CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — **TUES., MARCH 29, 2011** — except where noted

Cow Numbers The graph below compares the number of dairy cows (black line) on farms in the United States to the US All milk price (gray line). Cow numbers have increased slightly over the past year. In December of 2009 there were 9.084 million dairy cows on farms. February of 2011 listed 9.16 million cows. Cow numbers in the last cycle peaked at 9.334 million in July and December of 2008. 1997 was the last time there were that many dairy cows in the United States. USDA forecasts cow numbers to average 9.17 million in 2011.

Historically, when cow numbers are high, milk prices are low. Then as cow numbers decrease, in almost a direct relationship, milk prices increase. This was the logic for the CWT program in the past. According to the graph, the US dairy industry is in the middle of this cycle. Will high beef prices prevent dairy cow numbers from growing in 2011? Will increased milk prices push dairymen to cull less this summer?

The margins listed below are the closing values for the March sales period for LGM-Dairy. The average is $12.91 which is the third highest 10-month average since the program started in August of 2008. Unfortunately, due to the tremendous increase in popularity of Dairy Gross Margin Insurance (LGM), sales reached the Risk Management Agency's limit on underwriting capacity last week. Dairy Gross Margin Insurance will not be available until the United States Congress provides new funding to RMA.

Joe Dairyman cannot forget the milk price crash of 2009. His business needs these profitable margins to persist so Joe will continue to protect potential margins even if LGM is not available. Contracting some of his feed needs as he sells milk through his cooperative or broker is one choice to protect future profits. I will discuss other alternatives in future articles. Look at www.centerfordairyexcellence.org for more information. I am available to discuss the various ways to manage your risks.

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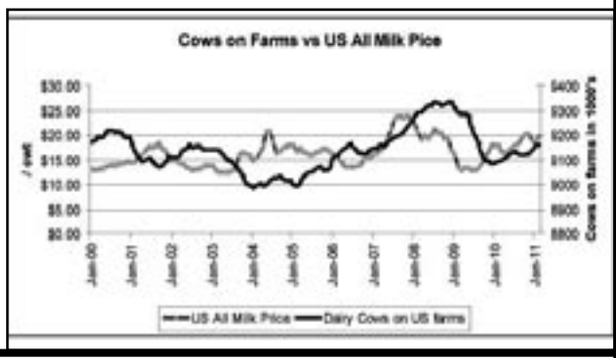

Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, using CME and USDA reports and the CDE Scorecard.

CME DAILY FUTURES & OPTIONS TRADING — MARCH 29, 2011 CLOSE

	MAR-11	APR-11	MAY-11	JUN-11	JUL-11	AUG-11	SEP-11	OCT-11	NOV-11	DEC-11	JAN-12	FEB-12
CLASS III MILK FUTURES ($/CWT)	**19.46**	**16.76**	**16.84**	**16.86**	**17.37**	**17.50**	**17.68**	**17.35**	**16.78**	**16.74**	**16.15**	**15.95**
WEEK AGO	19.46	16.54	16.43	16.50	16.95	17.29	17.30	17.20	16.55	16.48	15.88	15.82
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT *AND MONTH/YEAR IT OCCURRED*	19.65 *3/11* 13.57 *12/10*	18.78 *2/11* 13.71 *9/10*	18.33 *2/11* 13.77 *9/10*	17.94 *2/11* 13.90 *9/10*	17.73 *2/11* 14.20 *9/10*	17.56 *2/11* 14.50 *9/10*	17.44 *2/11* 14.58 *9/10*	17.20 *2/11* 14.51 *9/10*	16.84 *2/11* 14.40 *9/10*	16.70 *3/11* 14.40 *9/10*	16.22 *3/11* 14.65 *9/10*	16.11 *2/11* 14.65 *12/10*
MILK BASIS ($/CWT) **- PA & AVG OF 8 NORTHEAST/MIDEAST STATES** (2008 Historical Reference - Individual basis will vary)												
PA	3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19
***AVG**	2.51	1.16	1.46	1.79	1.80	1.56	1.57	2.06	2.39	2.21	2.67	2.35
EXPECTED GROSS MARGINS* PER CWT. (default values at $0.00 deductible) projected on Mar. 16-18, 2011	N/A	N/A	12.53	12.59	13.18	13.50	13.68	13.53	12.87	12.91	12.30	12.05
10-YEAR AVERAGE ACTUAL GROSS MARGINS* PER CWT. (default values at $0.00 deductible)	10.71	11.02	11.43	11.74	11.71	11.81	12.36	12.21	11.58	11.68	11.02	10.57

***AVG** = *Average basis for North-East and Mid-East*

***MARGIN** = *Milk Price over Feed Cost per cwt.*

MILC PAYMENT ($/CWT) **FORECASTS** Based on Futures as of Mar. 17, 2011; *CI I "mover" based on previous month's CI IV advance

***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 *(per CME Group Daily Dairy Report)*

19.25	0.00	**16.75**	0.24	**16.75**	0.62	**16.75**	0.76	**17.25**	0.98	**17.50**	1.14	**17.50**	1.15	**17.25**	1.25	**16.75**	1.30	**16.50**	1.20	**16.00**	1.28	**15.75**	1.30

