CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — **JUNE 16, 2009** — except where noted

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This week's graph (Fig. 1) shows daily closing prices for the June 2009 Class III milk futures contract from the beginning of trade through June 11, 2009. The contract began trading on June 29 of 2007 at $14.50. Its final trading date will be July 1, 2009, and it will settle on July 2, 2009. Looking at the graph, you can see that a year ago—around June 18, 2008—the contract traded at its peak (or high) of $20.65. The June 09 contract then dropped to around $11.35 by February 2009, only to spike to over $13.77 for one day in March and drop again last week to a low of $9.88 on June 11. On June 16, 2009, the closing price was $9.89.

Using the futures market to forecast prices in the long-term is like long-term weather forecasting. The closer we are to the target time period, the more reliable the forecast is. Therefore, it is easy to look at this graph, be a Monday morning quarterback, and say: 'I should have done this or that.' The hard part is making the decision in real time.

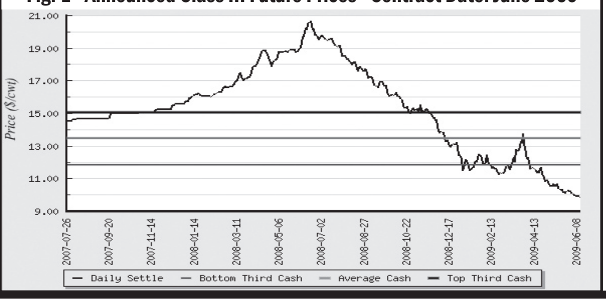
When we are mowing hay, we are looking for the perfect weather forecast. If that doesn't come, we start to balance the weather forecast with the stage of maturity, along with knowing when we have help to put the hay away. At some point we will cut the hay field. Participating in the markets—whether by contracting with milk coops and feed dealers, Dairy Livestock Gross Margin Insurance, or through a commodities broker—uses the same decision making process that you use every day. But, you have to create the decision deadline.

The first box in the chart below lists the closing prices (June 16, 2009) for each of the next 12 Class III milk contract months. The 'week ago' closing price is listed below it. The contract high and low—along with the month and year in which the high or low occurred—is listed next. The contract high and low are the highest and lowest daily closing prices for that monthly contract from the day trading started on the contract to the present.

As always, I welcome your topics and questions.

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

Fig. 1 - Announced Class III Future Prices - Contract Date: June 2009



CME DAILY FUTURES & OPTIONS TRADING — JUNE 16, 2009 CLOSE

	JUN-09	JUL-09	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09	JAN-10	FEB-10	MAR-10	APR-10	MAY-10
CLASS III MILK FUTURES ($/CWT)	**9.89**	**10.28**	**10.97**	**12.17**	**13.17**	**13.73**	**14.00**	**14.20**	**14.17**	**14.68**	**14.79**	**15.02**
WEEK AGO	9.91	10.74	11.71	12.92	13.54	14.09	14.38	14.64	14.52	15.05	15.11	15.27
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT *AND MONTH/YEAR IT OCCURRED* — High	20.65 *6/08*	20.73 *6/08*	20.83 *6/08*	20.98 *6/08*	20.80 *6/08*	20.60 *6/08*	20.64 *6/08*	20.30 *6/08*	19.89 *6/08*	19.75 *6/08*	19.60 *6/08*	19.50 *6/08*
Low	9.88 *6/09*	10.04 *6/09*	10.97 *6/09*	12.17 *6/09*	13.17 *1/09*	13.29 *1/09*	13.65 *1/09*	13.23 *1/09*	13.39 *1/09*	13.72 *1/09*	13.98 *1/09*	14.25 *1/09*
MILK BASIS ($/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
PA	2.63	2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94	2.23
NY	1.57	1.61	1.44	1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04	1.43
VT	1.69	1.71	1.44	1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10	1.39
NJ	1.43	1.41	1.18	1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74	1.03
DE	2.05	2.03	1.80	1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36	1.65
MD	2.01	1.99	1.76	1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32	1.61
OH	1.51	1.63	1.26	1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98	1.25
WV	1.45	1.43	1.20	1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76	1.05
MILC PAYMENT ($/CWT) PROJECTIONS Based on Futures as of June 8, 2009	**2.11**	**2.05**	**1.71**	**1.60**	**1.21**	**0.81**	**0.54**	**0.44**	**0.35**	**0.35**	**0.22**	**0.13**
CLASS III MILK ($/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	**9.75** 0.01	**10.25** 0.22	**10.75** 0.41	**12.00** 0.59	**13.00** 0.73	**13.50** 0.83	**14.00** 1.04	**14.00** 0.95	**14.00** 1.03	**14.50** 1.12	**14.75** 1.26	**15.00** 1.36

