

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MAY 18, 2010 — except where noted



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Default Feeding Values – keep it simple

Joe Dairyman's days are full and hectic. He keeps things simple whenever he can. That is why he uses Dairy Gross Margin Insurance (LGM) default feeding values of ½ bushel of corn and 4 lbs. of soybean meal for every 100 lbs. of milk. It simplifies things for both Joe and his crop insurance agent.

This week's graph (below, right) compares expected margins for upcoming months using default feeding values, minimum feeding values and the maximum feed amounts allowed by the Dairy LGM policy at \$0.00 deductible. Although the expected margins created from Class III milk, corn and soybean meal prices on the CME are very different, the trends from month to month are similar.

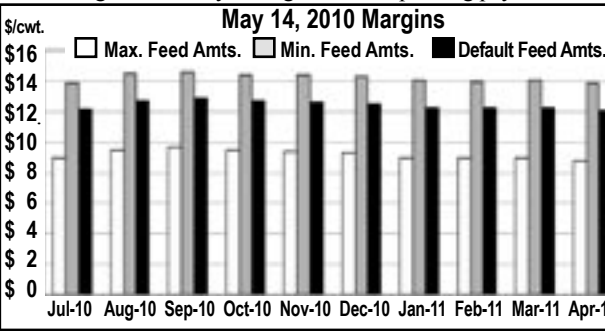
Using estimates from May 14, 2010, default feeding values create an average gross margin guarantee of \$12.44/cwt. for the upcoming 10 months, costing \$0.71/cwt. Minimum feeding values provide average expected margins of \$14.18/cwt., costing \$0.69/cwt for the 10-month sales period. The maximum amounts of feed allowed create an average expected margin of \$9.18/cwt., costing \$0.79/cwt. Costs increase as the amount of feed covered in the insurance contract increases.

Joe's milking ration will vary during the year due to the forages on hand, available feed ingredients, and changing feed costs. Default feeding values will create expected margins

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.

that represent his changing feed costs, even though they may not represent his exact ration. They eliminate feed record audits at the time of payment and provide a consistent way to compare past margins with future ones. LGM Dairy default feeding values just make things simple for Joe and his agent.

May 28 and 29 is the next Dairy Gross Margin (LGM) sales period. I welcome any questions or comments, and you can visit www.centerfordairyexcellence.org for more information. *Crop insurance reminder:* If you replant spring crops, check with your crop insurance agent. You may be eligible for a replanting payment.



CME DAILY FUTURES & OPTIONS TRADING — MAY 18, 2010 CLOSE

	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11
CLASS III MILK FUTURES (\$/CWT)	13.32	13.52	14.00	14.65	14.85	14.85	14.75	14.71	14.63	14.80	14.80	14.75
	WEEK AGO											
	13.24	13.72	14.46	15.18	15.40	15.18	15.09	14.98	14.67	14.67	14.70	14.53
	HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED											
	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	16.25 7/09	16.00 7/09	16.24 7/09
	12.75 3/10	13.12 4/10	13.64 3/10	14.00 3/10	14.40 3/10	14.36 3/10	14.40 3/10	14.30 3/10	13.90 3/10	13.93 3/10	14.14 3/10	14.06 3/10
MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
PA	2.23	2.63	2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94
NY	1.43	1.57	1.61	1.44	1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04
VT	1.39	1.69	1.71	1.44	1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10
NJ	1.03	1.43	1.41	1.18	1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74
DE	1.65	2.05	2.03	1.80	1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36
MD	1.61	2.01	1.99	1.76	1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32
OH	1.25	1.51	1.63	1.26	1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98
WV	1.05	1.45	1.43	1.20	1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76
MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Wed., May 12, 2010; *MAY* is based on CI IV as FMMO CI I "mover"												
	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												
	13.25 0.02	13.50 0.25	14.00 0.47	14.50 0.59	14.75 0.71	14.75 0.76	14.75 0.80	14.50 0.74	14.50 0.82	14.75 0.92	14.75 0.96	14.75 1.03

