

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — SEPTEMBER 8, 2009 — except where noted



ALAN ZEPP
Risk Management Program Coordinator
717-420-7448
azepp@centerfordairyexcellence.org

How much risk is right for you?

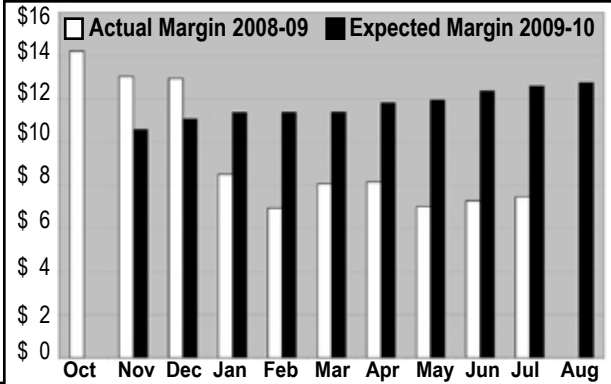
In life, risk is unavoidable. None of us know exactly what tomorrow will bring. Everyday management decisions balance things that you know—like your present feeding program, last spring's seed corn varieties, and the teat dip you have used forever—with unknowns (risks), such as that new feed additive, this fall's hot corn hybrids, and the newest and most improved teat dip. Price risk management is no different. You need to balance what you know (January Class III milk is trading at \$13.47, December corn is at \$3.074 and January soy bean meal is at \$283.50) with unknowns, like what milk and feed prices will really be at the end of 2009.

The gross margin guarantees available for a December 2009 Dairy Livestock Gross Margin (LGM) insurance policy is \$11.06 using the default feed values (shown on graph). The December 2008 actual gross margin, using default feed values, was \$12.94. Unfortunately, actual gross margins have closed under \$8.50 in every month since January (also shown on graph).

Can you afford to risk that the December 09 milk margin will be greater than \$11.06? If margins continue to be very narrow, a guaranteed \$11.06 margin may look good in December. If milk prices increase, and/or feed prices decrease, so that the December 09 actual gross margin is greater than \$11.06, you

will have this extra income in the checkbook. Different farms may have different answers to this question. The most important thing is to understand all the risks and make an informed decision that is correct for your situation.

Crop Insurance Note: Deadline to enroll to make changes to 2010 crop insurance policies for fall crops (wheat, barley or alfalfa based forage) is Sept. 30, 2009. Notice of damage must be turned in at least 15 days before harvest. Call your agent immediately if you suspect a loss.



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 — SEPTEMBER 8, 2009 CLOSE

	SEP-09	OCT-09	NOV-09	DEC-09	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10
CLASS III MILK FUTURES (\$/CWT)	12.08	12.11	12.95	13.15	13.47	13.50	13.56	13.85	14.07	14.52	14.82	15.00
	----- WEEK AGO -----											
	12.25	12.32	12.83	13.00	13.35	13.45	13.46	13.98	14.11	14.53	14.75	15.00
	----- HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED -----											
	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	15.00 9/09
	11.10 7/09	11.96 7/09	12.80 8/09	13.00 9/09	13.23 1/09	13.31 8/09	13.41 8/09	13.58 8/09	13.82 8/09	14.49 8/09	14.75 9/09	15.00 9/09
MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)	PA 2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94	2.23	2.63	2.61	2.38
	NY 1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04	1.43	1.57	1.61	1.44
	VT 1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10	1.39	1.69	1.71	1.44
	NJ 1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74	1.03	1.43	1.41	1.18
	DE 1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36	1.65	2.05	2.03	1.80
	MD 1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32	1.61	2.01	1.99	1.76
	OH 1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98	1.25	1.51	1.63	1.26
	WV 1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76	1.05	1.45	1.43	1.20
MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Thurs, Sept. 3, 2009	1.24	0.76	0.59	0.29	0.15	0.05	0.00	0.00	0.00	0.00	0.00	0.00
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	12.00 0.06	12.00 0.28	12.75 0.41	13.00 0.51	13.25 0.58	13.50 0.75	13.50 0.78	13.75 0.83	14.00 0.93	14.50 1.03	14.25 0.82	15.00 1.18

