

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JULY 21, 2009 — except where noted

## Are there pricing opportunities today?

Feed prices are dropping. The graph below shows that futures prices for December 2009 corn, traded on the CME, dropped from around \$4.70 in the beginning of June 2009 to around \$3.30 in July.

Class III milk futures are trading \$14 and above from December of 2009 onward. When we add a Pennsylvania basis of \$2.50 to the cheese-based Class III price, the futures market is providing the opportunity to protect a mailbox price of \$16.50 for the end of 2009. Does this mean that your milk check for January of 2010 will net around \$16.50? I don't know that answer. The futures market responds to supply and demand. As more accurate information becomes available to the hedgers and speculators, prices usually move up or down accordingly.

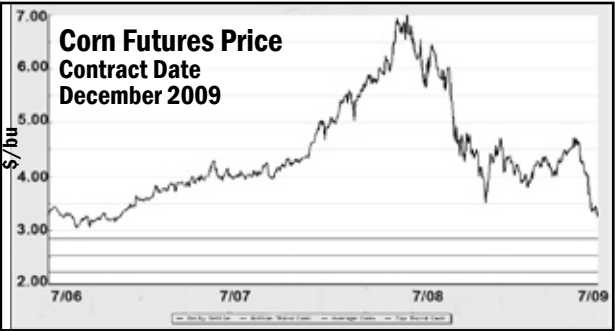
If the economy improves (creating more demand for dairy products) and enough cows are culled from the U.S. dairy herd to reduce the supply, milk prices may go up. If the overall economy continues to struggle, demand stays sluggish, and the U.S. dairy herd is not reduced enough to bring supply and demand in balance, milk prices may go down. Weather, government programs, industry programs,

world events and other forces that we cannot predict will affect milk and feed futures prices over the next six months.

One way to protect a potential profit is by using Livestock Gross Margin for Dairy (LGM), sold by crop insurance agents the last business Friday and Saturday of each month. LGM is based on CME options contracts for Class III milk, corn and soybean meal. Each farm sets their quantities for milk and feed. The policy is completely separate from the milk check. As always, I am available for your questions.



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



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 — JULY 21, 2009 CLOSE

	JUL-09	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10
<b>CLASS III MILK FUTURES (\$/CWT)</b>	9.96	10.74	11.95	12.95	13.90	14.44	14.64	14.82	15.18	15.48	15.53	15.85
	WEEK AGO											
	9.89	10.29	11.14	12.02	13.02	13.35	13.86	14.02	14.52	14.77	14.92	15.45
	HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED											
	20.73 6/08	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
	9.88 7/09	10.24 7/09	11.10 7/09	11.96 7/09	12.94 7/09	13.30 7/09	13.23 1/09	13.39 1/09	13.72 1/09	13.98 1/09	14.25 1/09	14.56 1/09
	<b>MILK BASIS (\$/CWT) — SELECTED NORTHEAST &amp; MID-ATLANTIC STATES (2008 Historical Reference)</b>											
	PA 2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94	2.23	2.63
	NY 1.61	1.44	1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04	1.43	1.57
	VT 1.71	1.44	1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10	1.39	1.69
	NJ 1.41	1.18	1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74	1.03	1.43
	DE 2.03	1.80	1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36	1.65	2.05
	MD 1.99	1.76	1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32	1.61	2.01
	OH 1.63	1.26	1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98	1.25	1.51
	WV 1.43	1.20	1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76	1.05	1.45
	<b>MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Fri., July 17, 2009</b>											
	1.60	1.64	1.43	0.92	0.55	0.12	0.00	0.00	0.00	0.00	0.00	N/A
	<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>											
	10.00 0.04	10.50 0.08	11.75 0.38	12.75 0.54	13.75 0.72	14.25 0.80	14.50 0.93	14.75 1.05	15.00 1.09	15.25 1.15	15.25 1.20	15.75 1.38

