

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JULY 7, 2009 — except where noted



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

What is MILC Payment?

USDA's Milk Income Loss Contract Program (MILC), carried out by the Farm Service Agency (FSA), compensates dairy producers monthly when the Boston Class I milk price falls below \$16.94 per hundredweight (cwt). There is a National Average Dairy Feed Ration Adjustment (NADFR) that can increase the baseline price of \$16.94/cwt of milk as feed costs increase over a feed cost baseline of \$7.35/cwt. The NADFR is calculated each month from the price of corn, soybeans and alfalfa hay used to create a 16% protein dairy feed. These ingredient prices are posted monthly by the National Agriculture Statistics Service (NASS) and can be seen on this website: <http://usda.mannlib.cornell.edu/MannUsda/viewDocumentInfo.do?documentID=1002>

To receive MILC payments, dairy producers must be in compliance with Highly Erodible and Wetland Conservation provisions. Also, if non-farm income exceeds \$500,000, the dairy operation and the dairy producer are not eligible for MILC benefits. The monthly Boston price is posted online at: http://www.fmmone.com/Northeast_Order_Prices/NE_Prices_main_new.htm#Advance. The FSA also provides a MILC "calculator" at this internet link:

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.

<http://www.fsa.usda.gov/FSA/webapp?area=home&subject=prsu&topic=mpp-mi>

The annual maximum eligible pound limit for MILC payments per dairy operation is 2,985,000 pounds per fiscal year. MILC participants must select a month when FSA will begin issuing payments. FSA will continue issuing payments if they are applicable until either; the operation reaches the maximum payment quantity, or the applicable fiscal year ends.

Producers who chose to begin payments in any month other than October should contact their local FSA office before Sept. 14, 2009 to make sure they are enrolled correctly for the upcoming fiscal year.

To apply for MILC, dairy operations must submit Form CCC-580 to the FSA County Office where the operation is located, along with form CCC-580S, which provides information about their dairy operation to ensure FSA is paying eligible producers. An applicant will have to certify compliance with the Adjusted Gross Income (AGI) provision on form CCC-926, certifying that their non-farm income does not exceed \$500,000.

The chart below lists "forecasted" MILC payments based on a recent close on the CME futures market.

CME DAILY FUTURES & OPTIONS TRADING — JULY 7, 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
CLASS III MILK FUTURES (\$/CWT)											
10.06	10.71	11.38	12.18	13.09	13.49	13.73	13.83	14.40	14.68	14.76	15.25

WEEK AGO											
10.07	10.62	11.52	12.35	13.37	13.76	14.01	14.00	14.50	14.74	14.80	15.26

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
10.04 6/09	10.57 7/09	11.38 7/09	11.96 7/09	13.09 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

MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
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

MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Thurs., July 2, 2009											
	1.67	1.51	1.35	1.09	0.68	0.24	0.05	0.00	0.00	0.00	N/A

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
10.00	0.03	10.50	0.20	11.25	0.50	12.00	0.60	13.00	0.80	13.25	0.83	13.50	0.86	13.75	1.00	14.25	1.07	14.50	1.14	14.75	1.30	15.25	1.40

CORN (\$/BU) OPTIONS — CALLS				SOYMEAL (\$/TON) OPTIONS — CALLS									
N/A	2.20	1.054	2.30	1.063	N/A	320	34.75	290	32.90	260	37.30	260	35.10
N/A	2.60	0.665	2.70	0.703	N/A	340	19.65	310	20.55	290	19.75	280	20.50
N/A	2.90	0.397	3.10	0.414	N/A	360	9.50	340	9.20	320	9.75	330	9.80
N/A	3.40	0.105	4.00	0.104	N/A	410	1.55	410	1.50	390	1.80	430	1.65

CORN FUTURES (\$/BU)											
JUL-09	SEP-09	DEC-09	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	JUL-11	SEP-11	DEC-11
3.354	3.254	3.356	3.490	3.580	3.662	3.714	3.762	3.876	4.002	3.976	3.952
WEEK AGO											
3.476	3.544	3.672	3.794	3.882	3.962	3.996	4.032	4.142	4.232	4.206	4.182

SOYMEAL FUTURES (\$/TON)											
JUL-09	AUG-09	SEP-09	OCT-09	DEC-09	JAN-10	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10
381.0	352.0	316.2	289.3	281.0	275.0	272.0	267.0	264.0	259.5	255.0	243.0
WEEK AGO											
412.3	374.3	339.3	314.3	306.3	299.0	291.3	283.3	281.6	276.6	271.6	261.0

MILK MARGIN — LATEST PSU VALUES — MAY* 2009				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/07/09												SPOT CASH	
FEED COST (\$/COW @ 65 lbs milk)	IOFC (\$/COW @ 65 lbs milk)	MILK MARGIN (as \$/CWT)		JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	07/09
CURRENT*	4.29	4.42	6.81	NFDM	0.845	0.862	0.872	0.897	0.922	0.937	0.937	0.890	0.890	0.890	0.890	0.890	0.890
PREV MO	4.05	4.66	7.17	WHEY	0.290	0.300	0.315	0.300	0.310	0.300	0.270	N/A	N/A	N/A	N/A	N/A	N/A
YR AGO	5.44	7.23	11.13	BUTTER	1.190	1.215	1.250	1.270	1.280	1.310	1.340	1.1850	1.1850	1.1850	1.1850	1.1850	1.1850
				CME SPOT CHEESE: 40 LB BLOCKS 1.1150 / BARRELS 1.1000													

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 07/02/09	PRODUCT	VALUE	MAKE ALLOW	NET	*JUNE 2009	
10.26 (JUL)	10.79 (JUN)	9.97 (JUN)	10.22 (JUN)	11.40 (JUN)	13.00 (JUN)		CHEESE	1.1466	0.2003	0.9463	PROT	1.7283	
							BUTTER	1.2073	0.1715	1.0358	B.FAT	1.2544	
							NFDM	0.8461	0.1678	0.6783	N.FAT	0.6715	
							DRY WHEY	0.2693	0.1991	0.0702	OTHER	0.0723	

CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales — New Holland, PA — July 1, 2009)											
COWS: Fresh			Bred			Springing			HEIFERS: Bred		
1125	N/A	1075	915	1085	725	905	725	740	BULLS (600-1200 lbs)		
FOUR WEEK AVG											
1100	810	1110	1045	1100	700	875	750	740			
Avg. of prices reported by USDA Market News for PA Auction Markets July 2-7, 2009											
CULL MARKET COWS (\$/CWT LIVEWEIGHT)											
Premium White	Breakers	Boners	Lean								
55.75	53.85	50.50	47.10								
WEEK AGO											
56.50	53.85	51.00	48.25								
YEAR AGO											
68.35	63.50	60.25	56.50								

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)				BULL CALVES: No. 1 & 2, 85-130 lbs			
Choice & Prime 1250-1550 lbs	72.35	72.50	84.00	52.85	75.75	82.00	

brought to you by:



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