

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — AUGUST 18, 2009 — except where noted



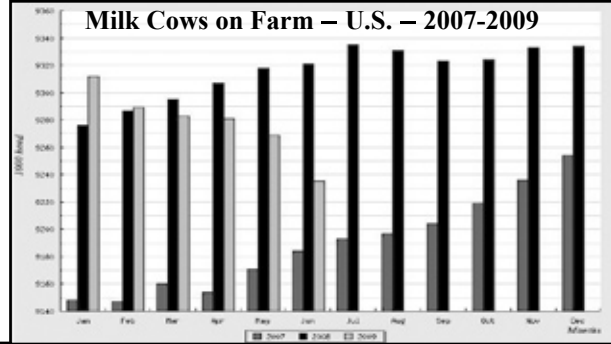
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**LGM-Dairy** — Approved crop insurance agents sell Livestock Gross Margin for Dairy Insurance policies beginning the last business Friday of each month (Aug. 28). The sales period begins as soon as RMA reviews the data after the close of markets on the last day of the price discovery period (Friday). The sales period ends at 9:00 p.m. Eastern Time the following day (Saturday). LGM-Dairy uses futures prices for corn, soybean meal, and milk to determine the expected gross margin and the actual gross margin. The price the producer receives at the local market is not used in these calculations. The price discovery period is the last business Friday plus the two previous days (usually the previous Wed. and Thurs.). The expected gross margin is the monthly milk production expected on a farm, times the expected milk price for that month, less the expected feed costs for that month.

insurance agent, before sample row areas can be left for later yield determination. Notice of damage must be filed with your crop insurance agent as early as you determine that damage occurred.

The Center for Dairy Excellence will host a “Mastering the Dairy Business” conference call on August 26 from noon to 1:30 p.m. **Dr. David Kohl** will address the volatile economic environment and discuss short and long-term factors impacting dairy profitability, by providing insight into the viability of the dairy industry. To register, call 717-346-0849.

**Some other crop insurance related notes:**  
Check the yield/revenue potential of your crops. The insurance policies require that written notice be given to your crop insurance agent by crop by unit (farm). If loss-adjusting workload does not permit appraising damaged crop acreage before you are ready to start cutting silage, prior authorization must be obtained from your insurance company, through your crop



Prices change daily. The market data below are compiled weekly by Farmshine, using CME and USDA reports and the Center for Dairy Excellence Scorecard. This market information is an example for educational purposes.

## CME DAILY FUTURES & OPTIONS TRADING — AUGUST 18, 2009 CLOSE

|  | AUG-09  | SEP-09     | OCT-09     | NOV-09     | DEC-09     | JAN-10     | FEB-10     | MAR-10     | APR-10     | MAY-10     | JUN-10     | JUL-10     |
|--|---|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| <b>CLASS III MILK FUTURES (\$/CWT)</b> | 11.20   | 12.58      | 12.91      | 12.85      | 13.10      | 13.26      | 13.31      | 13.41      | 13.59      | 13.82      | 14.49      | 14.92      |
|  | ----- WEEK AGO -----  |            |            |            |            |            |            |            |            |            |            |            |
|  | 11.06   | 12.65      | 13.27      | 13.40      | 13.90      | 13.95      | 13.95      | 14.05      | 14.37      | 14.58      | 15.15      | 15.51      |
|  | ----- HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED -----      |            |            |            |            |            |            |            |            |            |            |            |
|  | 20.83 6/08  | 20.98 6/08 | 20.80 6/08 | 20.60 6/08 | 20.64 6/08 | 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 |
|  | 10.24 7/09  | 11.10 7/09 | 11.96 7/09 | 12.80 8/09 | 13.10 8/09 | 13.23 1/09 | 13.31 8/09 | 13.41 8/09 | 13.58 8/09 | 13.82 8/09 | 14.49 8/09 | 14.87 1/09 |
|  | <b>MILK BASIS (\$/CWT) — SELECTED NORTHEAST &amp; MID-ATLANTIC STATES (2008 Historical Reference)</b> |            |            |            |            |            |            |            |            |            |            |            |
|  | PA 2.38   | 2.37       | 2.87       | 3.19       | 3.01       | 3.40       | 3.19       | 3.32       | 1.94       | 2.23       | 2.63       | 2.61       |
|  | NY 1.44   | 1.39       | 1.79       | 2.17       | 1.97       | 2.32       | 2.11       | 2.32       | 1.04       | 1.43       | 1.57       | 1.61       |
|  | VT 1.44   | 1.53       | 1.99       | 2.27       | 1.99       | 2.38       | 2.15       | 2.42       | 1.10       | 1.39       | 1.69       | 1.71       |
|  | NJ 1.18   | 1.17       | 1.67       | 1.99       | 1.81       | 2.20       | 1.99       | 2.12       | 0.74       | 1.03       | 1.43       | 1.41       |
|  | DE 1.80   | 1.79       | 2.29       | 2.61       | 2.43       | 2.82       | 2.61       | 2.74       | 1.36       | 1.65       | 2.05       | 2.03       |
|  | MD 1.76   | 1.75       | 2.25       | 2.57       | 2.39       | 2.78       | 2.57       | 2.70       | 1.32       | 1.61       | 2.01       | 1.99       |
|  | OH 1.26   | 1.33       | 1.91       | 2.31       | 2.23       | 2.32       | 2.15       | 2.34       | 0.98       | 1.25       | 1.51       | 1.63       |
|  | WV 1.20   | 1.19       | 1.69       | 2.01       | 1.83       | 2.22       | 2.01       | 2.14       | 0.76       | 1.05       | 1.45       | 1.43       |
|  | <b>MILC PAYMENT (\$/CWT) FORECASTS</b> Based on Futures as of Fri., Aug. 14, 2009                     |            |            |            |            |            |            |            |            |            |            |            |
|  | 1.64  | 1.14       | 0.48       | 0.20       | 0.28       | 0.08       | 0.01       | 0.00       | 0.04       | 0.00       | 0.00       | 0.00       |
|  | <b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>                          |            |            |            |            |            |            |            |            |            |            |            |
|  | 11.00 0.00  | 12.50 0.29 | 12.75 0.42 | 12.75 0.55 | 13.00 0.63 | 13.25 0.77 | 13.25 0.81 | 13.25 0.82 | 13.50 0.92 | 13.75 1.01 | 14.25 1.02 | 14.25 0.90 |