MAY-11	JUL-11	SEP-11	DEC-11
CORN ($/BU) OPTIONS — CALLS			
5.75 1.016	**5.95** 1.040	**6.10** 0.773	**5.30** 1.086
6.00 0.810	**6.65** 0.616	**6.60** 0.563	**5.90** 0.783
6.65 0.342	**7.35** 0.342	**7.20** 0.374	**6.90** 0.437
7.50 0.093	**8.55** 0.103	**9.40** 0.106	**9.30** 0.104

Example **Daily Strike Price** / Premium

MAY-11	JUL-11	AUG-11	SEP-11
SOYMEAL ($/TON) OPTIONS — CALLS			
320 39.30	**350** 24.25	**340** 34.75	**340** 37.45
340 21.10	**360** 19.75	**360** 24.25	**360** 26.90
355 11.10	**390** 12.00	**400** 11.25	**400** 13.75
390 1.70	**460** 1.55	**490** 1.70	**520** 1.70

	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12	SEP-12	DEC-12	MAR-13	MAY-13	JUL-13
CORN FUTURES ($/BU)	**6.716**	**6.786**	**6.324**	**6.002**	**6.094**	**6.170**	**6.214**	**5.712**	**5.582**	**5.662**	**5.712**	**5.772**
WEEK AGO	6.864	6.934	6.454	6.094	6.180	6.244	6.284	5.844	5.604	5.704	5.764	5.824

	MAY-11	JUL-11	AUG-11	SEP-11	OCT-11	DEC-11	JAN-12	MAR-12	MAY-12	JUL-12	AUG-12	SEP-12
SOYMEAL FUTURES ($/TON)	**358.6**	**363.0**	**364.0**	**363.3**	**359.5**	**358.9**	**360.2**	**360.7**	**358.5**	**357.5**	**348.5**	**335.5**
WEEK AGO	366.4	370.3	371.0	368.7	362.0	360.0	361.6	361.6	357.4	354.9	345.9	333.9

***=*NEW**

IOFC = *Income Over Feed Cost*

MILK MARGIN - LATEST PSU VALUES - FEB. 2011

	*FEED COST (*Now based on $/CWT milk*)	*IOFC ($/COW @ 65 lbs milk)	*PA MILK MARGIN ($/CWT milk)
CURRENT	***8.20**	***7.54**	***11.60**
PREV MO	*7.58	*7.36	*11.32
YR AGO	5.95	7.90	12.15

CME DAIRY CASH-SETTLED FUTURES ($/LB) 03/28/11

	MAR	APR	MAY	JUN	JUL	AUG	SEP	SPOT CASH 03/28/11
NFDM	1.515	1.600	1.605	1.600	1.590	1.590	1.516	**1.7500**
WHEY	0.452	0.462	0.480	0.472	0.472	0.470	0.450	N/A
BUTTER	2.065	2.035	2.000	2.000	2.000	2.000	2.015	**2.0650**

CME SPOT CHEESE: 40 LB BLOCKS 1.6650 / BARRELS 1.6250

USDA REPORTS FINAL MAILBOX *DEC. 2010*

	ALL-MILK	MAILBOX
U.S.	$16.70	$16.87
PA	$18.90	$17.67
NY	$18.30	$16.80
N.ENGL	$18.20	$18.02
OH	$18.60	$18.00
APPAL	$20.60	$18.98

***=*NEW* ANNOUNCED FEDERAL ORDER PRICES** ($/CWT)

* CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA
***19.43** (APR)	**17.97** (FEB)	**17.00** (FEB)	**18.40** (FEB)	**18.40** (FEB)	**19.80** (FEB)
MONTH AGO					
18.23	16.79	13.48	16.42	16.70	18.90
YEAR AGO					
13.22	15.65	14.28	12.90	15.90	18.10

CURRENT FEDERAL ORDER VALUES ($/LB) *NEW*

WEIGHTED AVG - MAR 1-11, 2011				FEB. 2010
PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS
CHEESE	1.9735	0.2003	**1.7732**	PROT 2.5586
BUTTER	2.0363	0.1715	**1.8648**	B.FAT 2.2967
NFDM	1.4733	0.1678	**1.3055**	N.FAT 1.1930
DRY WHEY	0.4618	0.1991	**0.2627**	OTHER 0.2310

Price averages do not include lower-end 'common' cows and heifers.

CATTLE - DAIRY PURPOSES ($/HD) NORTHEAST (Avg. USDA-Reported sales March 23, 2011 at New Holland, PA)

COWS: Fresh	Bred	Springing	**HEIFERS**: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	**BULLS** (600-1200 lb)
1450	**1300**	**N/A**	**1200**	**1460**	**575**	**975**	**N/A**	**860**
FOUR WEEK AVG								
1440	1225	1270	1225	1370	580	880	N/A	925

Avg. of prices reported by USDA Market News for PA Auction Markets Mar 24-29, 2011

CULL MARKET COWS ($/CWT LIVEWEIGHT)

Premium White	Breakers	Boners	Lean
78.00	**75.00**	**73.85**	**69.75**
WEEK AGO			
77.50	74.75	71.10	66.25
YEAR AGO			
60.00	57.50	52.60	48.35

Average to high dressing

FED HOLSTEIN STEERS ($/CWT LIVEWEIGHT)	CURRENT	WK AGO	YR AGO
Choice & Prime 1250-1550 lbs	**101.75**	99.00	81.00
BULL CALVES: No. 1 & 2, 90-130 lb	**127.00**	129.00	80.00
80- 90 lbs	**85.00**	105.00	55.00

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