

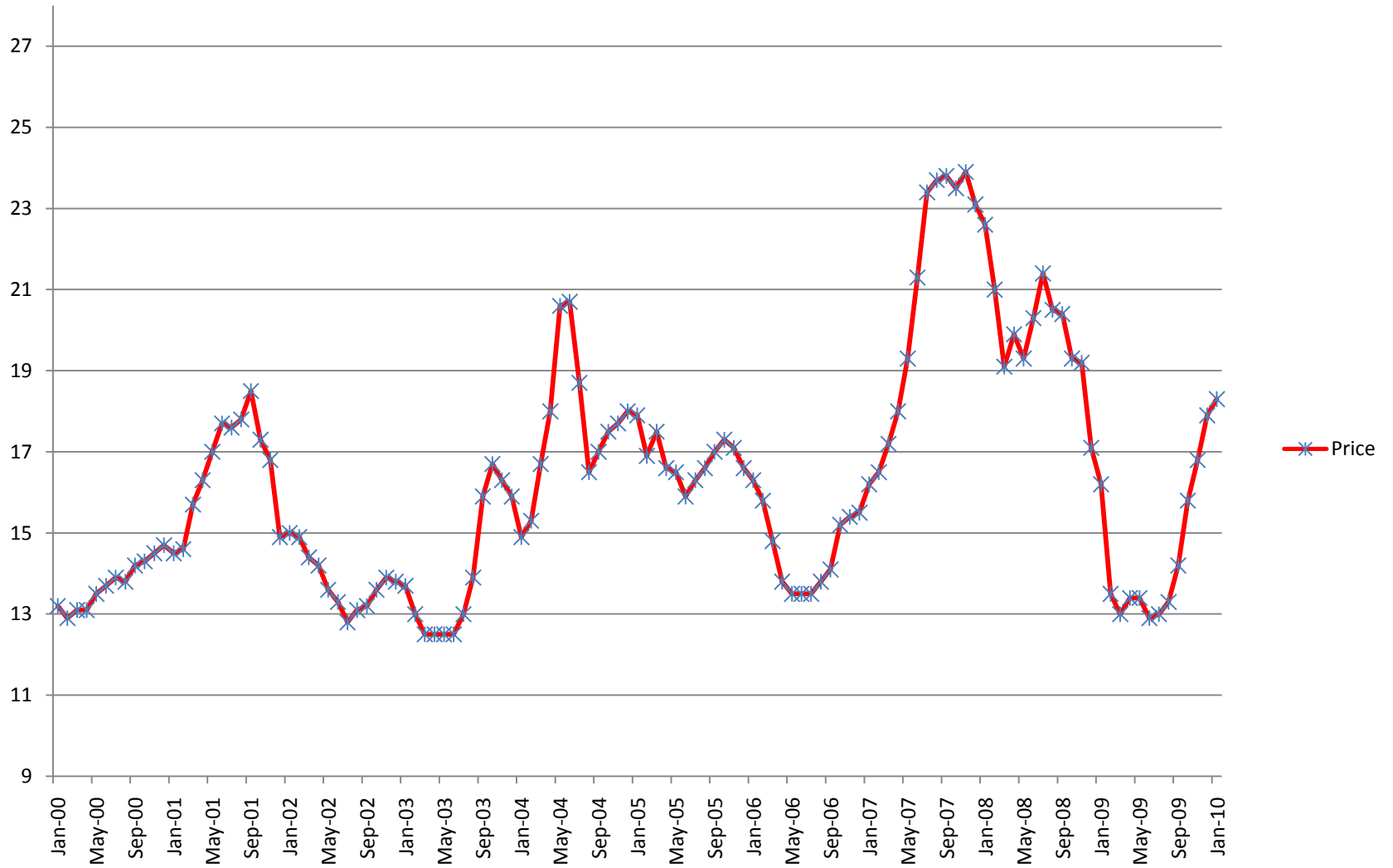
Looking Forward to a Milk Price

Center for Dairy Excellence

Producer Conference Call

March 11, 2010

Pennsylvania All Milk Price



Pricing Dates

	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
						1	2	
	3	4	5	6	7	8	9	January
	10	11	12	13	14	15	16	
	17	18	19	20	21	22	23	
	24	25	26	27	28	29	30	
	31	1	2	3	4	5	6	February
	7	8	9	10	11	12	13	
	14	15	16	17	18	19	20	
	21	22	23	24	25	26	27	
	28	1	2	3	4	5	6	March
	7	8	9	10	11	12	13	
	14	15	16	17	18	19	20	
	21	22	23	24	25	26	27	
	28	29	30	31				

Advanced Prices Announced (Class I)