MILC = Milk Income Loss Contract JULY MILC (not shown) is estimated at \$1.54



IOFC = Income Over Feed Cost

\* NEW Price Announced

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

Average to high dressing

|                                     | SEP-09     | DEC-09     | MAR-10     | MAY-10     |                                      | SEP-09                                  | OCT-09    | DEC-09    | JAN-10    |
|-------------------------------------|------------|------------|------------|------------|--------------------------------------|---|-----------|-----------|-----------|
| <b>CORN (\$/BU) OPTIONS — CALLS</b> | 2.10 1.043 | 2.20 1.021 | 2.30 1.077 | 2.50 1.013 | Example Daily Strike Price / Premium | <b>SOYMEAL (\$/TON) OPTIONS — CALLS</b> |           |           |           |
|                                     | 2.40 0.743 | 2.50 0.736 | 2.70 0.734 | 2.90 0.710 |                                      | 270 39.55                               | 250 37.85 | 250 38.30 | 260 33.10 |
|                                     | 2.70 0.443 | 2.90 0.421 | 3.20 0.415 | 3.40 0.423 |                                      | 290 20.50                               | 270 22.70 | 280 20.45 | 280 22.00 |
|                                     | 3.05 0.116 | 3.60 0.113 | 4.30 0.110 | 4.80 0.106 |                                      | 300 12.00                               | 290 12.05 | 310 10.20 | 310 12.00 |
|                                     |            |            |            |            |                                      | 320 2.25                                | 340 1.85  | 390 1.60  | 400 1.75  |

|                             | SEP-09               | DEC-09 | MAR-10 | MAY-10 | SEP-10 | DEC-10 | MAR-11 | MAY-11 | JUL-11 | SEP-11 | DEC-11 |       |
|-----------------------------|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|-------|
| <b>CORN FUTURES (\$/BU)</b> | 3.144                | 3.224  | 3.362  | 3.456  | 3.544  | 3.630  | 3.724  | 3.846  | 3.916  | 3.966  | 3.940  | 3.910 |
|                             | ----- WEEK AGO ----- |        |        |        |        |        |        |        |        |        |        |       |
|                             | 3.264                | 3.310  | 3.444  | 3.534  | 3.614  | 3.682  | 3.762  | 3.882  | 3.952  | 4.002  | 3.972  | 3.932 |

|                                 | AUG-09               | SEP-09 | OCT-09 | DEC-09 | JAN-10 | MAR-10 | MAY-10 | JUL-10 | AUG-10 | SEP-10 | OCT-10 | DEC-10 |
|---------------------------------|----------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| <b>SOYMEAL FUTURES (\$/TON)</b> | N/A                  | 313.7  | 287.6  | 284.2  | 283.7  | 283.2  | 281.7  | 282.7  | 281.7  | 276.7  | 267.7  | 268.7  |
|                                 | ----- WEEK AGO ----- |        |        |        |        |        |        |        |        |        |        |        |
|                                 | 383.2                | 343.7  | 317.8  | 313.7  | 310.5  | 306.5  | 300.5  | 299.1  | 297.1  | 291.1  | 280.6  | 280.6  |

