

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — **SEPTEMBER 22, 2009** — except where noted

August 2008 Dairy LGM Results

The September Dairy LGM sales period is September 25 and 26. The graph below shows that the expected gross margin guarantee, purchased with an August 2008 Dairy LGM policy, ranged from around \$12.50 to almost \$14.00. As the policy matured, the actual margin closed under \$9.00 for seven of the 10 months. The dark shaded area shows that Joe Dairyman would have guaranteed his cash flow from January until July of 2009 with this coverage had he purchased the policy. Unfortunately, Joe was skeptical about this new product last summer just like most of his neighbors.

The Center for Dairy Excellence will host Gary Sipiorski, Vita Plus representative and former Wisconsin banker, on a "Mastering the Dairy Business" call titled *The Tidal Wave That Hit the Milking Parlor*. Sipiorski will address what has happened to milk prices and what needs to happen for them to recover. He will also look at the financial measures that dairy producers should be taking now, and what they should do after the milk price rebounds.

Participating is easy — simply call the Center for Dairy Excellence at 717-346-0849 with your name, phone number and e-mail address, if you have one. Registration is required to receive the call-in number and code. Participation is on a first-come, first-serve basis, with a limited number of spots available.

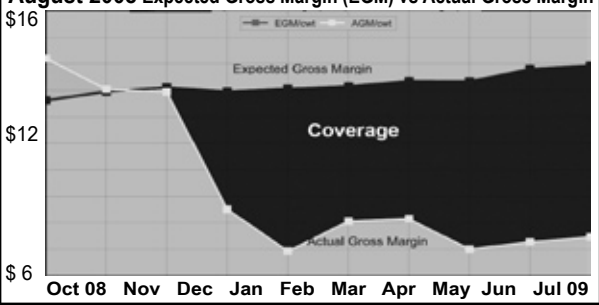
Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, using CME and USDA reports and the CDE Scorecard.

Crop Insurance Note — Deadline to enroll to make changes to 2010 crop insurance policies for fall crops (wheat, barley or alfalfa based forage) is September 30, 2009. Notice of damage needs to be turned in at least 15 days before harvesting. Call your agent immediately if you suspect a loss. Enterprise Insurance Units for CRC wheat are available for qualifying producers. Choosing to insure as enterprise units can reduce producer premiums up to about 50% in exchange for the producer accepting a larger deductible that must be met before a claim is triggered.



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Dairy LGM using default feed values & zero deductible purchased: August 2008 Expected Gross Margin (EGM) vs Actual Gross Margin



CME DAILY FUTURES & OPTIONS TRADING — SEPTEMBER 22, 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)	12.07	12.59	13.50	14.18	14.26	14.45	14.47	14.45	14.50	14.80	15.05	15.34
	WEEK AGO											
	12.04	12.19	13.18	13.76	13.87	14.12	14.25	14.44	14.47	14.77	15.08	15.37
	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	15.45 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 Fri., Sept. 18, 2009	1.24	0.60	0.51	0.14	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	12.00 0.00	12.50 0.20	13.50 0.44	14.00 0.50	14.25 0.69	14.25 0.67	14.25 0.72	14.25 0.79	14.50 0.96	14.75 1.01	15.00 1.07	15.25 1.13



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		OCT-09	DEC-09	JAN-10	MAR-10		
CORN (\$/BU) OPTIONS — CALLS					Example Daily Strike Price / Premium						
2.20	1.057	2.30 1.006	2.40 1.100	2.50 1.011	250	32.15	250 32.40	250 30.60	250 33.85		
2.70	0.576	2.80 0.650	2.90 0.605	3.00 0.687	260	22.35	260 24.95	260 23.70	260 26.55		
3.20	0.212	3.40 0.280	3.50 0.324	3.60 0.365	280	6.10	280 13.75	280 14.65	280 17.60		
3.50	0.100	4.00 0.112	4.40 0.100	4.80 0.100	290	2.10	350 1.55	350 1.75	380 1.90		
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
3.256	3.390	3.482	3.570	3.656	3.762	3.884	3.966	4.022	3.946	3.912	4.142
WEEK AGO											
3.464	3.596	3.690	3.774	3.852	3.940	4.056	4.126	4.194	4.120	4.046	4.274
SOYMEAL FUTURES (\$/TON)											
OCT-09	DEC-09	JAN-10	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11
282.1	278.7	276.9	275.3	274.2	274.8	274.8	272.0	262.5	262.0	262.5	264.5
WEEK AGO											
301.1	298.3	296.5	294.8	293.1	293.9	293.7	290.7	282.9	282.4	282.9	284.9

MILK MARGIN — LATEST PSU VALUES — AUG 2009	CME DAIRY CASH-SETTLED FUTURES (\$/LB) 09/22/09				SPOT CASH						
FEED COST	IOFC (\$/COW @ 65 lbs milk)	MILK MARGIN (\$/CWT milk)	SEP	OCT	NOV	DEC	JAN	FEB	MAR	9/22/09	
(Now based on \$/CWT milk)			NFDM 0.950	0.985	1.010	1.020	1.040	1.045	1.050	1.0425	
CURRENT*	6.09	4.62	7.11	0.301	0.322	0.332	0.335	0.330	0.315	0.310	N/A
PREV MO	6.18	4.43	6.82	BUTTER 1.180	1.280	1.280	1.315	1.345	1.345	1.350	1.2700
YRAGO	8.15	8.02	12.33	CME SPOT CHEESE: 40 LB BLOCKS 1.3800 / BARRELS 1.3450							

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 09/18/09	PRODUCT	VALUE	MAKE ALLOW	NET	AUG 2009 COMPONENTS
12.35 (OCT)	10.86 (AUG)	11.20 (AUG)	10.38 (AUG)	11.80 (AUG)	13.20 (AUG)		CHEESE	1.3802	0.2003	1.1799	PROT 2.1009
							BUTTER	1.1658	0.1715	0.9943	B.FAT 1.2491
10.93	10.87	9.97	10.15	11.30	13.00		NFDM	0.9541	0.1678	0.7863	N.FAT 0.6918
18.40	17.45	17.32	16.64	18.40	20.50		DRY WHEY	0.2942	0.1991	0.0951	OTHER 0.0962

CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales — New Holland, PA — (Sept 16, 2009)										
COWS: Fresh		Bred	Springing	HEIFERS: Bred		Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
1425	N/A	1325	1125	1275	705	825	1095	635		
FOUR WEEK AVG										
1265	765	1225	1100	1325	645	830	1025	740		

Avg. of prices reported by USDA Market News for PA Auction Markets Sept. 17-22, 2009			
CULL MARKET COWS (\$/CWT LIVELWEIGHT)			
Premium White	Breakers	Boners	Lean
49.00	47.35	46.00	42.25
WEEK AGO			
50.50	47.10	46.50	42.00
YEAR AGO			
65.00	62.00	59.25	56.00

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