

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUES., AUGUST 10, 2010 — except where noted



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

**Aberrations**—“What’s happening now is not an aberration. The aberration is what happened before. Aberration is defined as “something that deviates from the normal way.”

What will be normal for dairy farms in the future? The top line on the left side of the graph represents the Conference Board **Consumer Confidence Index®**, which is based on a representative sample of 5,000 U.S. households. The index considers 1985 as the normal or base index of 100. The index value peaked at over 140 before September 11, 2001. The index value since 1980 bottomed at around 30 in 2009. In the past year the index has increased, but declined sharply in June and July to 50.4.

The lower graph line represents the US all milk price since 1980. It shows that milk prices fall when the general economy is stressed. Consumers became less confident of the future during the 1990 recession, so demand for milk decreased and milk prices dropped. September 11, 2001 shook consumer confidence and milk prices fell again. It took more time for milk prices to fall after the banking crisis of 2008 because dairy exports were so strong, but consumers became afraid of the future, spent less, and milk prices went down.

When will consumer confidence return to normal levels? Will consumers eat enough cheese to bring inventories back to normal soon? When will the economy create enough new jobs to return the unemployment rate to normal levels?

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.

Will the US find a source of energy to replace ethanol so grain prices can return to normal? We will continue this discussion next week.

September 30 is the deadline to enroll or make any 2011 policy changes to fall seeded wheat, barley and alfalfa based forage production policies as well as the new Pasture, Hay and Forage insurance policies now available in all of Pennsylvania. I am available to discuss the various ways that you can manage your risks and welcome any suggestions or comments. Or visit [www.centerfordairyexcellence.org](http://www.centerfordairyexcellence.org).



## CME DAILY FUTURES & OPTIONS TRADING — AUGUST 10, 2010 CLOSE

	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	JUL-11
<b>CLASS III MILK FUTURES (\$/CWT)</b>	15.06	15.51	15.13	14.84	14.72	14.35	14.24	14.22	14.40	14.42	14.43	14.61
	----- WEEK AGO -----											
	14.92	15.13	14.85	14.66	14.66	14.39	14.30	14.30	14.45	14.50	14.47	14.62
	----- HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED -----											
	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	15.99 12/09
	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	14.40 6/10
	<b>MILK BASIS (\$/CWT) — SELECTED NORTHEAST &amp; MID-ATLANTIC STATES (2008 Historical Reference)</b>											
	PA 2.38	2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94	2.23	2.63	2.61
	NY 1.44	1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04	1.43	1.57	1.61
	VT 1.44	1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10	1.39	1.69	1.71
	NJ 1.18	1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74	1.03	1.43	1.41
	DE 1.80	1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36	1.65	2.05	2.03
	MD 1.76	1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32	1.61	2.01	1.99
	OH 1.26	1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98	1.25	1.51	1.63
	WV 1.20	1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76	1.05	1.45	1.43
	<b>MILC PAYMENT (\$/CWT) FORECASTS</b> Based on Futures as of Wed., Aug. 4, 2010; *July & August* based on CI IV as CI I “mover”											
	*0.00*	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.0360	0.00	0.0542	0.0622
	<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>											
	15.00 0.04	15.50 0.31	15.00 0.45	14.75 0.57	14.50 0.57	14.25 0.68	14.00 0.66	14.00 0.72	14.25 0.82	14.25 0.86	14.25 0.90	14.50 1.01

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



	SEP-10	DEC-10	MAR-11	MAY-11		SEP-10	OCT-10	DEC-10	JAN-11			
<b>CORN (\$/BU) OPTIONS — CALLS</b>	3.00 1.031	3.20 1.004	3.40 1.001	3.50 1.016	Example Daily Strike Price / Premium	<b>SOYMEAL (\$/TON) OPTIONS — CALLS</b>						
	3.30 0.732	3.60 0.670	3.70 0.772	3.90 0.750		260 40.35	260 35.70	260 37.85	260 37.10			
	3.60 0.445	4.10 0.364	4.20 0.494	4.30 0.543		280 21.05	270 27.05	270 30.15	270 29.70			
	3.95 0.175	4.70 0.171	5.40 0.171	5.80 0.172		300 6.65	290 13.20	290 18.00	290 18.70			
						320 1.40	340 1.55	380 1.75	370 1.55			
<b>CORN FUTURES (\$/BU)</b>	SEP-10	DEC-10	MAR-11	MAY-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12	SEP-12	DEC-12	
	3.934	4.090	4.230	4.314	4.354	4.330	4.436	4.504	4.560	4.426	4.294	
	----- WEEK AGO -----											
	3.894	4.040	4.164	4.240	4.290	4.280	4.390	4.460	4.514	4.396	4.280	
<b>SOYMEAL FUTURES (\$/TON)</b>	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11	OCT-11	DEC-11
	309.3	296.3	289.7	289.8	288.8	288.8	287.6	288.2	286.2	282.7	275.7	275.7
	----- WEEK AGO -----											
	308.3	296.8	290.4	290.0	288.8	288.0	286.0	286.7	284.7	281.7	275.7	276.7

**\* = NEW**

	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)
<b>CURRENT</b>	5.69	7.94	12.21
PREV MO	5.44	7.45	11.46
YR AGO	6.54	4.13	6.36

**CME DAIRY CASH-SETTLED FUTURES (\$/LB) 08/10/10**

	AUG	SEP	OCT	NOV	DEC	JAN	FEB	08/10/10
NFDM	1.165	1.155	1.160	1.167	1.165	1.140	1.140	1.2100
WHEY	0.360	0.360	0.350	0.345	0.345	0.340	0.335	N/A
BUTTER	1.825	1.880	1.850	1.770	1.680	1.585	1.580	1.8975

**CME SPOT CHEESE: 40 LB BLOCKS 1.6150 / BARRELS 1.5800**

	CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA	WEIGHTED AVERAGE - JUL 1-23, 2010	JULY 2010			
<b>RECORD HIGH EXPORTS IN JUNE</b>	15.77 (AUG)	17.10 (JUL)	13.74 (JUL)	15.75 (JUL)	16.00 (JUL)	17.80 (JUL)	PRODUCT VALUE	MAKEALLOW	NET	COMPONENTS	
	----- MONTH AGO -----						CHEESE	1.4567	0.2003	1.2564	PROT 2.0515
	----- YEAR AGO -----						BUTTER	1.7375	0.1715	1.5660	B.FAT 1.8964
	15.66	16.01	13.62	15.45	15.50	17.50	NFDM	1.2277	0.1678	1.0599	N.FAT 1.0493
	10.04	10.87	9.97	10.15	11.30	13.00	DRY WHEY	0.3641	0.1991	0.1650	OTHER 0.1700

**CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales Aug. 4, 2010 at New Holland, PA)**

	Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
<b>COWS:</b>	1200	N/A	1140	1240	1075	N/A	575	N/A	N/A
	----- FOUR WEEK AVG -----								
	1210	1200	1045	1105	1150	505	610	900	640

Avg. of prices reported by USDA Market News for PA Auction Markets Aug. 5-10, 2010

	Choice & Prime 1250-1550 lbs	80.85	WK AGO	80.60	YR AGO	67.50
<b>FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)</b>						
<b>BULL CALVES: No. 1 &amp; 2, 90-130 lbs</b>		108.00		100.00		76.00
<b>80- 90 lbs</b>		58.00		40.00		52.00

**CULL MARKET COWS (\$/CWT LIVELWEIGHT)**

	Premium White	Breakers	Boners	Lean
	61.25	58.00	55.60	52.60
	----- WEEK AGO -----			
	61.75	57.85	55.10	51.25
	----- YEAR AGO -----			
	53.50	52.00	49.00	46.00

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

Average to high dressing

brought to you by:

