

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JULY 6, 2010 — except where noted



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Corn

Corn markets, as usual, are moving up and down quickly this time of year. The graph (below, right) shows prices for the December 2010 corn contract since it started trading in February of 2007. At the beginning of this year, December 2010 corn was trading at \$4.37/bu. The lifetime low price for the December contract was \$3.44 set two weeks ago on June 29, when most traders saw increased acres in production, very good growing conditions on those acres and increased inventories. Then, USDA's June 30, 2010 Acreage and Grain Stocks reports provided bullish news for corn with less acreage and fewer stocks than expected.

Joe Dairyman's goal is keep his feed costs as low as possible. His neighbor, Gary Graingrower's goal is to maximize his selling price for his grain. Joe and Gary both want to protect their profits when the markets provide a profitable opportunity, not speculate on market direction.

On July 2, 2010 December corn settled at \$3.84. If this is at or below the corn price target in Joe's marketing plan, he could buy a contract to cover some of his feed needs for next year. To create a ceiling price of \$4.104 on some of his 2011 corn needs, Joe could have bought a December *call* option with an "at the money" strike price of \$3.80 costing \$0.304 per bushel ($\$3.80 + \$0.304 = \$4.104$).

If \$3.84 is at or above the target selling price on Gary's market-

ing plan, he could sell a contract. Gary can create a price floor for his corn sales of \$3.56 by buying a *put* option with a premium of \$0.26 per bushel using the same \$3.80 at the money strike price ($\$3.80 - \$0.26 = \$3.56$). CME futures contract prices for corn, soybean meal and their *call* option premiums are shown below.

Report acreage for spring planted crops to your crop insurance agent before the July 15, 2010 deadline. July 30 & 31 is the next Dairy Gross Margin (LGM) sales period. To learn more, visit www.centerfordairyexcellence.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 — JULY 6, 2010 CLOSE

JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11
CLASS III MILK FUTURES (\$/CWT)											
13.51	14.62	15.00	14.97	14.78	14.72	14.52	14.50	14.45	14.40	14.35	14.31
-----WEEK AGO-----											
13.41	13.87	14.60	14.70	14.60	14.54	14.40	14.40	14.37	14.24	14.32	14.27

HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED											
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	16.24 7/09	15.80 8/09
13.18 6/10	13.57 6/10	14.25 6/10	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	14.30 6/10	14.27 6/10

MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
PA	2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94	2.23	2.63
NY	1.61	1.44	1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04	1.43	1.57
VT	1.71	1.44	1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10	1.39	1.69
NJ	1.41	1.18	1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74	1.03	1.43
DE	2.03	1.80	1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36	1.65	2.05
MD	1.99	1.76	1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32	1.61	2.01
OH	1.63	1.26	1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98	1.25	1.51
WV	1.43	1.20	1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76	1.05	1.45

MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Thurs., July 1, 2010; *June & July* based on CI IV as 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											
13.50 0.06	14.50 0.26	15.00 0.55	14.75 0.58	14.75 0.68	14.50 0.64	14.50 0.80	14.50 0.86	14.25 0.81	14.25 0.87	14.25 0.95	14.25 1.01

CORN (\$/BU) OPTIONS — CALLS					SOYMEAL (\$/TON) OPTIONS — CALLS						
SEP-10	DEC-10	MAR-11	MAY-11	Example	AUG-10	SEP-10	OCT-10	DEC-10			
2.60 1.082	2.70 1.094	2.90 1.044	3.00 1.036	Daily Strike Price / Premium	250 36.80	240 34.85	230 35.10	230 35.65			
3.05 0.640	3.20 0.640	3.40 0.632	3.50 0.656		260 26.90	250 25.55	240 26.80	240 28.10			
3.65 0.184	3.80 0.270	3.90 0.350	4.00 0.384		270 17.35	270 12.05	260 13.55	260 16.40			
3.90 0.097	4.40 0.107	4.90 0.107	5.50 0.101		290 3.65	310 1.90	320 1.50	340 1.90			

CORN FUTURES (\$/BU)											
JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12	SEP-12
3.600	3.680	3.792	3.916	3.996	4.070	4.060	4.050	4.146	4.216	4.254	4.152
-----WEEK AGO-----											
3.250	3.332	3.440	3.574	3.670	3.752	3.792	3.832	3.934	4.004	4.062	3.986

SOYMEAL FUTURES (\$/TON)											
JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11	OCT-11
297.2	286.7	273.8	263.4	262.4	262.6	263.6	263.5	265.5	264.0	261.0	258.0
-----WEEK AGO-----											
289.8	280.8	272.2	266.0	265.8	265.6	266.6	266.3	268.0	266.4	262.9	258.9

* = NEW MILK MARGIN — LATEST PSU VALUES — MAY 2010				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/06/10								SPOT CASH				
FEED COST		IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JUL	AUG	SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	07/06/10
(Now based on \$/CWT milk)				NFDM	1.175	1.160	1.152	1.160	1.150	1.150	1.150	1.160	1.160	1.2100		1.2100
CURRENT		5.40	7.28	WHEY	0.360	0.345	0.346	0.340	0.330	0.330	0.330	0.330	0.330	N/A		N/A
PREV MO		5.46	7.05	BUTTER	1.720	1.725	1.725	1.720	1.715	1.660	1.608	1.7500				1.7500
YR AGO		6.70	4.36	CME SPOT CHEESE:	40 LB BLOCKS 1.4750 / BARRELS 1.4500											

* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)										CURRENT FEDERAL ORDER VALUES (\$/LB)			
CL I ADV	*CL II	*CL III	*CL IV	*ALL-MILK U.S.	*ALL-MILK PA	WEIGHTED AVERAGE FOR JUNE 2010				JUNE 2010			
15.66 (JUL)	*16.01 (JUN)	*13.62 (JUN)	*15.45 (JUN)	*15.80 (JUN)	*17.90 (JUN)	PRODUCT	VALUE	MAKEALLOW	NET	COMPONENTS			
						CHEESE	1.4475	0.2003	1.2472	PROT 2.2040			
						BUTTER	1.5946	0.1715	1.4231	B.FAT 1.7234			
						NFDM	1.2631	0.1678	1.0953	N.FAT 1.0843			
						DRY WHEY	0.3688	0.1991	0.1697	OTHER 0.1748			

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales June 30, 2010 at New Holland, PA)																	
COWS: Fresh				HEIFERS: Bred				Open: 300-600 lbs				600-900 lbs		900-1200 lbs		BULLS (600-1200 lb)	
1240	N/A	1265	1015	1065	N/A	625	865	N/A									
-----FOUR WEEK AVG-----																	
1355	1100	1145	1145	1225	550	730	920	800									

Avg. of prices reported by USDA Market News for PA Auction Markets July 1-6, 2010				FED HOLSTEIN STEERS (\$/CWT LIVWEIGHT)				BULL CALVES: No. 1 & 2, 90-130 lbs					
Premium White	Breakers	Boners	Lean	Choice & Prime	1250-1550 lbs	80.85	82.35	80.00	117.00	80.00	117.00	57.50	57.50
66.50	62.50	59.10	55.35	80-90 lbs	44.00	66.00	42.50						
-----WEEK AGO-----													
64.85	61.60	59.10	55.85										
-----YEAR AGO-----													
55.75	53.85	50.50	47.10										

brought to you by:



MILC = Milk Income Loss Contract JUNE MILC is estimated at \$0.00



* = NEW IOFC = Income Over Feed Cost

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

Average to high dressing