MILC = *Milk Income Loss Contract MAY MILC (not shown) is estimated at $1.52*

Example Daily Strike Price / Premium

CORN ($/BU) OPTIONS — CALLS JUL-09	SEP-09	DEC-09	MAR-10
3.00 1.041	**3.10** 1.045	**3.30** 1.055	N/A
3.35 0.691	**3.50** 0.691	**3.80** 0.702	N/A
3.65 0.396	**3.90** 0.410	**4.40** 0.410	N/A
4.05 0.095	**4.80** 0.097	**6.00** 0.100	N/A

SOYMEAL ($/TON) OPTIONS — CALLS JUL-09	SEP-09	OCT-09	DEC-09
370 35.85	**330** 32.20	**320** 30.80	**320** 32.40
400 12.55	**370** 15.90	**370** 14.10	**380** 15.05
420 4.95	**430** 5.75	**430** 5.65	**470** 5.60
440 1.60	**500** 1.65	**500** 1.55	**580** 1.45

CORN FUTURES ($/BU)

	JUL-09	SEP-09	DEC-09	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	JUL-11	SEP-11	DEC-11
Current	**4.040**	**4.126**	**4.252**	**4.370**	**4.445**	**4.522**	**4.436**	**4.352**	**4.462**	**4.562**	**4.510**	**4.466**
WEEK AGO	4.440	4.532	4.662	4.774	4.846	4.914	4.770	4.622	4.726	4.832	N/A	4.716

SOYMEAL FUTURES ($/TON)

	JUL-09	AUG-09	SEP-09	OCT-09	DEC-09	JAN-10	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10
Current	**404.3**	**371.8**	**345.3**	**326.8**	**319.3**	**316.8**	**313.8**	**308.3**	**306.3**	**303.3**	**298.3**	**284.5**
WEEK AGO	407.8	376.6	353.3	334.3	325.8	321.6	317.1	309.4	306.0	302.5	296.0	283.0

IOFC = *Income Over Feed Cost*

MILK MARGIN — LATEST PSU VALUES — APR 2009

	FEED COST ($/COW @ 65 lbs milk)	IOFC ($/COW @ 65 lbs milk)	MILK MARGIN (as $/CWT)
CURRENT	**4.18**	**4.53**	**6.97**
PREV MO	4.22	4.23	6.51
YR AGO	5.75	7.19	11.06

CME DAIRY CASH-SETTLED FUTURES ($/LB) 06/16/09

	JUN	JUL	AUG	SEP	OCT	NOV	DEC	SPOT CASH
NFDM	0.845	0.855	0.880	0.920	0.955	0.955	0.965	**0.900**
WHEY	0.265	0.280	0.302	0.317	0.305	0.310	0.310	N/A
BUTTER	1.225	1.230	1.260	1.285	1.305	1.320	1.345	**1.205**

CME SPOT CHEESE: 40 LB BLOCKS 1.1350 / BARRELS 1.0775

ANNOUNCED FEDERAL ORDER PRICES ($/CWT)

** NEW Price Announced*

	CL I ADV	CLASS II	CLASS III	CLASS IV	ALL-MILK U.S.	ALL-MILK PA
Current	**10.08 (JUN)**	**10.71 (MAY)**	**9.84 (MAY)**	**10.14 (MAY)**	**11.70 (MAY)**	**13.40 (MAY)**
MONTH AGO	10.97	10.49	10.78	9.82	11.90	13.40
YEAR AGO	18.18	15.51	18.18	15.26	18.30	19.30

CURRENT FED. ORDER COMPONENTS ($/LB)

WK ENDING 06/05/09

ITEM	VALUE	MAKE ALLOWANCE	NET
NFDM	0.8318	0.1678	**0.6640**
DRY WHEY	0.2317	0.1991	**0.0326**
BUTTER	1.2159	0.1715	**1.0444**
CHEESE	1.1553	0.2003	**0.9550**

CATTLE FOR DAIRY PURPOSES ($/HEAD) NORTHEAST (Average of USDA-Reported sales – New Holland, PA – June 10, 2009)

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

	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
Current	**1015**	**N/A**	**1150**	**1140**	**1050**	**650**	**690**	**N/A**	**N/A**
FOUR WEEK AVG	1290	N/A	1175	1140	1265	720	920	1050	770

Avg. of prices reported by USDA Market News for PA Auction Markets June 11 - 16, 2009

CULL MARKET COWS ($/CWT LIVEWEIGHT)

Average to high dressing

	Premium White	Breakers	Boners	Lean
Current	**54.50**	**52.25**	**49.10**	**46.25**
WEEK AGO	54.00	51.75	50.10	46.00
YEAR AGO	68.25	62.75	58.75	56.50

	CURRENT	WK AGO	YR AGO
FED HOLSTEIN STEERS ($/CWT LIVEWEIGHT) Choice & Prime 1250-1550 lbs	**72.50**	71.75	83.10
BULL CALVES: No. 1 & 2, 85-130 lbs	**74.85**	76.75	92.00