MILC = Milk Income Loss Contract JUNE MILC (not shown) is estimated at \$1.81



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		AUG-09	SEP-09	OCT-09	DEC-09			
<b>CORN (\$/BU) OPTIONS — CALLS</b>	2.20 1.033	2.30 1.042	2.50 1.012	2.60 1.041	Example Daily Strike Price / Premium	290 34.95	270 32.60	250 36.35	250 35.20			
	2.50 0.735	2.70 0.683	2.90 0.694	3.00 0.727		300 25.55	290 19.55	270 23.55	280 19.75			
	2.90 0.364	3.10 0.400	3.40 0.404	3.60 0.410		320 9.65	320 8.25	310 9.00	310 10.75			
	3.30 0.111	3.90 0.107	4.70 0.100	5.20 0.103		350 1.45	380 1.80	380 1.80	410 1.65			
<b>CORN FUTURES (\$/BU)</b>	SEP-09	DEC-09	MAR-10	MAY-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	
	3.114	3.220	3.356	3.454	3.620	3.710	3.812	3.882	3.940	3.930	3.904	
	WEEK AGO											
	3.384	3.454	3.586	3.682	3.772	3.846	3.922	4.026	4.096	4.152	4.130	
<b>SOYMEAL FUTURES (\$/TON)</b>	AUG-09	SEP-09	OCT-09	DEC-09	JAN-10	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10
	322.3	294.3	277.3	272.8	270.4	270.4	270.4	272.1	270.6	266.6	259.6	261.6
	WEEK AGO											
	334.0	310.5	289.1	283.0	278.8	277.6	276.6	277.0	273.6	266.6	255.6	256.6

<b>MILK MARGIN — LATEST PSU VALUES — JUNE 2009</b>				<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/21/09</b>										<b>SPOT CASH</b>
	FEED COST (\$/COW @ 65 lbs milk)	IOFC (\$/COW @ 65 lbs milk)	MILK MARGIN (as \$/CWT)	JUL	AUG	SEP	OCT	NOV	DEC	JAN	7/21/09			
<b>CURRENT*</b>	4.33	4.12	6.33	NFDM 0.845	0.855	0.865	0.897	0.905	0.937	0.940	0.890	0.890		
<b>PREV MO</b>	4.35	4.36	6.70	WHEY 0.290	0.302	0.305	0.296	0.302	0.302	0.272	N/A	N/A		
<b>YRAGO</b>	6.05	7.14	10.99	BUTTER 1.185	1.255	1.337	1.355	1.360	1.370	1.400	1.2600	1.2600		
				<b>CME SPOT CHEESE:</b>	40 LB BLOCKS		1.1600	/ BARRELS		1.1500				

<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 07/17/09	PRODUCT	VALUE	MAKE ALLOW	NET	JUNE 2009 COMPONENTS
10.04 (AUG)	10.79 (JUN)	9.97 (JUN)	10.22 (JUN)	11.40 (JUN)	13.00 (JUN)		CHEESE	1.1339	2.0003	0.9336		PROT 1.7283
10.26	10.71	9.84	10.14	11.60	13.40		BUTTER	1.1747	0.1715	1.0032		B.FAT 1.2544
18.47	16.19	20.25	15.92	19.30	20.30		NFDM	0.8416	0.1678	0.6738		N.FAT 0.6715
							DRY WHEY	0.2873	0.1991	0.0882		OTHER 0.0723

<b>CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales - New Holland, PA - July 15, 2009)</b>									
COWS: Fresh			Bred			Springing			HEIFERS: Bred
1050	815	1185	1065	1100	665	725	N/A	750	
FOUR WEEK AVG									
1095	815	1105	1005	1110	680	835	750	760	

<b>FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)</b>				<b>CURRENT</b>	<b>WK AGO</b>	<b>YR AGO</b>
Choice & Prime 1250-1550 lbs				72.85	71.50	85.00
<b>BULL CALVES: No. 1 &amp; 2, 85-130 lbs</b>				60.60	60.25	77.50

brought to you by: