

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOVEMBER 17, 2009 — except where noted

Milk Margin?

Fixing a future price for feed or milk does not necessarily protect a profit. History shows that unexpected increases in feed price or decreases in milk price can eliminate potential future profit opportunities unless those profits are protected. Remember corn going from \$4.25 to \$7.00 in 2008?

To protect a potential profit, think in terms of margin. The milk margin is simply the **(price for 1 cwt milk) - (feed cost to produce 1 cwt of milk) = milk margin/ cwt milk**. The margin pays all non feed costs and includes profits. Dairy Gross Margin Insurance, forward pricing both milk with your cooperative and the feed to produce that milk, or using a broker to hedge both milk and feed are all tools that can protect your margin.

The Penn State Milk Margin, shown below has increased to \$7.93 for September. The low was \$6.56 in March of 2009 and the September 2008 margin was \$12.33. The Penn State Milk Margin values and the Actual Margin values from Dairy Gross Margin Insurance using default feed values (shown on the graph) while not identical, are very comparable. The trends are identical.

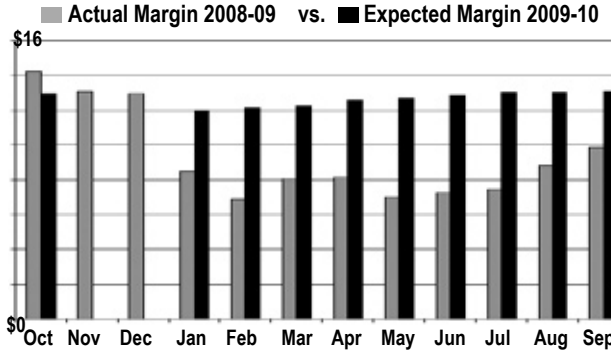
The Expected Gross Margins available for purchase in the November 2009 sales period shown on the graph range from \$11.96 to \$13.03. The graph also shows the Actual Gross Margins for each month from the past year. Because of the Thanks-

giving and Christmas holidays, LGM will be offered for sale on November 20 & 21, 2009 and December 18 & 19, 2009.

Crop insurance note: The harvest price has been set for CRC corn at \$3.72 and soybeans at \$9.66. If you think you have a claim, call your agent immediately. Claims may be denied if notice of loss is turned in after 12/10/09. GRP forage production insurance enrollment/policy change deadline for grass and legumes is 11/30 for 2010 crop year. Your questions and comments are always welcomed.



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



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 — NOVEMBER 17, 2009 CLOSE

	NOV-09	DEC-09	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10
CLASS III MILK FUTURES (\$/CWT)	14.07	14.53	14.60	14.74	15.05	15.24	15.45	15.65	15.80	15.89	15.90	15.79
	14.08	14.82	14.93	15.07	15.19	15.44	15.45	15.58	15.65	15.66	15.70	15.66
WEEK AGO												
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED												
	20.60 6/08	20.64 6/08	20.30 6/08	19.89 6/08	19.75 6/08	19.60 6/08	19.50 6/08	19.20 7/08	19.20 7/08	15.89 11/09	15.90 11/09	15.79 11/09
	12.80 8/09	13.00 9/09	13.23 1/09	13.31 8/09	13.41 8/09	13.58 8/09	13.82 8/09	14.49 8/09	14.75 9/09	15.00 9/09	15.35 10/09	15.44 11/09
MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
PA	3.19	3.01	3.40	3.19	3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87
NY	2.17	1.97	2.32	2.11	2.32	1.04	1.43	1.57	1.61	1.44	1.39	1.79
VT	2.27	1.99	2.38	2.15	2.42	1.10	1.39	1.69	1.71	1.44	1.53	1.99
NJ	1.99	1.81	2.20	1.99	2.12	0.74	1.03	1.43	1.41	1.18	1.17	1.67
DE	2.61	2.43	2.82	2.61	2.74	1.36	1.65	2.05	2.03	1.80	1.79	2.29
MD	2.57	2.39	2.78	2.57	2.70	1.32	1.61	2.01	1.99	1.76	1.75	2.25
OH	2.31	2.23	2.32	2.15	2.34	0.98	1.25	1.51	1.63	1.26	1.33	1.91
WV	2.01	1.83	2.22	2.01	2.14	0.76	1.05	1.45	1.43	1.20	1.19	1.69
MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Fri., Nov. 13, 2009												
	0.37	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												
	14.00 0.02	14.50 0.31	14.50 0.53	14.50 0.57	15.00 0.78	15.00 0.71	15.25 0.83	15.50 0.93	15.75 1.05	15.75 1.08	15.75 1.12	15.75 1.24

