

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — FEBRUARY 9, 2010 — except where noted



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

Margin (account)

Webster's dictionary lists five definitions for "margin." This is number four. "4 a : the difference which exists between net sales and the cost of merchandise sold and from which expenses are usually met or profit derived; b : the excess market value of collateral over the face of a loan; c (1) : cash or collateral that is deposited by a client with a commodity or securities broker to protect the broker from loss on a contract; (2) : the client's equity in securities bought with the aid of credit obtained specifically (as from a broker) for that purpose; d : a range about a specified figure within which a purchase is to be made." Another way to describe definition c: (1) is the "good faith" money required to trade a futures contract, also known as "performance bond." A dairyman's definition of 4 a : is "milk income over feed costs" for every 100 pounds of milk.

Commodity brokers, clearing members and ultimately the Chicago Mercantile Exchange (CME) Clearing House all require customers to deposit funds as a performance bond (margin). This helps to ensure the financial integrity of brokers, clearing members and the exchange as a whole. Before Joe Dairyman can sell a Class III milk contract, the CME requires that his brokerage account has enough money to cover the initial performance bond (margin). This is the initial margin. The United States Securities and Exchange Commission requires

that Joe and all intermediary parties keep enough money in the brokerage account to maintain this performance bond (margin) at all times. This is the maintenance margin. The monthly brokerage account statement tracks any increase or decrease in the value of the contract.

Feb. 26-27 is the next sales period for Dairy Gross Margin, which is an insurance program that can protect "Milk Income over Feed Costs" (margin) through Dec. 2010. March 15 is the deadline to enroll and make policy changes for most spring crops including new AGR Lite policies.

20 Announced Class III Futures Prices — Contract Date May 2010



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 — FEBRUARY 9, 2010 CLOSE

	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11
CLASS III MILK FUTURES (\$/CWT)	14.19	13.67	13.30	13.37	13.89	14.62	14.92	15.32	15.30	15.17	15.16	15.07
	-----WEEK AGO-----											
	13.86	13.43	13.11	13.38	14.05	14.80	15.10	15.36	15.34	15.29	15.30	15.35
	-----HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED-----											
	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	16.33 7/09
	13.31 8/09	13.28 2/10	13.05 2/10	13.28 2/10	13.88 2/10	14.62 2/10	14.90 1/09	14.90 1/09	15.05 1/09	15.17 2/10	15.16 2/10	15.07 2/10
	MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)											
	PA 3.19	3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87	3.19	3.01	3.40
	NY 2.11	2.32	1.04	1.43	1.57	1.61	1.44	1.39	1.79	2.17	1.97	2.32
	VT 2.15	2.42	1.10	1.39	1.69	1.71	1.44	1.53	1.99	2.27	1.99	2.38
	NJ 1.99	2.12	0.74	1.03	1.43	1.41	1.18	1.17	1.67	1.99	1.81	2.20
	DE 2.61	2.74	1.36	1.65	2.05	2.03	1.80	1.79	2.29	2.61	2.43	2.82
	MD 2.57	2.70	1.32	1.61	2.01	1.99	1.76	1.75	2.25	2.57	2.39	2.78
	OH 2.15	2.34	0.98	1.25	1.51	1.63	1.26	1.33	1.91	2.31	2.23	2.32
	WV 2.01	2.14	0.76	1.05	1.45	1.43	1.20	1.19	1.69	2.01	1.83	2.22
	MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Thurs., Feb. 4, 2010											
	0.00	0.00	0.00	0.1002	0.0505	0.00	0.00	0.00	0.00	0.00	0.00	0.00
	CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium											
	14.00 0.01	13.50 0.24	13.25 0.37	13.25 0.42	13.75 0.52	14.50 0.61	14.75 0.67	15.25 0.74	15.25 0.84	15.00 0.78	15.00 0.82	14.50 0.79

