

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JUNE 15, 2010 — except where noted



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\$12.00 Margins?

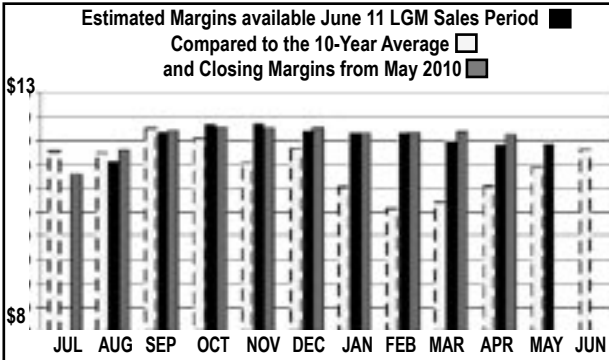
The graph (below, right) compares default value expected margins using CME closing prices from June 11 compared to the closing May LGM margins and the 10 year average. The closing May values and the anticipated June margins are at or above \$12.00 from September forward. From January through April of 2011, the expected margins are well above the 10 year average. The Pa. milk margin one year ago (shown below) was \$7.17.

Look at the highest and lowest daily settle price over the life of the Class III contract (milk used for cheese production). They are listed under the milk bottle below. The October, November and December Class III futures highs occurred last December and January when Joe Dairyman and many of his neighbors were certain that milk prices could only go up. All of the 2010 Class III milk futures contract months are now trading close to their lifetime low prices. Did you protect a profit last winter?

As I explained several weeks ago, under the present pricing system, Class IV milk traded on the CME is "Grade A milk used to produce butter and any milk in dried form." Butter futures (shown below) are above \$1.60/lb for the rest of 2010 which creates Class IV milk futures above \$15.00/cwt through December. The Federal Milk Marketing Orders calculate Class I (milk for fluid consumption) prices by adding a fixed differential to the higher of Class III or Class IV milk prices for each month. Since the demand for but-

ter has increased, many expect Class I prices and therefore all-milk prices, to be better than Class III + "normal basis" for the remainder of this year. We show Class III prices because they "normally" drive the market.

I welcome any suggestions or comments. June 25 & 26 is the next Dairy Gross Margin (LGM) sales period. Report your acreage for spring planted crops other than small grain to your agent before the July 15, 2010 deadline. There is much more information on our website at 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 — JUNE 15, 2010 CLOSE

	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11
CLASS III MILK FUTURES (\$/CWT)	13.60	13.58	14.05	14.63	14.75	14.70	14.62	14.60	14.60	14.59	14.45	14.45
	13.49	13.26	13.74	14.40	14.59	14.60	14.52	14.47	14.58	14.50	14.43	14.42



MILC = Milk Income Loss Contract MAY MILC (not shown) is estimated at \$0.00

HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED																							
19.20	7/08	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
13.12	4/10	13.20	6/10	13.74	6/10	14.39	5/10	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	14.35	6/10

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

	PA	NY	VT	NJ	DE	MD	OH	WV
2008	2.63	1.57	1.69	1.43	2.05	2.01	1.51	1.45
2009	2.61	1.61	1.71	1.41	2.03	1.99	1.63	1.43
2010	2.38	1.44	1.44	1.18	1.80	1.76	1.26	1.20
2011	2.37	1.39	1.53	1.17	1.79	1.75	1.33	1.19
2012	2.87	1.79	1.99	1.67	2.29	2.25	1.91	1.69
2013	3.19	2.17	2.27	1.99	2.61	2.57	2.31	2.01
2014	3.01	1.97	1.99	1.81	2.43	2.39	2.23	1.83
2015	3.40	2.32	2.38	2.20	2.82	2.78	2.32	2.22
2016	3.19	2.11	2.15	1.99	2.61	2.57	2.15	2.01
2017	3.32	2.32	2.42	2.12	2.74	2.70	2.34	2.14
2018	1.94	1.04	1.10	0.74	1.36	1.32	0.98	0.76
2019	2.23	1.43	1.39	1.03	1.65	1.61	1.25	1.05

MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Thurs., June 10, 2010; *May & June* 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	0.00

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
13.50	0.01	13.50	0.19	14.00	0.41	14.50	0.57	14.75	0.73	14.50	0.64	14.50	0.73	14.50	0.78	14.50	0.87	14.50	0.98	14.25	0.90	14.25	0.92

CORN (\$/BU) OPTIONS — CALLS					SOYMEAL (\$/TON) OPTIONS — CALLS										
Example	Example	Example	Example	Example	Example	Example	Example	Example	Example						
Daily Strike Price / Premium	Daily Strike Price / Premium	Daily Strike Price / Premium	Daily Strike Price / Premium	Daily Strike Price / Premium	Daily Strike Price / Premium	Daily Strike Price / Premium	Daily Strike Price / Premium	Daily Strike Price / Premium	Daily Strike Price / Premium						
2.50	1.037	2.60	1.031	2.70	1.054	2.90	1.017	260	30.10	240	38.80	230	39.60	230	33.10
2.80	0.736	3.00	0.643	3.10	0.695	3.40	0.627	270	20.35	250	29.55	250	23.50	240	25.75
3.10	0.437	3.60	0.215	3.70	0.317	3.90	0.362	280	11.40	270	14.25	270	12.55	260	14.55
3.55	0.072	3.90	0.116	4.50	0.107	5.10	0.104	300	1.60	320	1.60	330	1.65	330	1.70

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	
3.536	3.630	3.750	3.880	3.970	4.050	4.074	4.092	4.200	4.270	4.332	4.254	

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	
285.7	274.9	265.7	256.7	255.2	255.8	256.5	256.0	257.7	257.5	256.0	253.0	



* = NEW IOFC = Income Over Feed Cost

MILK MARGIN — LATEST PSU VALUES — APR 2010					CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/15/10										SPOT CASH
FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)	JUN	JUL	AUG	SEP	OCT	NOV	DEC	06/15/10					
CURRENT	5.44	7.00	NFDM	1.260	1.220	1.210	1.210	1.190	1.190	1.195	1.2500				
PREV MO	6.09	7.29	WHEY	0.365	0.347	0.347	0.350	0.350	0.330	0.330	N/A				
YR AGO	6.23	4.66	BUTTER	1.586	1.660	1.680	1.690	1.695	1.690	1.670	1.6150				

USDA REPORTS FINAL "MARCH 2010"	
ALL-MILK MAILBOX	PA
U.S. \$14.80	\$14.92
PA \$17.00	\$15.76
NY \$16.10	\$15.08
N. ENGL \$16.30	\$16.16
OH \$16.60	\$15.92
APPAL \$18.10	\$16.78

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	PRODUCT	VALUE	MAKE ALLOW	NET	MAY 2010 COMPONENTS
15.28 (JUN)	14.90 (MAY)	13.38 (MAY)	15.29 (MAY)	15.00 (MAY)	16.60 (MAY)	MAY 1-28, 2010	CHEESE	1.4257	0.2003	1.2254	PROT 2.1523
13.80	13.78	12.92	13.73	14.60	16.20	BUTTER	1.5801	0.1715	1.4086	B.FAT 1.7058	
10.08	10.71	9.84	10.14	11.60	13.40	NFDM	1.2520	0.1678	1.0842	N.FAT 1.0734	
						DRY WHEY	0.3645	0.1991	0.1654	OTHER 0.1704	

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales June 9, 2010 at New Holland, PA)														
COWS: Fresh			Bred			Springing			HEIFERS: Bred			Springing		
1465	1100	N/A	1215	1325	570	815	940	940						
FOUR WEEK AVG														
1365	1100	1110	1060	1295	585	835	855	865						

CULL MARKET COWS (\$/CWT LIVELWEIGHT)				FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)				BULL CALVES: No. 1 & 2, 90-130 lbs			
Premium White	Breakers	Boners	Lean	Choice & Prime 1250-1550 lbs	80-90 lbs	80-90 lbs	80-90 lbs	80-90 lbs	80-90 lbs	80-90 lbs	80-90 lbs
63.25	60.25	56.10	51.75	82.35	63.00	63.00	63.00	63.00	63.00	63.00	63.00
WEEK AGO											
63.35	59.35	56.60	53.50	82.85	63.00	63.00	63.00	63.00	63.00	63.00	63.00
YEAR AGO											
54.50	52.25	49.10	46.25	72.50	63.00	63.00	63.00	63.00	63.00	63.00	63.00

Average to high dressing

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