

CDE DAIRY MARKETS & MANAGEMENT UPDATE

JUNE 2, 2009



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CENTER for Dairy EXCELLENCE

Welcome to this first edition of the Dairy Markets and Management Update. This cooperative effort between Farmshine Newspaper, the Center for Dairy Excellence, the USDA Risk Management Agency, and the Pennsylvania Department of Agriculture, will provide futures and options market data on a weekly basis from the Chicago Mercantile Exchange (CME), as well as other market indicators important to your dairy business.

The purpose of this weekly update is not only to help dairy producers keep up with changes in market conditions, but also to provide some ideas to deal with the volatility in these markets using risk management tools. Whether or not you choose to manage risk with forward pricing through your cooperative, Dairy Livestock Gross Margin insurance, or futures and options contracts through a broker, producers in today's world need to become familiar with these concepts.

In 2009, the reality is that events such as droughts, currency exchange rate fluctuations, and other events on other continents affect commodity futures prices. The futures markets directly or indirectly set the local price of the commodities you buy and sell.

Prices change daily. This market information is compiled as an example for educational purposes. Using CME and USDA reports and the Center for Dairy Excellence ScoreCard, Farmshine organizes and compiles the data below for this exclusive weekly feature.

This weekly column brings together in one place some important market information, right at your fingertips. We will also work on breaking down the terminology and concepts into one bite-sized topic each week to help you better understand them. As a result, when you see an opportunity to protect a profit, you can take action.

This is not a new subject. Futures markets were established 150 years ago. For various reasons, we have not used them as much in dairy as some other commodity areas.

Readers are welcome to suggest a topic or ask a question you wish to see addressed in this weekly column. I am also available to help individual producers sort through the maze of tools available for managing market risk.

The Center's website (www.centerfordairyexcellence.org) will soon feature these reports along with a comprehensive definition page, providing easy to understand information relating to each section of this weekly Update.

CME DAILY FUTURES & OPTIONS TRADING — JUNE 2, 2009 CLOSE

MAY-09	JUN-09	JUL-09	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09	JAN-10	FEB-10	MAR-10	APR-10
CLASS III MILK FUTURES (\$/CWT)											
9.84	10.12	11.10	12.35	13.73	14.40	14.83	15.05	15.16	15.04	15.55	15.79
-----WEEK AGO-----											
9.83	10.18	11.09	12.40	13.62	14.26	14.65	14.78	14.88	14.68	15.10	15.39
-----CONTRACT HIGH / LOW & DATE-----											
18.73 6/08	18.75 4/08	18.40 8/08	16.90 9/08	17.00 9/08	18.62 8/08	16.10 3/09	20.30 7/08	15.21 6/09	18.15 8/08	19.30 7/08	19.20 7/08
9.80 5/09	10.13 5/09	11.05 5/09	12.34 5/09	13.37 1/09	13.17 1/09	14.24 2/09	14.28 2/09	14.65 1/09	15.06 6/09	13.72 1/09	13.98 1/09
MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)											
PA 2.23	2.63	2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94
NY 1.43	1.57	1.61	1.44	1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04
VT 1.39	1.69	1.71	1.44	1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10
NJ 1.03	1.43	1.41	1.18	1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74
DE 1.65	2.05	2.03	1.80	1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36
MD 1.61	2.01	1.99	1.76	1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32
OH 1.25	1.51	1.63	1.26	1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98
WV 1.05	1.45	1.43	1.20	1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76
MILC PAYMENT (\$/CWT) PROJECTIONS Based on Futures as of June 1, 2009 (Actual MILC for Apr. 2009 was announced at \$1.59)											
1.52	2.05	1.79	1.66	1.07	0.55	0.20	0.00	0.00	0.00	0.00	0.00
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium											
9.75 0.00	10.00 0.10	11.00 0.37	12.25 0.58	13.50 0.69	14.25 0.86	14.75 1.03	15.00 1.13	15.00 1.08	15.00 1.19	15.00 1.29	15.25 1.12

MILC = Milk Income Loss Contract Actual MILC for April came in at \$1.59



IOFC = Income Over Feed Cost

* New Price Change

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

JUL-09	SEP-09	DEC-09	MAR-10	Example Daily Strike Price / Premium	JUL-09	SEP-09	OCT-09	DEC-09			
CORN (\$/BU) OPTIONS — CALLS					SOYMEAL (\$/TON) OPTIONS — CALLS						
3.45 1.046	3.601 0.035	3.80 1.076	N/A		360 31.75	330 37.50	320 35.55	320 35.15			
4.00 0.512	4.30 0.512	4.80 0.507	N/A		390 13.75	390 14.30	380 14.80	400 12.80			
4.30 0.266	4.90 0.255	5.80 0.241	N/A		420 4.95	450 5.95	450 4.60	490 4.90			
4.60 0.112	5.60 0.111	6.80 0.117	N/A		460 1.15	520 1.90	520 1.20	580 1.50			
CORN FUTURES (\$/BU)											
JUL-09	SEP-09	DEC-09	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	JUL-11	DEC-11	
4.494	4.596	4.726	4.830	4.902	4.970	4.840	4.700	4.800	4.900	4.784	
-----WEEK AGO-----											
4.286	4.390	4.522	4.634	4.706	4.772	4.652	4.500	4.610	4.720	4.576	
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
387.5	367.8	350.3	334.1	325.8	321.6	317.0	309.0	305.5	300.5	295.5	286.5
-----WEEK AGO-----											
383.8	346.7	346.6	330.8	321.8	316.8	310.8	301.8	298.8	294.3	289.8	282.8

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)				CURRENT FED. ORDER COMPONENTS (\$/LB)					
CL I ADV	CLASS II	CLASS III	CLASS IV	ALL-MILK U.S.	ALL-MILK PA	WK ENDING 5/15/09			
10.08 (JUN)*	10.49 (APR)	10.78 (APR)	9.82 (APR)	11.70 (MAY)*	13.40 (MAY)*	ITEM	VALUE	MAKE ALLOWANCE	NET
						MONTH AGO			
10.97	10.36	10.44	9.64	11.90	13.40	NDFM	0.8314	0.1678	0.6636
						YEAR AGO			
18.18	15.29	16.76	14.56	18.30	19.30	WHEY	0.2323	0.1991	0.0332
						BUTTER 1.2051 0.1715 1.0336			
						CHEESE 1.1562 0.2003 0.9559			

CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average prices of USDA-Reported sales — New Holland, PA — May 27, 2009)											
COWS: Fresh Short-Bred			Springing HEIFERS: Bred			Springing			Open: 300-600 lbs		
1365	N/A	1175	N/A	1310	730	850	1060	865			
-----FOUR-WEEK AVG-----											
1426	665	1120	1220	1340	730	970	1060	785			
Avg. of prices reported by USDA Market News for PA Auction Markets May 28 - June 2, 2009											
CULL MARKET COWS (\$/CWT LIVELWEIGHT)											
Premium White	Breakers	Boners	Lean								
56.00	53.00	51.50	48.25								
-----WEEK AGO-----											
60.00	56.75	53.75	46.00								
-----YEAR AGO-----											
65.50	61.50	58.75	55.25								

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