Final Component Prices Announced for February

Producers Paid

Effective CME Prices

	Sun	Mon	Tue	Wed	Thu	Fri	Sat	
Weeks on CME in advanced price	27	28	29	30	31	1	2	January
	3	4	5	6	7	8	9	
Weeks on CME in Final Prices	10	11	12	13	14	15	16	February
	17	18	19	20	21	22	23	
	24	25	26	27	28	29	30	
	31	1	2	3	4	5	6	
	7	8	9	10	11	12	13	
Producers Paid	14	15	16	17	18	19	20	March
	21	22	23	24	25	26	27	
	28	1	2	3	4	5	6	
	7	8	9	10	11	12	13	
	14	15	16	17	18	19	20	
	21	22	23	24	25	26	27	
	28	29	30	31				

Advanced Prices Announced (Class I)

Final Component Prices Announced for February

USDA Forecasts



World Agricultural Supply and Demand Estimates

United States Department of Agriculture

Office of the
Chief Economist

Agricultural Marketing Service
Farm Service Agency

Economic Research Service
Foreign Agricultural Service

WASDE - 479

Approved by the World Agricultural Outlook Board

February 9, 2010

<http://www.usda.gov/oce/commodity/wasde/index.htm>

WASDE-479-34
U.S. Dairy Prices

February 2010

Commodity	2009 Estimated		2010 Projected			
	2007	2008	Jan	Feb	Jan	Feb
Dollars per pound						
Product Prices 1/ Cheese	1.7380	1.8954	1.2966	1.2966	1.570- 1.650	1.575- 1.645
Butter	1.3441	1.4356	1.2096	1.2096	1.390- 1.500	1.395- 1.495
Nonfat dry milk	1.7083	1.2256	0.9223	0.9223	1.270- 1.330	1.175- 1.235
Dry whey	0.6004	0.2504	0.2585	0.2585	0.365- 0.395	0.375- 0.405
Dollars per cwt						
Milk Prices 2/ Class III	18.04	17.44	11.36	11.36	14.75- 15.55	14.90- 15.60
Class IV	18.36	14.65	10.89	10.89	14.70- 15.60	13.95- 14.75
All milk 3/	19.13	18.29	12.79	12.81	16.20- 17.00	16.20- 16.90

1/ Simple average of monthly prices calculated by AMS from NASS weekly average dairy product prices for class price computations. Details may be found at http://www.ams.usda.gov/dyfmom/mib/fedordprc_dscrp.htm. 2/ Annual Class III and Class IV prices are the simple averages of monthly minimum Federal order milk prices paid by regulated plants for milk used in the respective classes. All milk price is the simple average of monthly prices received by farmers for milk at average test. 3/ Does not reflect any deductions from producers as authorized by legislation.



Dairy Outlook

February 2010

By Jim Dunn

Professor of Agricultural Economics, Penn State University

Penn State

Table 1. Implied Milk Prices and Futures Prices for 2010

(Based on futures prices of February 18, 2010)

	Class III \$/cwt	Class IV \$/cwt	PA All Milk \$/cwt		Class III \$/cwt	Class IV \$/cwt	PA All Milk \$/cwt
2009				2010			
Jan	10.78	9.59	16.20	Jan	14.50	13.85	18.30
Feb	9.31	9.45	13.50	Feb	14.18	12.84	16.81
Mar	10.44	9.64	13.00	Mar	13.36	13.02	16.40
Apr	10.78	9.82	13.40	Apr	13.19	13.20	16.37
May	9.84	10.14	13.40	May	13.24	13.15	16.38
Jun	9.97	10.22	12.90	Jun	13.55	13.80	16.80
Jul	9.97	10.15	13.00	Jul	14.18	14.20	17.31
Aug	11.20	10.38	13.30	Aug	14.85	14.35	17.76
Sep	12.11	11.15	14.20	Sep	15.25	14.71	18.12
Oct	12.82	11.86	15.40	Oct	15.35	14.84	18.23
Nov	14.08	13.25	16.40	Nov	15.10	14.62	18.00
Dec	14.98	15.01	17.80	Dec	15.10	14.62	18.00
Annual	11.36	10.89	14.38	Annual	14.32	13.93	17.37
Annual change	-6.08	-3.76	-5.67	Annual change	2.96	3.05	3.00
% change	-34.9%	-25.7%	-28.3%	% change	26.1%	28.0%	20.8%

Table 2: Determinants of PA income over feed cost

University of Wisconsin



Understanding Dairy Markets

Your Source for Market Information and Price Risk Management Principles

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<http://future.aae.wisc.edu/index.html>

Other Ways to Look to Future

- CME Class III futures and options
- Fixed price milk contracts
- Forward contracts
- Formula contracts with minimum and maximum
- Swaps

Policy Changes

- Replace NASS prices with competitive pricing for FMMO prices

Managing Risk

- Long term, not month by month
- Not neighbor's price but your price
- Forward looking, not backward
- Managing the risk, not guaranteeing profit in every month
- Managing operation and feed costs in anticipation of future prices