MILC = Milk Income Loss Contract AUG MILC (not shown) is estimated at \$1.64



IOFC = Income Over Feed Cost

* NEW Price Announced

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

Average to high dressing

DEC-09	MAR-10	MAY-10	JUL-10
CORN (\$/BU) OPTIONS — CALLS			
2.00 1.075	2.20 1.020	2.30 1.034	2.40 1.034
2.50 0.592	2.70 0.575	2.80 0.621	2.90 0.642
3.00 0.224	3.20 0.272	3.30 0.322	3.40 0.366
3.30 0.104	3.80 0.103	4.10 0.110	4.60 0.100

OCT-09	DEC-09	JAN-10	MAR-10
SOYMEAL (\$/TON) OPTIONS — CALLS			
260 31.30	250 38.50	260 31.55	260 34.35
270 22.75	270 24.20	270 25.35	270 28.00
290 9.55	290 14.20	280 19.85	280 23.00
320 1.75	360 1.85	380 1.60	420 1.85

SEP-09	DEC-09	MAR-10	MAY-10	JUL-10
CORN FUTURES (\$/BU)				
3.026	3.074	3.210	3.304	3.390
----- WEEK AGO -----				
3.122	3.192	3.324	3.414	3.500

SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11
SOYMEAL FUTURES (\$/TON)						
3.474	3.576	3.702	3.772	3.830	3.780	3.732
----- WEEK AGO -----						
3.582	3.674	3.796	3.866	3.930	3.894	3.856

SEP-09	OCT-09	DEC-09	JAN-10	MAR-10	MAY-10	JUL-10
MILK MARGIN — LATEST PSU VALUES — JULY 2009						
FEED COST (\$/COW @ 65 lbs milk)	4.08	4.37	4.37	6.72		
IOFC (\$/COW @ 65 lbs milk)	4.25	4.13	4.13	6.36		
MILK MARGIN (as \$/CWT)	5.73	8.19	8.19	12.59		

SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
CME DAIRY CASH-SETTLED FUTURES (\$/LB) 09/08/09											
NFDM	0.920	0.980	1.000	1.010	1.039	1.020	1.020	0.9950			
WHEY	0.295	0.291	0.296	0.305	0.300	0.285	0.280	N/A			
BUTTER	1.170	1.220	1.240	1.270	1.295	1.315	1.325	1.1700			
CME SPOT CHEESE: 40 LB BLOCKS	1.2700	/ BARRELS		1.2475							

CL I ADV	CLASS II*	CLASS III*	CLASS IV*	ALL-MILK U.S.	ALL-MILK PA
10.93 (SEP)	10.86 (AUG)	11.20 (AUG)	10.38 (AUG)	11.80 (AUG)	13.20 (AUG)
----- MONTH AGO -----					
10.04	10.87	9.97	10.15	11.30	13.00
----- YEAR AGO -----					
17.65	17.45	17.32	16.64	18.40	20.50

WK ENDING 09/04/09	PRODUCT	VALUE	MAKE ALLOW	NET	AUG 2009 COMPONENTS
	CHEESE	1.2605	0.2003	1.0602	PROT 2.1009
	BUTTER	1.2030	0.1715	1.0315	B.FAT 1.2491
	NFDM	0.8666	0.1678	0.6988	N.FAT 0.6918
	DRY WHEY	0.2925	0.1991	0.0934	OTHER 0.0962

COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
1300	N/A	1265	1035	1385	650	855	N/A	785
----- FOUR WEEK AVG -----								
1185	885	1150	1055	1325	660	880	950	755

Premium White	Breakers	Boners	Lean
50.50	49.50	47.50	42.75
----- WEEK AGO -----			
N/A	52.00	49.00	45.00
----- YEAR AGO -----			
70.25	65.50	61.75	58.00

Choice & Prime 1250-1550 lbs	CURRENT	WK AGO	YR AGO
FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)	70.85	72.00	85.00
BULL CALVES: No. 1 & 2, 85-130 lbs	79.50	75.00	87.50

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