	JUL-10	SEP-10	DEC-10	MAR-11		JUL-10	AUG-10	SEP-10	OCT-10
CORN (\$/BU) OPTIONS — CALLS					Example	SOYMEAL (\$/TON) OPTIONS — CALLS			
	2.50 1.061	2.60 1.044	2.70 1.047	2.80 1.085	Daily Strike	240 34.55	240 32.80	230 38.10	230 33.60
	2.90 0.662	3.10 0.583	3.10 0.695	3.30 0.677	Price / Premium	250 25.30	250 24.45	240 29.95	240 26.20
	3.30 0.297	3.70 0.214	3.80 0.290	3.90 0.360		270 10.40	270 12.00	260 16.80	260 14.65
	3.60 0.123	4.10 0.107	4.50 0.120	4.90 0.125		300 1.60	320 1.40	330 1.75	330 1.80

	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12	SEP-12
CORN FUTURES (\$/BU)	3.596	3.682	3.784	3.910	3.994	4.064	4.054	4.054	4.164	4.234	4.264	4.194
	WEEK AGO											
	3.770	3.840	3.930	4.052	4.136	4.210	4.190	4.190	4.280	4.350	4.390	4.294

	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11	OCT-11
SOYMEAL FUTURES (\$/TON)	273.6	269.6	263.7	256.8	255.8	256.5	257.8	258.5	260.5	260.5	256.5	254.5
	WEEK AGO											
	281.6	278.4	271.6	263.6	262.4	263.1	264.5	264.7	266.5	266.2	266.2	261.2

*=NEW	MILK MARGIN — LATEST PSU VALUES — MAR 2010				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 05/18/10							SPOT CASH	
IOFC =	FEED COST		IOFC (\$/COW	PA MILK MARGIN	MAY	JUN	JUL	AUG	SEP	OCT	NOV	05/18/10	
Income	(Now based on \$/CWT milk)		@ 65 lbs milk)	(\$/CWT milk)	NFDM	WHEY	BUTTER	CME SPOT CHEESE: 40 LB BLOCKS				1.4300	
Over	CURRENT	6.05	7.31	11.25	1.222	0.355	1.580	1.270	1.277	1.265	1.270	1.260	1.250
Feed	PREV MO	5.95	7.90	12.15	0.350	0.350	1.600	0.330	0.330	0.330	0.330	0.340	N/A
Cost	YR AGO	6.44	4.27	6.56	1.620	1.640	1.660	1.660	1.670	1.670	1.670	1.5825	

USDA REPORTS: FINAL	*=NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FEDERAL ORDER VALUES (\$/LB)					
FEBRUARY 2010	CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA	WEIGHTED AVERAGE APR. 1-30, 2010			APRIL 2010		
ALL-MILK MAILBOX	13.80 (MAY)	13.78 (APR)	12.92 (APR)	13.73 (APR)	14.60 (APR)	16.20 (APR)	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS	
U.S. \$15.90 \$15.97							CHEESE	1.3827	0.2003	1.1824	PROT 2.1449	
PA \$18.10 \$16.70							BUTTER	1.4773	0.1715	1.3058	B.FAT 1.5813	
NY \$16.80 \$15.79	13.22	14.46	12.78	12.92	15.10	17.30	NFDM	1.1208	0.1678	0.9530	N.FAT 0.9435	
N.ENGL \$17.30 \$17.02	YEAR AGO						DRY WHEY	0.3643	0.1991	0.1652	OTHER 0.1702	
OH \$17.60 \$16.92	10.97	10.49	10.78	9.82	11.90	13.40						
APPAL \$19.00 \$17.65												

Price averages do not include lower-end common cows and heifers.	CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales May 12, 2010 at New Holland, PA)							
	COWS: Fresh		Bred	Springing	HEIFERS: Bred		Springing	Open: 300-600 lbs
	1190	N/A	1225	1125	1240	600	805	865
	FOUR WEEK AVG							
	1290	N/A	1225	1115	1210	565	725	860

Average to high dressing	CULL MARKET COWS (\$/CWT LIVELWEIGHT)				FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)			BULL CALVES: No. 1 & 2, 85-130 lbs		
	Premium White	Breakers	Boners	Lean	Choice & Prime 1250-1550 lbs	CURRENT	WK AGO	YR AGO		
	65.10	62.00	58.50	54.60	85.25	88.10	75.60			
	WEEK AGO				125.00	133.00	76.25			
	64.10	60.85	58.10	54.85						
	YEAR AGO									
	56.00	55.00	51.00	47.50						

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