

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — FEBRUARY 23, 2010 — except where noted



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## What should I do?

2009 annual milk production was 0.3% lower than 2008 according to USDA's National Agriculture Statistics Service January report. Milk production in the 23 major states was down 0.6% from January 2009. December milk production was revised as down 0.7% from December 2008, which represented an increase of 0.1% from last month's preliminary estimate.

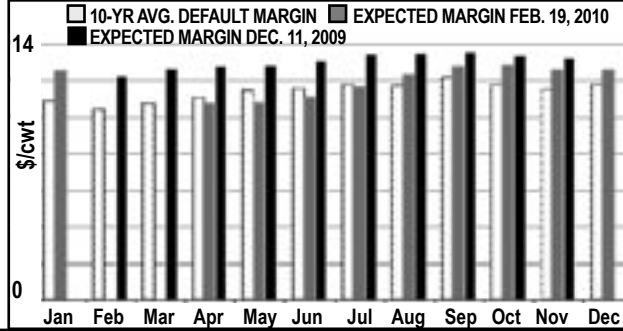
The number of milk cows in the 23 major states was 8.32 million head, 191,000 less than January 2009, but 4,000 more than December 2009. The graph compares the 10-year average actual margins to the expected margins from February 19, 2010 and December 10, 2009. You can see that potential margins have decreased more than \$1.00 / cwt in the past eight weeks. Several dairymen have asked me "What should I do now?"

Futures market prices move up and down because the perceptions of what will happen in future months change constantly. Recent market commentaries talk about the large number of heifers coming into United States dairy herds, the strengthening dollar, and butter or cheese inventories. These issues can have an affect on final prices or they may be simply market "noise". How do you tell the difference?

Understanding pricing tools and interpreting information both take experience. Don't let the noise stop you from making a decision. I suggest that dairymen, who are new to these skills,

start by knowing their cost of production. Then experiment with small to moderate quantities of their monthly production using Dairy Gross Margin Insurance, cooperative pricing programs or an options contract to protect profits or minimize losses. There will always be noise in the market. Your primary emphasis needs to be making the decision to protect long term profits.

February 26 & 27 is the next Dairy Gross Margin sales period. March 15 is the deadline to enroll and make policy changes for most spring crops including new AGR lite policies.



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 23, 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
<b>CLASS III MILK FUTURES (\$/CWT)</b>	14.24	13.40	13.06	13.14	13.50	14.05	14.59	14.94	14.94	14.82	14.84	14.83
	WEEK AGO											
	14.20	13.51	13.11	13.22	13.62	14.19	14.80	15.30	15.37	15.17	15.18	14.95
	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	12.96 2/10	13.11 2/10	13.46 2/10	13.99 2/10	14.59 2/10	14.90 1/09	14.94 2/10	14.82 2/10	14.84 2/10	14.83 2/10
<b>MILK BASIS (\$/CWT) — SELECTED NORTHEAST &amp; MID-ATLANTIC STATES (2008 Historical Reference)</b>												
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
<b>MILC PAYMENT (\$/CWT) FORECASTS</b> Based on Futures as of Wed., Feb. 17, 2010	0.00	0.00	0.0602	0.2396	0.2949	0.0651	0.00	0.00	0.00	0.00	0.00	0.00
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>	14.00 0.00	13.25 0.12	13.00 0.29	13.00 0.40	13.50 0.61	14.00 0.67	14.50 0.75	14.75 0.78	14.75 0.74	14.75 0.84	14.75 0.87	14.50 0.86