	MAR-10	MAY-10	JUL-10	SEP-10		MAR-10	MAY-10	JUL-10	AUG-10	
CORN (\$/BU) OPTIONS — CALLS	2.50 1.061	2.60 1.075	2.70 1.084	2.80 1.090	Example Daily Strike Price / Premium	SOYMEAL (\$/TON) OPTIONS — CALLS	240 34.45	240 30.80	240 33.25	240 32.65
	2.80 0.761	2.90 0.781	3.20 0.636	3.30 0.684		260 15.00	260 16.45	260 20.70	260 20.95	
	3.15 0.411	3.30 0.423	3.80 0.266	3.90 0.357		270 6.40	280 7.50	290 9.10	290 9.45	
	3.60 0.055	3.70 0.175	4.40 0.101	5.00 0.105		280 2.00	310 1.85	350 1.85	350 1.95	

	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12
CORN FUTURES (\$/BU)	3.584	3.702	3.806	3.872	3.934	4.046	4.116	4.166	4.134	4.104	4.174	4.234
	-----WEEK AGO-----											
	3.650	3.762	3.862	3.940	4.010	4.122	4.192	4.242	4.194	4.184	4.254	4.314

	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11
SOYMEAL FUTURES (\$/TON)	270.6	264.2	263.5	261.7	258.0	249.9	249.0	250.5	253.0	255.0	256.0	256.0
	-----WEEK AGO-----											
	273.6	267.9	267.2	265.5	262.9	258.3	258.1	259.5	262.0	264.0	265.0	265.0

*NEW	MILK MARGIN — LATEST PSU VALUES — DEC 2009				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 02/9/10								SPOT CASH
	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)		FEB	MAR	APR	MAY	JUN	JUL	AUG	02/9/10	
	(Now based on \$/CWT milk)				NFDM	1.085	1.075	1.080	1.070	1.120	1.155	1.177	1.1000
	CURRENT	5.83	7.78	11.97	WHEY	0.367	0.320	0.280	0.270	0.267	0.280	0.287	N/A
	PREV MO	5.88	6.84	10.52	BUTTER	1.340	1.450	1.470	1.480	1.495	1.505	1.525	1.3500
	YR AGO	6.83	6.67	10.27	CME SPOT CHEESE:	40 LB BLOCKS 1.4925 / BARRELS 1.4725							

*NEW	ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB)					
	CL I ADV	*CL II	*CL III	*CL IV	*ALL-MILK U.S.	*ALL-MILK PA	WK ENDING 02/5/10			JAN. 2009		
	14.84 (FEB)	*15.22 (JAN)	*14.50 (JAN)	*13.85 (JAN)	*16.50 (JAN)	*18.30 (JAN)	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS	
	-----MONTH AGO-----						CHEESE	1.5374	0.2003	1.3371	PROT 2.7916	
	15.03	14.25	14.98	15.01	16.30	17.90	BUTTER	1.3610	0.1715	1.1895	B.FAT 1.4405	
	-----YEAR AGO-----						NFDM	1.1929	0.1678	1.0251	N.FAT 1.0148	
	10.72	10.41	10.78	9.59	13.30	16.20	DRY WHEY	0.3880	0.1991	0.1889	OTHER 0.1946	

	CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales — New Holland, PA — (Feb. 3, 2010)															
	COWS: Fresh			Bred			Springing			HEIFERS: Bred						
	1400	N/A	N/A	1125	1315	615	700	685	N/A	BULLS (600-1200 lbs)						
	-----FOUR WEEK AVG-----															
	1370	1250	1250	1200	1325	550	715	750	670							
	Avg. of prices reported by USDA Market News for PA Auction Markets Feb. 4-9, 2010															
	CULL MARKET COWS (\$/CWT LIVELWEIGHT)						FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)			CURRENT						
	Premium White	Breakers	Boners	Lean	Choice & Prime 1250-1550 lbs			74.25	74.10	72.00	WK AGO					
	54.60	50.85	49.00	45.85	BULL CALVES: No. 1 & 2, 85-130 lbs			64.00	57.00	62.00	YR AGO					
	-----WEEK AGO-----															
	55.00	50.85	47.75	45.50												
	-----YEAR AGO-----															
	55.50	53.00	50.00	47.50												

brought to you by: