

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — OCTOBER 27, 2009 — except where noted



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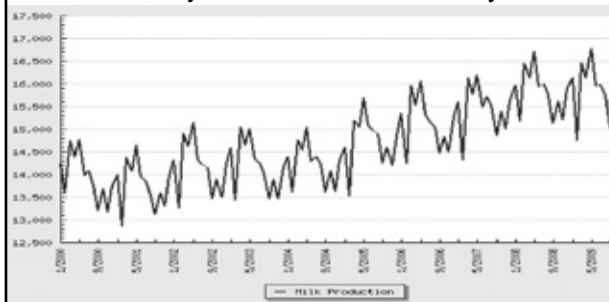
USDA announced the November Federal Order Class I milk price at \$12.86 per hundredweight, up 51 cents from October, but \$2.67 below November 2008. The two-week NASS-surveyed butter price averaged \$1.2245 per pound, up 5.9 cents from October. Nonfat dry milk averaged \$1.0299, up 7.6 cents. Cheese averaged \$1.4155, up 3.5 cents, and dry whey averaged \$1.86 cents, up 2.4 cents.

The graph below shows monthly total U.S. milk production since January of 2000. Each year, total milk production peaks in late spring and bottoms in the winter. There is a second dip because February only has 28 days. The graph shows these seasonal trends along with the long-term trend of increasing U.S. production. The monthly changes in the "basis" figures for selected states, listed below, are due to the monthly "seasonal" changes in production that the graph below illustrates.

Since Sept. 1, 2009, both Class III milk futures and corn have increased about one dollar for the contract months from Nov. 2009 until June 2010. Soybean meal contracts, from Dec. through May, are trading at about the same price level as 60 days ago. Therefore, the Dairy Gross Margin opportunities that futures market prices provide as of Oct. 23, 2009 range from \$12.00 for Dec. 2009 to \$13.00 for Sept. of 2010. These margin opportunities are \$0.50 higher than the margin opportunities that were available in early September of this year.

Joe Dairyman can work with his authorized crop insurance agent to protect these margins. His agent can submit Joe's policy information on the last business Friday of each month (Oct. 30) and the next day (Oct. 31) until 9 p.m. Eastern time. Joe can use the default feed values (1/2 bu. of corn and 4 lbs. soybean meal for every hundred lbs. of milk production) or his own feed values. He can insure any portion of his projected monthly production at deductible levels from \$0.00 to \$1.50. The October sales period can provide coverage for one to 10 of the months between Dec. 2009 and Sept. 2010.

U.S. Monthly Milk Production Jan. 2000 - May 2009



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 — OCTOBER 27, 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
<b>CLASS III MILK FUTURES (\$/CWT)</b>	12.76	13.76	14.69	14.75	14.81	15.01	15.07	15.17	15.11	15.32	15.45	15.62
	----- WEEK AGO -----											
	12.76	13.88	14.65	14.70	14.75	15.01	15.00	15.05	15.10	15.35	15.53	15.68
	----- 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	15.60 10/09	15.78 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
	<b>MILK BASIS (\$/CWT) — SELECTED NORTHEAST &amp; MID-ATLANTIC STATES (2008 Historical Reference)</b>											
	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
	<b>MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Fri., Oct. 23, 2009</b>											
	0.60	0.37	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>											
	12.75 0.01	13.75 0.19	14.50 0.39	14.75 0.60	14.75 0.65	15.00 0.76	15.00 0.79	15.00 0.82	15.00 0.90	15.25 0.99	15.25 1.00	15.50 1.10

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

## CORN (\$/BU) OPTIONS — CALLS

	DEC-09	MAR-10	MAY-10	JUL-10
2.75	1.034	2.90 1.021	3.00 1.034	3.10 1.042
3.20	0.592	3.30 0.680	3.40 0.700	3.50 0.733
3.70	0.207	3.80 0.362	3.90 0.401	4.00 0.454
3.95	0.100	4.70 0.104	5.00 0.110	5.60 0.104

## SOYMEAL (\$/TON) OPTIONS — CALLS

	DEC-09	JAN-10	MAR-10	MAY-10
260	35.80	260 32.10	260 32.75	260 33.05
270	26.85	270 24.20	280 20.65	280 21.90
290	12.40	280 17.90	300 12.75	320 9.70
340	1.25	350 1.80	390 1.75	420 1.80

## CORN FUTURES (\$/BU)

	DEC-09	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	JUL-12
3.706	3.830	3.916	3.994	4.056	4.122	4.216	4.272	4.346	4.346	4.272	4.202	4.402
----- WEEK AGO -----												
3.844	3.966	4.054	4.130	4.176	4.234	4.330	4.390	4.454	4.344	4.274	4.274	4.474

## SOYMEAL FUTURES (\$/TON)

	DEC-09	JAN-10	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11
287.6	281.9	279.4	276.5	276.5	276.2	275.5	273.0	273.5	273.5	274.0	276.0	274.0
----- WEEK AGO -----												
292.5	287.2	284.3	281.2	280.8	280.4	279.5	278.3	278.8	278.8	279.3	281.3	279.3

## MILK MARGIN — LATEST PSU VALUES — SEPT 2009\*

	FEED COST (\$/CWT milk)	IOFC (\$/COW @ 65 lbs milk)	MILK MARGIN (\$/CWT milk)
CURRENT*	6.17	5.17	7.93
PREV MO*	6.17	4.63	7.13
YR AGO	8.15	8.03	12.33

## CME DAIRY CASH-SETTLED FUTURES (\$/LB) 10/27/09

	OCT	NOV	DEC	JAN	FEB	MAR	APR	SPOT CASH 10/27/09
NFDM	1.050	1.150	1.165	1.170	1.170	1.170	1.170	1.3250
WHEY	0.317	0.337	0.352	0.367	0.360	0.360	0.360	N/A
BUTTER	1.220	1.330	1.350	1.395	1.400	1.410	1.430	1.3500

CME SPOT CHEESE: 40 LB BLOCKS 1.5000 / BARRELS 1.4925

## 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 10/23/09	SEP 2009
	12.86*(NOV)	11.01 (SEP)	12.11 (SEP)	11.15 (SEP)	12.70 (SEP)	14.10 (SEP)	PRODUCT VALUE MAKE ALLOW NET	COMPONENTS
	----- MONTH AGO -----						CHEESE 1.4155 0.2003 1.2152	PROT 2.4243
	12.35	10.86	11.20	10.38	11.80	13.20	BUTTER 1.2245 0.1715 1.0530	B.FAT 1.2226
	----- YEAR AGO -----						NFDM 1.0299 0.1678 0.8621	N.FAT 0.7906
	17.33	17.58	16.28	15.45	18.20	20.40	DRY WHEY 0.3186 0.1991 0.1195	OTHER 0.1018

## CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales - New Holland, PA - (Oct. 21, 2009))

	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
	1390	1115	1065	1115	1315	615	700	790	740
	----- FOUR WEEK AVG -----								
	1390	1155	1275	1130	1335	605	705	740	645

Avg. of prices reported by USDA Market News for PA Auction Markets Oct. 22-27, 2009

## CULL MARKET COWS (\$/CWT LIVELWEIGHT)

	Premium White	Breakers	Boners	Lean
	49.00	46.10	44.35	41.85
	----- WEEK AGO -----			
	48.00	45.75	43.50	40.75
	----- YEAR AGO -----			
	57.60	54.75	49.50	46.50

Average to high dressing

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