MILC = Milk Income Loss Contract OCT MILC (not shown) is estimated at \$0.60

	DEC-09	MAR-10	MAY-10	JUL-10		DEC-09	JAN-10	MAR-10	MAY-10	
CORN (\$/BU) OPTIONS — CALLS					Example Daily Strike Price / Premium	SOYMEAL (\$/TON) OPTIONS — CALLS				
3.00	1.023	3.10 1.087	3.30 1.017	3.40 1.046	270	34.5	260 33.80	260 33.25	260 35.90	
3.35	0.673	3.60 0.653	3.80 0.627	3.90 0.697	290	15.00	280 17.80	280 20.55	280 23.80	
3.65	0.375	4.20 0.295	4.30 0.360	4.30 0.493	310	2.50	300 7.85	300 12.05	300 15.80	
4.00	0.083	4.90 0.105	5.40 0.102	6.10 0.104	320	1.05	340 1.55	390 1.50	430 1.65	

	DEC-09	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	JUL-12
CORN FUTURES (\$/BU)	4.020	4.174	4.272	4.346	4.404	4.464	4.542	4.600	4.654	4.634	4.590	4.790
	3.944	4.090	4.190	4.274	4.350	4.430	4.534	4.594	4.664	4.580	4.530	4.730

	DEC-09	JAN-10	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11
SOYMEAL FUTURES (\$/TON)	308.7	301.7	298.2	297.2	297.9	297.9	297.5	294.0	295.0	295.0	297.0	295.0
	288.2	281.0	279.2	279.0	280.3	280.5	279.7	278.2	279.2	279.7	281.7	279.7

* = NEW	MILK MARGIN — LATEST PSU VALUES — SEPT 2009				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 11/17/09								SPOT CASH
IOFC = Income Over Feed Cost	FEED COST	IOFC (\$/COW @ 65 lbs milk)	MILK MARGIN (\$/CWT milk)		NOV	DEC	JAN	FEB	MAR	APR	MAY	11/17/09	11/17/09
CURRENT	6.17	5.17	7.93		NFDM	1.150	1.245	1.250	1.245	1.235	1.180	1.170	1.4000
PREV MO	6.17	4.63	7.13		WHEY	0.347	0.365	0.397	0.385	0.385	0.389	0.385	N/A
YR AGO	8.15	8.03	12.33		BUTTER	1.370	1.500	1.537	1.560	1.615	1.620	1.620	1.5250
					CME SPOT CHEESE: 40 LB BLOCKS 1.5825 / BARRELS 1.4425								

USDA REPORTS: FINAL AUGUST 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	WK ENDING 10/30/09	PRODUCT	VALUE	MAKE ALLOW	NET	OCT. 2009 COMPONENTS
PA \$12.00	12.86 (NOV)	11.93 (OCT)	12.82 (OCT)	11.86 (OCT)	13.80 (OCT)	15.40 (OCT)	CHEESE	1.4110	0.2003	1.2107	1.2107	PROT 2.5584
US \$13.30							BUTTER	1.2245	0.1715	1.0530	1.0530	B.FAT 1.2752
NY \$12.00	12.35	11.01	12.11	11.15	12.90	14.20	NFDM	1.0270	0.1678	0.8592	0.8592	N.FAT 0.8506
N.ENGL \$12.70							DRY WHEY	0.3183	0.1991	0.1192	0.1192	OTHER 0.1228
OH \$13.20	17.33	16.60	17.06	13.62	17.80	19.30						
APPAL \$14.20												

Price averages do not include lower-end common cows and heifers.	CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales - New Holland, PA - (Nov. 11, 2009)								
	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
	1325	N/A	N/A	1085	1225	425	700	785	700
	1345	1110	1190	1105	1245	500	670	775	705
	FOUR WEEK AVG								
	1345	1110	1190	1105	1245	500	670	775	705
	Avg. of prices reported by USDA Market News for PA Auction Markets Nov. 13-Nov. 17, 2009								
	CULL MARKET COWS (\$/CWT LIVELWEIGHT)								
	Premium White	Breakers	Boners	Lean					
	45.00	43.00	41.00	38.25					
	WEEK AGO								
	45.00	42.50	41.00	38.50					
	YEAR AGO								
	54.00	51.10	48.50	44.50					

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