

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUES., AUGUST 31, 2010 — except where noted



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

## Average

The graph (below) shows USDA Economic Research Service information for Pennsylvania since 2006. From July 2008 to November of 2009 total operating costs per hundred pounds of milk were higher than the all-milk price on the "average" Pennsylvania dairy farm. To survive in the future, Joe Dairyman's business needs to be better than the "average".

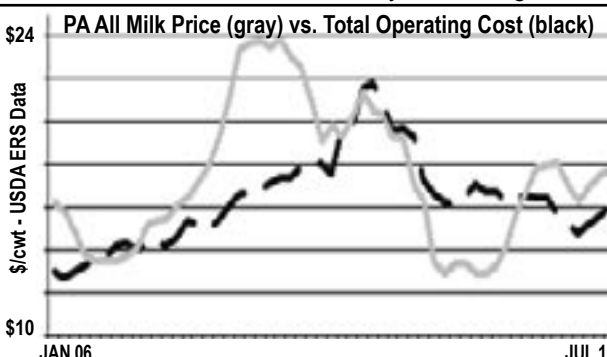
Corn silage harvest is under way in many areas. Joe's goal is to put high quality forages into storage, then correctly feed these forages to maximize milk production. Joe thinks this is one of the most important ways to keep his cost of production below today's "average".

In the past, Joe managed his price risk by cutting costs when milk prices dropped. The past two years have taught him that he cannot always cut costs enough to maintain his cash flow. In the future, when markets present a profitable opportunity, Joe will protect the income side of his checkbook more aggressively with milk contracts, feed contracts, Dairy Gross Margin Insurance, Puts, and Calls. He hopes that the dairy industry never has to go through a year like 2009 again, but Joe did not build his business simply on hope. To survive in the future, Joe Dairyman will have to manage his business to be better than the "average", not just hope for a profit.

Call your agent immediately if there is a possibility of a 2010 crop insurance claim. The policies require that written notice be given to

your crop insurance agent (by crop and by unit or farm number). Prior Authorization is required to leave sample rows for yield determination. September 30, 2010 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 you can manage your risks and you can also find more information at [www.centerfordairyexcellence.org](http://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 — AUGUST 31, 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>15.15</b>	<b>16.07</b>	<b>15.75</b>	<b>15.07</b>	<b>14.65</b>	<b>14.17</b>	<b>14.00</b>	<b>14.00</b>	<b>13.98</b>	<b>14.10</b>	<b>14.10</b>	<b>14.40</b>

### CLASS III MILK FUTURES (\$/CWT)

15.15	15.68	15.50	14.99	14.55	14.19	14.05	14.03	14.08	14.21	14.21	14.50
-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------	-------

### 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	14.00 8/10	13.97 8/10	14.07 8/10	14.08 8/10	14.38 8/10

### MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)

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

MILC PAYMENT (\$/CWT) FORECASTS	Based on Futures as of Thurs., Aug. 19, 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	0.00	0.0579	0.1145	0.2325	0.2291

### CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium

15.00 0.00	16.00 0.08	15.75 0.39	15.00 0.45	14.50 0.50	14.00 0.52	14.00 0.65	14.00 0.70	13.75 0.69	14.00 0.82	14.00 0.86	14.25 0.91
------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------	------------

### CORN (\$/BU) OPTIONS — CALLS

DEC-10	MAR-11	MAY-11	JUL-11
3.40 1.006	3.50 1.073	3.70 1.014	3.80 1.036
3.80 0.657	3.90 0.772	4.10 0.757	4.60 0.620
4.40 0.303	4.50 0.461	4.60 0.521	5.40 0.374
5.20 0.102	5.70 0.161	6.20 0.164	6.90 0.165

