

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — **OCTOBER 20, 2009** — except where noted



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2010 Price Projections

The USDA Economic Research Service (ERS) October Outlook Reports project Class III milk prices for the 2010 marketing year to fall into a \$13.85-\$14.75 range. They project 2009 Class III milk to average \$11.00-\$11.10. The 2008 average Class III price was \$17.44. ERS also projects the farm price for corn in the 2009/10 marketing year to average between \$3.05 and \$3.65. The 2008/09 corn marketing year average farm price was \$4.06. For the 2007/08 marketing year, it was \$4.20, and 2006/07 was \$3.04.

The estimated margin levels available to purchase, using October 16, 2009 information shown on the graph, range from \$11.94 to \$12.80 for the next 10-month sales period. The Class III futures prices used to create these margin values average \$15.04 for 2010 months on October 16, 2009.

The next Dairy Gross Margin sales period is October 30 & 31. Joe Dairyman can protect his cash flow for much of 2010 by purchasing these margin values. Time will tell whether milk prices (and margins) will be higher or lower next year. If ERS and today's futures market are wrong and Class III milk closes at \$18.00 next fall, Joe will still receive a milk check based on that \$18.00 Class III price.

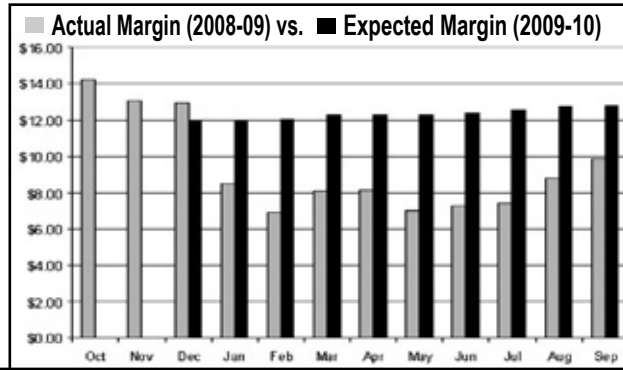
Crop insurance note: Notify your agent if you expect a claim on any crops.

The 2009 Pennsylvania Dairy Profitability Forum will

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.

feature U.S. Department of Agriculture Deputy Undersecretary for Farm and Foreign Agricultural Services Michael Scuse. The forum also features sessions on profitability and risk management by experts Dr. David Galton of Cornell University and Phil Plourd of Blimling and Associates.

They will speak on Oct. 27, in Harrisburg. A second forum will take place Oct. 28, in Clarks Mills. Both events are from 9 a.m. to 4 p.m. To receive a registration brochure, call the Center for Dairy Excellence at 717-346-0849.



CME DAILY FUTURES & OPTIONS TRADING — OCTOBER 20, 2009 CLOSE

	OCT-09	NOV-09	DEC-09	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10
CLASS III MILK FUTURES (\$/CWT)	12.76	13.88	14.65	14.70	14.75	15.01	15.00	15.05	15.10	15.35	15.53	15.68
	WEEK AGO											
	12.75	14.38	14.60	14.62	14.55	14.85	14.78	14.90	14.99	15.13	15.37	15.45
	HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED											
	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	15.53 10/09	15.68 10/09
	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	15.35 10/09
MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
PA	2.87	3.19	3.01	3.40	3.19	3.32	1.94	2.23	2.63	2.61	2.38	2.37
NY	1.79	2.17	1.97	2.32	2.11	2.32	1.04	1.43	1.57	1.61	1.44	1.39
VT	1.99	2.27	1.99	2.38	2.15	2.42	1.10	1.39	1.69	1.71	1.44	1.53
NJ	1.67	1.99	1.81	2.20	1.99	2.12	0.74	1.03	1.43	1.41	1.18	1.17
DE	2.29	2.61	2.43	2.82	2.61	2.74	1.36	1.65	2.05	2.03	1.80	1.79
MD	2.25	2.57	2.39	2.78	2.57	2.70	1.32	1.61	2.01	1.99	1.76	1.75
OH	1.91	2.31	2.23	2.32	2.15	2.34	0.98	1.25	1.51	1.63	1.26	1.33
WV	1.69	2.01	1.83	2.22	2.01	2.14	0.76	1.05	1.45	1.43	1.20	1.19
MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Fri., Oct. 16, 2009	0.60	0.43	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	12.75 0.04	13.75 0.21	14.50 0.45	14.50 0.55	14.75 0.70	15.00 0.77	15.00 0.84	15.00 0.89	15.00 0.92	15.25 0.99	15.50 1.10	15.50 1.08

MILC = Milk Income Loss Contract SEPT MILC (not shown) is estimated at \$1.24



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		DEC-09	JAN-10	MAR-10	MAY-10		
CORN (\$/BU) OPTIONS — CALLS					Example	SOYMEAL (\$/TON) OPTIONS — CALLS					
2.85	1.000	3.00	0.996	3.10	0.997	3.20	1.004				
3.35	0.524	3.50	0.587	3.50	0.681	3.60	0.714				
3.85	0.183	4.00	0.310	4.00	0.390	4.10	0.445				
4.05	0.107	4.80	0.106	5.20	0.100	5.70	0.104				

	DEC-09	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	JUL-12
CORN FUTURES (\$/BU)	3.844	3.966	4.054	4.130	4.176	4.234	4.330	4.390	4.454	4.344	4.274	4.474
	WEEK AGO											
	3.816	3.932	4.012	4.082	4.136	4.194	4.284	4.344	4.404	4.304	4.234	4.424

	OCT-09	DEC-09	JAN-10	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11
SOYMEAL FUTURES (\$/TON)	N/A	292.5	287.2	284.3	281.2	280.8	280.4	279.5	278.3	278.8	279.3	281.3
	WEEK AGO											
	326.3	306.3	302.8	299.5	295.3	293.9	293.3	291.5	287.0	286.5	287.0	289.0

	MILK MARGIN — LATEST PSU VALUES — AUG 2009				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 10/20/09								SPOT CASH
	FEED COST	IOFC (\$/COW)	MILK MARGIN		OCT	NOV	DEC	JAN	FEB	MAR	APR	10/20/09	
	(Now based on \$/CWT milk)	@ 65 lbs milk	(\$/CWT milk)		NFD	WHE	BUT						
CURRENT	6.09	4.62	7.11		1.050	0.315	1.225	1.170	1.170	1.170	1.170	1.3150	
PREV MO	6.18	4.43	6.82		0.335	1.295	1.350	1.400	1.400	1.410	1.407	N/A	
YRAGO	8.15	8.02	12.33		1.350	1.400	1.400	1.410	1.407	1.407	1.3000		

	ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB)						
	CL I ADV	CLASS II	CLASS III	CLASS IV	ALL-MILK U.S.	ALL-MILK PA	WK ENDING 10/06/09						SEP 2009
	12.35 (OCT)	11.01 (SEP)	12.11 (SEP)	11.15 (SEP)	12.70 (SEP)	14.10 (SEP)	PRODUCT	VALUE	MAKE ALLOW	NET		COMPONENTS	
							CHEESE	1.3522	0.2003	1.1519		PROT 2.4243	
	10.93	10.86	11.20	10.38	11.80	13.20	BUTTER	1.1811	0.1715	1.0096		B.FAT 1.2226	
							NFD	0.9664	0.1678	0.7986		N.FAT 0.7906	
	18.40	17.58	16.28	15.45	18.20	20.40	DRY WHEY	0.2979	0.1991	0.0988		OTHER 0.1018	

	CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales - New Holland, PA - (Oct. 14, 2009)									
	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)	
	1350	1165	1335	1125	1300	550	715	N/A	600	
	FOUR WEEK AVG									
	1340	1145	1335	1145	1320	605	740	715	605	

	FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)			CURRENT	WK AGO	YR AGO
	Choice & Prime 1250-1550 lbs			69.25	68.50	77.85
	BULL CALVES: No. 1 & 2, 85-130 lbs			70.00	61.00	61.00

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