

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MARCH 2, 2010 — except where noted



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

Margin (call)... The CME defines 'margin' as: "Funds that must be deposited as a performance bond by a customer with his or her broker, by a broker with a clearing member or by a clearing member. The performance bond helps to ensure the financial integrity of brokers, clearing members and the exchange as a whole."

Before Joe Dairyman's broker can sell a Class III milk contract on Joe's behalf for \$15.50, Joe must deposit the initial performance bond (margin) of \$1000 into his account. Two days later, as the price increases to \$15.80/cwt, Joe gets a "margin call", which is a "request from a brokerage firm to a customer to increase performance bond deposits to required minimum levels". The performance bond for this Class III contract must always be maintained at \$1000.

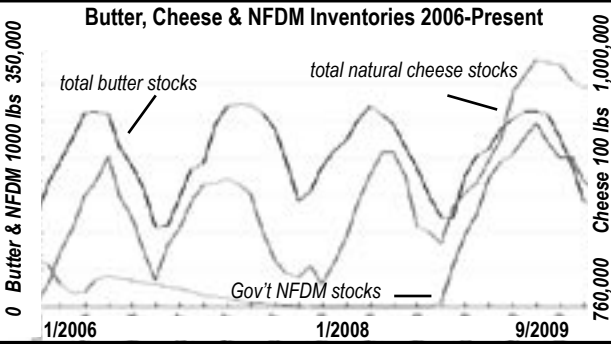
Joe Dairyman's contract is worth \$31,000 (\$15.50 x 2000 cwt). Once the Class III milk price increased to \$15.80, the value of the contract increased to \$31,600 (\$15.80 x 2000). So Joe must add cash to the margin account to settle the account.

Three days later Class III milk falls to \$15.00. Joe's contract value is still \$31,000, but the value of the milk is \$30,000 (\$15.00 x 2000 cwt). To balance the contract, the person who bought the opposite position of Joe's contract will send \$1000 to his margin account. He will have a margin call of \$1000. Margin calls are cash-settled on every commodity contract ev-

ery day on the CME. Dairy Gross Margin Insurance and cooperative contracting programs do not have margin calls.

The graph below shows butter, cheese, and nonfat dry milk inventories from 2006 to January 1, 2010. Butter and cheese inventories normally fluctuate during the year. While butter inventories are at seasonally normal levels, cheese and nonfat dry milk inventories are each about 10 million lbs higher than they were 15 months ago.

March 15 is the deadline to enroll and make policy changes for most spring crops.



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 — MARCH 2, 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)	14.28	13.14	13.18	13.33	14.04	14.56	15.11	15.25	15.25	15.00	15.04	14.59
	14.24	13.40	13.06	13.14	13.50	14.05	14.59	14.94	14.94	14.82	14.84	14.33
WEEK AGO												
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	13.00 2/10	12.89 2/10	13.09 2/10	13.46 2/10	13.99 2/10	14.59 2/10	14.84 2/10	14.90 2/10	14.80 2/10	14.74 2/10	14.59 3/10
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. 25, 2010												
	0.00	0.00	0.1756	0.2108	0.1201	0.00	0.00	0.00	0.00	0.00	0.00	0.00
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium												
	14.25 0.00	13.00 0.06	13.00 0.21	13.25 0.42	14.00 0.59	14.50 0.67	15.00 0.75	15.25 0.88	15.25 0.85	15.00 0.88	15.00 0.90	14.50 0.95

	MAY-10	JUL-10	SEP-10	DEC-10		MAY-10	JUL-10	AUG-10	SEP-10	
CORN (\$/BU) OPTIONS — CALLS	2.80 1.021	2.90 1.035	3.00 1.043	3.10 1.052	Example Daily Strike Price / Premium	SOYMEAL (\$/TON) OPTIONS — CALLS	230 39.05	240 32.95	240 33.30	240 32.70
	3.30 0.533	3.40 0.602	3.50 0.652	3.60 0.693			250 21.25	250 25.75	250 26.55	260 21.05
	3.80 0.174	3.90 0.292	4.00 0.377	4.10 0.437			270 9.15	270 14.85	270 16.00	290 10.00
	4.20 0.053	4.50 0.111	4.80 0.153	5.30 0.150			300 1.80	340 1.85	350 1.70	370 1.70

	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)	3.704	3.814	3.922	4.000	4.070	4.172	4.240	4.292	4.230	4.190	4.264	4.324
	3.676	3.786	3.892	3.964	4.030	4.142	4.212	4.264	4.206	4.166	4.236	4.296

	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)	270.5	268.3	267.7	265.8	263.1	256.3	256.3	257.3	259.8	260.8	261.8	261.8
	279.6	273.9	272.1	269.3	264.3	255.3	254.4	255.6	258.1	259.6	260.6	260.6

*=NEW	MILK MARGIN — LATEST PSU VALUES — JAN 2010			CME DAIRY CASH-SETTLED FUTURES (\$/LB) 03/02/10								SPOT CASH
IOFC =	FEED COST	IOFC (\$/COW	PA MILK MARGIN	FEB	MAR	APR	MAY	JUN	JUL	AUG	03/02/10	
Income	(Now based on \$/CWT milk)	@ 65 lbs milk)	(\$/CWT milk)	NFDM	WHEY	BUTTER	CME SPOT CHEESE:	40 LB BLOCKS	1.3400	/ BARRELS	1.2900	
Over	CURRENT	5.98	8.01	12.32	0.995	0.357	1.352	1.3400	1.3400	1.2900	1.2900	
Feed	PREV MO	6.03	7.65	11.77	0.995	0.357	1.352	1.3400	1.3400	1.2900	N/A	
Cost	YR AGO	6.66	6.20	9.54	1.095	0.320	1.465	1.490	1.510	1.555	1.4250	

*=NEW	ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB)					
USDA - NASS (3/02/10)	CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA	WEIGHTED AVERAGE FEB. 1-12, 2010			JAN. 2009		
CHEDDAR ↓ 2.7%	14.34 (MAR)	15.22 (JAN)	14.50 (JAN)	13.85 (JAN)	16.50 (JAN)	18.30 (JAN)	PRODUCT	VALUE	MAKEALLOW	NET	COMPONENTS	
MOZZARELLA ↑ 6.4%							CHEESE	1.5174	0.2003	1.3171	PROT 2.7916	
CREAM / NEUF. ↑ 25.6%	14.84	14.25	14.98	15.01	16.30	17.90	BUTTER	1.3701	0.1715	1.1986	B.FAT 1.4405	
AGED TOTAL ↓ 2.0%							NFDM	1.1431	0.1678	0.9753	N.FAT 1.0148	
TOTAL OF ALL CHEESE (FRESH + AGED) ↑ 2.2%	9.43	10.41	10.78	9.59	13.30	16.20	DRY WHEY	0.3928	0.1991	0.1937	OTHER 0.1946	

Price averages do not include lower-end 'common' cows and heifers.	CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales Feb. 24, 2010 at New Holland, PA)								
	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lbs)
	1500	N/A	N/A	1015	1215	N/A	665	890	600
	1435	N/A	1275	1130	1265	565	680	785	615

CULL MARKET COWS (\$/CWT LIVELWEIGHT)			
Premium White	Breakers	Boners	Lean
55.50	52.75	49.75	46.25
WEEK AGO			
56.35	53.00	50.50	46.85
YEAR AGO			
50.50	48.50	46.50	43.50

brought to you by: