

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JANUARY 26, 2010 — except where noted

Protect your way of life

Joe Dairyman truly enjoys dairy farming. He loves to look ahead as he breeds that good heifer and then watch as her calf grows and develops. Joe tolerates mastitis, muddy fields, and manure so he can set his own schedule, watch his cows on pasture in the spring, and smell the hay drying in June. Joe's priority is to preserve this way of life for his children and grandchildren. To support that way of life over the long term, the farm business must continue to be profitable.

Joe worked very hard to build equity over the years. He understands how to control some of the risks to those assets. Life insurance, farm owners insurance, and health insurance all help to defend his savings from possible catastrophes.

Joe recognizes that the best way to protect his way of life is to never sell at a loss. When milk and feed prices on the futures market create profitable margins, Joe strives to protect those margins. Dairy Gross Margin insurance, minimum milk price contracts and Class III milk puts are all tools that he employs to set a milk price floor. These tools allow him to benefit from any economic recovery, but protect future profits from surprises.

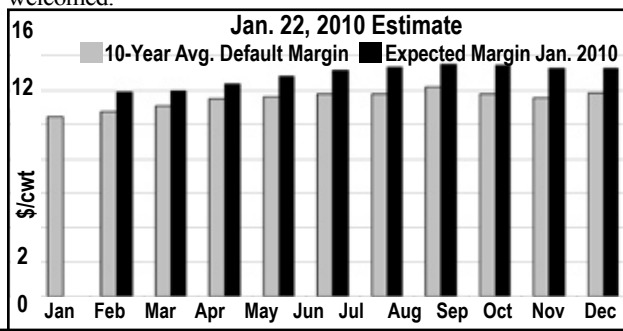
The graph at the right compares actual Dairy Gross Margin Insurance historical values to expected margins available for purchase from approved crop insurance agents during the

January 2010 sales period. The lighter bars to the left represent the actual margins since January of 2000. The darker bars to the right represent the upcoming months expected margins available to buy. **All ten of the purchase months expected margins are at least \$1.00 higher than the average of the actual margins for the same month over the past ten years.**

The next Dairy Gross Margin sales period is January 29 & 30. The deadline for the AGR/AGRLite Farm and Inventory reports is January 31. Questions and comments are welcomed.



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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 — JANUARY 26, 2010 CLOSE

	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10
CLASS III MILK FUTURES (\$/CWT)	14.54	14.15	13.95	14.05	14.38	14.91	15.42	15.65	15.97	15.87	15.71	15.66
	WEEK AGO											
	14.45	14.39	14.76	14.82	15.18	15.64	15.97	16.07	16.12	16.16	15.90	15.96
	HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED											
	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	18.00 9/08	17.20 10/08	16.26 1/10	16.03 12/09	16.05 12/09
	13.23 1/09	13.31 8/09	13.41 8/09	13.58 8/09	13.82 8/09	14.49 8/09	14.71 1/09	14.90 1/09	14.90 1/09	15.05 1/09	15.30 2/09	15.22 2/09
	MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)											
	PA 3.40	3.19	3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87	3.19	3.01
	NY 2.32	2.11	2.32	1.04	1.43	1.57	1.61	1.44	1.39	1.79	2.17	1.97
	VT 2.38	2.15	2.42	1.10	1.39	1.69	1.71	1.44	1.53	1.99	2.27	1.99
	NJ 2.20	1.99	2.12	0.74	1.03	1.43	1.41	1.18	1.17	1.67	1.99	1.81
	DE 2.82	2.61	2.74	1.36	1.65	2.05	2.03	1.80	1.79	2.29	2.61	2.43
	MD 2.78	2.57	2.70	1.32	1.61	2.01	1.99	1.76	1.75	2.25	2.57	2.39
	OH 2.32	2.15	2.34	0.98	1.25	1.51	1.63	1.26	1.33	1.91	2.31	2.23
	WV 2.22	2.01	2.14	0.76	1.05	1.45	1.43	1.20	1.19	1.69	2.01	1.83
	MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Thurs., Jan. 21, 2010											
	0.00	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											
	14.50 0.01	14.00 0.08	13.75 0.27	14.00 0.44	14.25 0.50	14.75 0.56	15.25 0.63	15.50 0.72	15.75 0.75	15.75 0.85	15.50 0.84	15.50 0.90

MILC = Milk Income Loss Contract DEC MILC (not shown) is estimated at \$0.00

	MAR-10	MAY-10	JUL-10	SEP-10		MAR-10	MAY-10	JUL-10	AUG-10			
CORN (\$/BU) OPTIONS — CALLS	2.60 1.077	2.70 1.092	2.90 1.007	3.00 1.025	Example Daily Strike Price / Premium	SOYMEAL (\$/TON) OPTIONS — CALLS						
	2.90 0.777	3.20 0.625	3.30 0.683	3.40 0.731		250 33.50	240 38.60	250 32.50	250 32.05			
	3.30 0.390	3.70 0.276	3.80 0.376	3.90 0.452		270 15.60	260 22.45	260 25.60	260 25.70			
	3.60 0.155	4.20 0.101	4.80 0.103	5.00 0.154		290 4.25	280 11.25	280 14.90	280 15.70			
						300 1.95	330 1.40	360 1.75	360 1.95			
CORN FUTURES (\$/BU)	MAR-10	MAY-10	JUL-10	SEP-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	
	3.622	3.732	3.826	3.894	4.056	4.124	4.176	4.142	4.132	4.202	4.266	
	WEEK AGO											
	3.692	3.802	3.894	3.970	4.142	4.212	4.266	4.234	4.234	4.314	4.384	
SOYMEAL FUTURES (\$/TON)	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11
	287.4	280.5	279.5	277.0	273.4	267.1	265.9	267.2	269.5	271.5	272.5	272.5
	WEEK AGO											
	290.9	283.0	281.2	279.4	276.4	270.0	267.9	268.9	271.7	273.7	274.7	274.7

* = NEW	MILK MARGIN — LATEST PSU VALUES — DEC 2009				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 01/26/10								SPOT CASH
	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)		JAN	FEB	MAR	APR	MAY	JUN	JUL	OCT/26/10	
IOFC = Income Over Feed Cost	(Now based on \$/CWT milk)				NFDM	1.240	1.150	1.140	1.145	1.152	1.180	1.200	1.2200
	5.83*	7.78*	11.97*		WHEY	0.385	0.363	0.365	0.349	0.335	0.355	0.349	N/A
	PREV MO 5.88*	6.84*	10.52*		BUTTER	1.360	1.425	1.450	1.480	1.510	1.525	1.550	1.4200
	YR AGO 6.83	6.67	10.27		CME SPOT CHEESE: 40 LB BLOCKS 1.5150 / BARRELS 1.5050								

USDA REPORTS: FINAL OCTOBER 2009	* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB)					
ALL-MILK MAILBOX	CL I ADV*	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA	WK ENDING 01/22/10			DEC. 2009 COMPONENTS		
PA \$14.20 \$14.29	14.84*(FEB)	14.25 (DEC)	14.98 (DEC)	15.01 (DEC)	16.30 (DEC)	17.90 (DEC)	PRODUCT	VALUE	MAKE ALLOW	NET	PROT 2.8751	
US \$15.80 \$14.52	MONTH AGO						CHEESE	1.5578	0.2003	1.3575	B.FAT 1.5433	
NY \$14.30 \$13.82	15.03	13.24	14.08	13.25	15.30	16.80	BUTTER	1.3350	0.1715	1.1635	N.FAT 1.1068	
N. ENGL \$14.90 \$14.84	YEAR AGO						NFDM	1.3201	0.1678	1.1523	OTHER 0.1727	
OH \$15.60 \$14.88	10.72	11.21	15.28	10.35	15.50	17.10	DRY WHEY	0.3893	0.1991	0.1902		
APPAL \$16.80 \$15.30												

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 - (Jan. 20, 2010)							
	COWS: Fresh		Bred		Springing		HEIFERS: Bred	
	1385	1265	1275	1225	1365	575	755	N/A
	OPEN: 300-600 lbs 600-900 lbs 900-1200 lbs BULLS (600-1200 lb)							
	1285	1175	1215	1155	1285	525	725	815
	FOUR WEEK AVG							
	1285	1175	1215	1155	1285	525	725	815
	Avg. of prices reported by USDA Market News for PA Auction Markets Jan. 21-26, 2010							
	CULL MARKET COWS (\$/CWT LIVELWEIGHT)							
	Premium White	Breakers	Boners	Lean				
	52.50	49.75	46.75	43.50				
	WEEK AGO							
	54.00	51.25	48.00	44.50				
	YEAR AGO							
	56.00	53.00	49.50	46.50				

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