|                 | <b>MILK MARGIN — LATEST PSU VALUES — JULY 2009</b> |                             |                         | <b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 08/18/09</b>       |       |       |       |       |       |       |         | <b>SPOT CASH</b> |
|-----------------|--|-----------------------------|-------------------------|--|-------|-------|-------|-------|-------|-------|---------|------------------|
|                 | FEED COST (\$/COW @ 65 lbs milk)                   | IOFC (\$/COW @ 65 lbs milk) | MILK MARGIN (as \$/CWT) | AUG  | SEP   | OCT   | NOV   | DEC   | JAN   | FEB   | 8/18/09 |                  |
| <b>CURRENT*</b> | 4.08   | 4.37                        | 6.72                    | NFDM   | 0.880 | 0.920 | 0.976 | 0.976 | 0.990 | 1.030 | 1.030   | 0.9950           |
| PREV MO         | 4.33   | 4.12                        | 6.33                    | WHEY   | 0.295 | 0.305 | 0.300 | 0.300 | 0.300 | 0.280 | 0.280   | N/A              |
| YRAGO           | 5.73   | 8.19                        | 12.59                   | BUTTER   | 1.212 | 1.200 | 1.230 | 1.250 | 1.285 | 1.310 | 1.330   | 1.2000           |
|                 |  |                             |                         | <b>CME SPOT CHEESE: 40 LB BLOCKS 1.3825 / BARRELS 1.3600</b> |       |       |       |       |       |       |         |                  |

|  | <b>ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b> |             |            |             |               |             | <b>CURRENT FEDERAL ORDER VALUES (\$/LB)</b> |        |            |           |              |  |
|--|--|-------------|------------|-------------|---------------|-------------|---|--------|------------|-----------|--------------|--|
|  | CL I ADV                                       | CLASS II    | CLASS III  | CLASS IV    | ALL-MILK U.S. | ALL-MILK PA | WK ENDING 07/31/09                          |        |            | JULY 2009 |              |  |
|  | 10.04 (AUG)                                    | 10.87 (JUL) | 9.97 (JUL) | 10.15 (JUL) | 11.30 (JUL)   | 13.00 (JUL) | PRODUCT                                     | VALUE  | MAKE ALLOW | NET       | COMPONENTS   |  |
|  |  |             |            |             |               |             | CHEESE                                      | 1.1334 | 0.2003     | 0.9331    | PROT 1.6970  |  |
|  |  |             |            |             |               |             | BUTTER                                      | 1.1986 | 0.1715     | 1.0271    | B.FAT 1.2438 |  |
|  |  |             |            |             |               |             | NFDM  | 0.8422 | 0.1678     | 0.6744    | N.FAT 0.6677 |  |
|  |  |             |            |             |               |             | DRY WHEY                                    | 0.2912 | 0.1991     | 0.0921    | OTHER 0.0949 |  |

|  | <b>CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales - New Holland, PA - Aug. 12, 2009)</b> |          |        |       |   |     |           |     |     |                |       |       |
|--|---|----------|--------|-------|---|-----|-----------|-----|-----|----------------|-------|-------|
|  | COWS: Fresh   |          |        | Bred  |   |     | Springing |     |     | HEIFERS: Bred  |       |       |
|  | 1135  | N/A      | N/A    | 1150  | 1275  | 685 | 925       | N/A | 750 |                |       |       |
|  | ----- FOUR WEEK AVG -----   |          |        |       |   |     |           |     |     |                |       |       |
|  | 1175  | 1150     | 860    | 1105  | 1225  | 695 | 810       | 825 | 725 |                |       |       |
|  | Avg. of prices reported by USDA Market News for PA Auction Markets Aug. 13-Aug. 18, 2009                                |          |        |       |   |     |           |     |     |                |       |       |
|  | <b>CULL MARKET COWS (\$/CWT LIVELWEIGHT)</b>  |          |        |       |   |     |           |     |     |                |       |       |
|  | Premium White   | Breakers | Boners | Lean  | <b>FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)</b> |     |           |     |     | <b>CURRENT</b> |       |       |
|  | 52.25   | 51.75    | 48.50  | 45.00 | Choice & Prime 1250-1550 lbs                    |     |           |     |     | 71.50          | 67.50 | 85.85 |
|  |   |          |        |       | BULL CALVES: No. 1 & 2, 85-130 lbs              |     |           |     |     | 72.50          | 72.00 | 75.00 |
|  |   |          |        |       | ----- WEEK AGO -----                            |     |           |     |     |                |       |       |
|  |   |          |        |       | ----- YEAR AGO -----                            |     |           |     |     |                |       |       |
|  | 70.00   | 66.00    | 62.50  | 58.50 |   |     |           |     |     |                |       |       |

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