

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOVEMBER 3, 2009 — except where noted



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Congressional Research Service Report on MPCs

Excerpted from *Northeast Dairy Farmers Cooperatives Newsletter* with permission from Bob Gray, Editor

Milk Protein Concentrates (MPCs) are used in sports drinks, processed cheese products, infant formula and industrial products as well as animal feed. The U.S. is now starting to produce MPCs domestically. There is strong concern among many producers that the MPCs are being imported into the U.S. at the expense of lowering farm milk prices.

As a result, Senator Charles Schumer (D-NY) and Congressman Peter Welch (D-VT) have introduced the Milk Import Tariff Equity Act (S.1542) and (H.R. 3674) in the Senate and House respectively. Both of these bills would prevent unlimited importation of milk protein. Supporters of this legislation say that preventing the unlimited importation of milk proteins would encourage use of domestically produced proteins and thereby contribute to higher farm milk prices. However, opponents of the legislation, which include dairy product manufacturers, say that restricting imported MPCs would increase their costs and result in higher food prices.

The Congressional Research Service (CRS), the research arm of Congress, released a report on MPC use in the U.S., which says that imported MPCs are assessed at very low tariffs while many other dairy products, such as foreign cheeses, are restricted

by tariff rate quotas. This means if imports exceed the quota, the imported product will be charged very high duty rates by the U.S. government placing it at a competitive disadvantage.

The CRS report goes on to say that MPC total imports have hovered around 150,000 metric tons or less (330 million pounds) during most of the last decade.

The two bills in Congress would establish separate tariff rate quotas for MPCs with a protein concentration of 40% to 90% and the combined imports of three products; MPCs, casein and caseinates. According to recent trade data the bills would affect half the import trade of MPCs and casein. If this current legislation is passed, CRS states that the U.S. would have to enter into compensation agreements with World Trade Organization countries that supply the U.S. with MPCs.

Based on current trade data these MPC and casein imports represent 0.7% of U.S. milk production. The report also states that right now the imposition of tariff rate quotas (TRQs) on MPCs and casein would have a very limited effect on farm milk prices. Many producers remain concerned that the pace of MPC imports will pick up in the future.

Crop insurance note: Nov. 16, 2009 is the deadline to file acreage reports for forage production (GYC), fall seeded barley and wheat.

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 — NOVEMBER 3, 2009 CLOSE

	NOV-09	DEC-09	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10
CLASS III MILK FUTURES (\$/CWT)	13.86	14.72	14.95	15.07	15.17	15.31	15.35	15.31	15.42	15.56	15.69	15.60
	13.76	14.69	14.75	14.81	15.01	15.07	15.17	15.11	15.32	15.45	15.62	15.50
----- WEEK AGO -----												
----- HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED -----												
	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	15.60 11/09
	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	15.44 11/09
MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
PA	3.19	3.01	3.40	3.19	3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87
NY	2.17	1.97	2.32	2.11	2.32	1.04	1.43	1.57	1.61	1.44	1.39	1.79
VT	2.27	1.99	2.38	2.15	2.42	1.10	1.39	1.69	1.71	1.44	1.53	1.99
NJ	1.99	1.81	2.20	1.99	2.12	0.74	1.03	1.43	1.41	1.18	1.17	1.67
DE	2.61	2.43	2.82	2.61	2.74	1.36	1.65	2.05	2.03	1.80	1.79	2.29
MD	2.57	2.39	2.78	2.57	2.70	1.32	1.61	2.01	1.99	1.76	1.75	2.25
OH	2.31	2.23	2.32	2.15	2.34	0.98	1.25	1.51	1.63	1.26	1.33	1.91
WV	2.01	1.83	2.22	2.01	2.14	0.76	1.05	1.45	1.43	1.20	1.19	1.69
MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Fri., Oct. 30, 2009												
	0.37	0.00	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												
	13.75 0.09	14.50 0.33	14.75 0.49	15.00 0.64	15.00 0.67	15.25 0.80	15.25 0.86	15.25 0.93	15.25 0.93	15.50 1.06	15.50 1.05	15.50 1.15

MILC = Milk Income Loss Contract OCT MILC (not shown) is estimated at \$0.60



	DEC-09	MAR-10	MAY-10	JUL-10		DEC-09	JAN-10	MAR-10	MAY-10		
CORN (\$/BU) OPTIONS — CALLS					Example Daily Strike Price / Premium	SOYMEAL (\$/TON) OPTIONS — CALLS					
2.80	1.023	2.90 1.075	3.10 0.996	3.20 1.017		270	33.40	260 38.05	260 38.50	260 38.25	
3.10	0.726	3.40 0.651	3.50 0.681	3.70 0.666		280	24.05	280 22.10	280 24.75	280 26.00	
3.45	0.397	4.00 0.304	4.10 0.352	4.20 0.424		300	9.95	300 11.40	300 15.25	300 17.45	
3.90	0.112	4.80 0.104	5.10 0.113	5.70 0.115		330	1.90	360 1.50	420 1.50	430 1.70	
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
3.900	4.034	4.130	4.214	4.290	4.376	4.482	4.542	4.606	4.522	4.466	4.666
----- WEEK AGO -----											
	3.706	3.830	3.916	3.994	4.056	4.122	4.216	4.272	4.346	4.272	4.202
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
306.4	299.5	297.2	293.8	293.8	293.0	292.0	288.0	288.0	288.5	290.5	288.5
----- WEEK AGO -----											
	287.6	281.9	279.4	276.5	276.2	275.5	273.0	273.5	274.0	276.0	274.0

IOFC = Income Over Feed Cost

MILK MARGIN — LATEST PSU VALUES — SEPT 2009*				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/03/09							SPOT CASH
	FEED COST	IOFC (\$/COW @ 65 lbs milk)	MILK MARGIN (\$/CWT milk)	NOV	DEC	JAN	FEB	MAR	APR	MAY	11/03/09
(Now based on \$/CWT milk)				NFDM	1.175	1.250	1.250	1.235	1.225	1.170	1.3400
CURRENT*	6.17	5.17	7.93	WHEY	0.340	0.365	0.390	0.375	0.385	0.370	N/A
PREV MO*	6.17	4.63	7.13	BUTTER	1.380	1.435	1.470	1.490	1.520	1.500	1.4100
YRAGO	8.15	8.03	12.33	CME SPOT CHEESE: 40 LB BLOCKS 1.5200 / BARRELS 1.4825							

* NEW Price Announced

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 10/30/09					OCT. 2009
12.86 (NOV)	11.93*	12.82*	11.86* (OCT)	13.80* (OCT)	15.40* (OCT)	PRODUCT	VALUE	MAKE ALLOW	NET		COMPONENTS
			MONTH AGO			CHEESE	1.4110	0.2003	1.2107		PROT 2.5584
12.35	11.01	12.11	11.15	12.90*	14.20*	BUTTER	1.2245	0.1715	1.0530		B.FAT 1.2752
			YEAR AGO			NFDM	1.0270	0.1678	0.8592		N.FAT 0.8506
17.33	16.60	17.06	13.62	17.80	19.30	DRY WHEY	0.3183	0.1991	0.1192		OTHER 0.1228

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

CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales - New Holland, PA - (Oct. 28, 2009)										
COWS: Fresh			Bred			Springing			HEIFERS: Bred	
1400			1235			1335			1115	
1395			1185			1275			1145	
46.10			44.10			43.00			39.85	
49.00			46.10			44.35			41.85	
56.00			53.00			49.00			45.50	

Average to high dressing

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