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



	MAY-10	JUL-10	SEP-10	DEC-10		MAY-10	JUL-10	AUG-10	SEP-10		
<b>CORN (\$/BU) OPTIONS — CALLS</b>					Example	<b>SOYMEAL (\$/TON) OPTIONS — CALLS</b>					
2.70	1.087	2.90	1.004	3.00	1.020	3.10	1.031	3.00	1.020		
3.05	0.744	3.40	0.574	3.40	0.695	3.50	0.725	3.50	0.725		
3.40	0.423	3.90	0.276	4.00	0.364	4.00	0.460	4.00	0.460		
3.80	0.163	4.50	0.105	5.10	0.105	5.20	0.154	5.20	0.154		
<b>CORN FUTURES (\$/BU)</b>											
MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12
3.676	3.786	3.892	3.964	4.030	4.142	4.212	4.264	4.206	4.166	4.236	4.296
WEEK AGO											
3.672	3.790	3.900	3.966	4.026	4.140	4.210	4.262	4.186	4.146	4.216	4.276
<b>SOYMEAL FUTURES (\$/TON)</b>											
MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11
279.6	273.9	272.1	269.3	264.3	255.3	254.4	255.6	258.1	259.6	260.6	260.6
WEEK AGO											
283.9	278.3	277.2	274.0	269.5	260.5	258.9	260.1	262.6	264.6	265.6	265.6

*=NEW	<b>MILK MARGIN — LATEST PSU VALUES — *JAN 2010</b>			<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 02/16/10</b>								<b>SPOT CASH</b>
IOFC = Income Over Feed Cost	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)	FEB	MAR	APR	MAY	JUN	JUL	AUG	OCT/16/10	
	(Now based on \$/CWT milk)			NFDM	1.085	1.075	1.085	1.090	1.110	1.114	1.177	1.1200
CURRENT	5.98*	8.01*	12.32*	WHEY	0.390	0.350	0.299	0.270	0.279	0.270	0.280	N/A
PREV MO	6.03*	7.65*	11.77*	BUTTER	1.345	1.425	1.447	1.490	1.520	1.550	1.550	1.4050
YR AGO	6.66	6.20	9.54	<b>CME SPOT CHEESE: 40 LB BLOCKS 1.3950 / BARRELS 1.3600</b>								

USDA REPORTS: FINAL NOVEMBER 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	WEIGHTED AVERAGE FEB. 1-12, 2010			JAN. 2009		
U.S. \$15.30 \$15.37	*14.34 (MAR)	15.22 (JAN)	14.50 (JAN)	13.85 (JAN)	16.50 (JAN)	18.30 (JAN)	PRODUCT	VALUE	MAKE	ALLOW	NET	COMPONENTS
PA \$16.80 \$15.60	MONTH AGO						CHEESE	1.5174	0.2003	1.3171	1.9886	PROT 2.7916
NY \$15.30 \$14.84	YEAR AGO						BUTTER	1.3701	0.1715	1.1986	1.4405	B.FAT 1.4405
N.ENGL \$16.20 \$15.90	9.43	10.41	10.78	9.59	13.30	16.20	NFDM	1.1431	0.1678	0.9753	0.9753	N.FAT 1.0148
OH \$16.60 \$15.85							DRY WHEY	0.3928	0.1991	0.1937	0.1937	OTHER 0.1946
APPAL \$17.50 \$16.33												

Price averages do not include lower-end common cows and heifers.	<b>CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales Feb.17, 2010 at New Holland, PA)</b>														
	COWS: Fresh			Bred			Springing			HEIFERS: Bred			Springing		
	1465	N/A	1340	1140	1240	565	640	N/A	650	Open: 300-600 lbs			600-900 lbs		
	1415	1265	1300	1185	1275	565	700	685	635	900-1200 lbs			BULLS (600-1200 lb)		
	FOUR WEEK AVG														
	56.35	53.00	50.50	46.85	FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)			CURRENT			WK AGO				
	WEEK AGO														
	55.50	51.60	50.00	46.60	Choice & Prime 1250-1550 lbs			76.00			76.35				
	YEAR AGO														
	51.50	48.50	46.50	43.50	BULL CALVES: No. 1 & 2, 85-130 lbs			78.50			61.50				

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