Example  
Daily Strike  
Price / Premium

### SOYMEAL (\$/TON) OPTIONS — CALLS

OCT-10	DEC-10	JAN-11	MAR-11
260 34.40	260 36.45	260 37.00	260 39.00
270 24.75	280 20.40	270 28.75	280 25.20
290 8.60	300 10.00	290 16.15	300 15.55
310 1.75	350 1.60	350 1.80	380 1.95

### CORN FUTURES (\$/BU)

SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12	SEP-12	DEC-12
<b>4.244</b>	<b>4.392</b>	<b>4.522</b>	<b>4.586</b>	<b>4.644</b>	<b>4.542</b>	<b>4.442</b>	<b>4.546</b>	<b>4.606</b>	<b>4.656</b>	<b>4.510</b>	<b>4.362</b>

### SOYMEAL FUTURES (\$/TON)

SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11	OCT-11	DEC-11	JAN-12
<b>304.2</b>	<b>294.1</b>	<b>295.2</b>	<b>294.9</b>	<b>295.2</b>	<b>295.1</b>	<b>296.6</b>	<b>294.6</b>	<b>290.6</b>	<b>283.0</b>	<b>283.2</b>	<b>284.6</b>

*NEW	MILK MARGIN — LATEST PSU VALUES — JULY 2010		
IOFC =	FEED COST	IOFC (\$/COW)	PA MILK MARGIN
Income	(Now based on \$/CWT milk)	@ 65 lbs milk	(\$/CWT milk)
CURRENT	<b>6.16</b>	<b>7.57</b>	<b>11.64</b>
PREV MO	5.74	7.65	11.76
YR AGO	6.18	4.43	6.82

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 08/31/10											SPOT CASH
	AUG	SEP	OCT	NOV	DEC	JAN	FEB	08/31/10		08/31/10	
NFDM	1.160	1.162	1.200	1.200	1.200	1.190	1.180			1.2150	
WHEY	0.360	0.362	0.370	0.355	0.350	0.345	0.325			N/A	
BUTTER	1.840	2.110	2.065	1.882	1.730	1.620	1.585			2.2150	
CME SPOT CHEESE: 40 LB BLOCKS 1.7100 / BARRELS 1.6650											

*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	WEIGHTED AVERAGE-AUG 1-20, 2010				JULY 2010			
U.S. \$15.10 \$15.08	15.50 (SEP)	17.10 (JUL)	13.74 (JUL)	15.75 (JUL)	16.00 (JUL)	17.80 (JUL)	PRODUCT	VALUE	MAKEALLOW	NET	COMPONENTS			
PA \$16.90 \$16.02			MONTH AGO				CHEESE	1.6008	0.2003	1.4005	PROT 2.0515			
NY \$16.00 \$15.22	15.77	16.01	13.62	15.45	15.50	17.50	BUTTER	1.8269	0.1715	1.6554	B.FAT 1.8964			
N.ENGL \$16.30 \$16.23			YEAR AGO				NFDM	1.1542	0.1678	0.9864	N.FAT 1.0493			
OH \$16.50 \$16.26	10.93	10.87	9.97	10.15	11.30	13.00	DRY WHEY	0.3586	0.1991	0.1595	OTHER 0.1700			
APPAL \$17.60 \$16.26														

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales Aug. 25, 2010 at New Holland, PA)																				
COWS: Fresh			Bred			Springing			HEIFERS: Bred		Springing		Open: 300-600 lbs		600-900 lbs		900-1200 lbs		BULLS (600-1200 lb)	
1275			N/A			N/A			1015		1175		400		600		805		790	
FOUR WEEK AVG																				
1270			N/A			1205			1085		1190		460		600		805		685	
Avg. of prices reported by USDA Market News for PA Auction Markets Aug. 26-31, 2010																				
CULL MARKET COWS (\$/CWT LIVELWEIGHT)																				
Premium White			Breakers			Boners			Lean											
61.35			58.85			56.75			53.50											
WEEK AGO																				
63.00			60.00			57.25			54.85											
YEAR AGO																				
N/A			52.00			49.00			45.00											