966	PROT 2.8751	
NY \$14.30 \$13.82	13.99	13.24	14.08	13.25	15.30	16.80	BUTTER	1.4459	0.1715	1.2744	B.FAT 1.5433	
N. ENGL \$14.90 \$14.84	----- YEAR AGO -----						NFDM	1.2858	0.1678	1.1180	N.FAT 1.1068	
OH \$15.60 \$14.88	15.74	11.21	15.28	10.35	15.50	17.10	DRY WHEY	0.3668	0.1991	0.1677	OTHER 0.1727	
APPAL \$16.80 \$15.30												

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

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