

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JANUARY 5, 2010 — except where noted



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2010: Resolve to Manage Risks

The New Year always begins with predictions for the future and analysis of the past year. Dairy farmers are glad to have the low prices of 2009 behind them. Early last year, most people expected milk prices to drop somewhat, but not as drastically as they actually did. Most predictors also anticipated that milk prices would recover sooner than they actually did. We need to remember how our expectations changed in 2008 and 2009.

Pick up any newspaper and there will be economic predictions for 2010. Some will read "The economy in the U.S. is poised for a Growth Surge", others will state "We're on a sugar high, it feels good for a while but is unsustainable." These are all written by intelligent people who understand economics but have different opinions on what the future will bring. How does this affect Joe Dairyman?

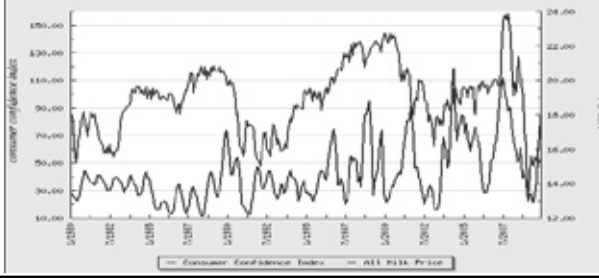
Factors from the overall economy affect consumer demand for dairy products as well as the costs for farm inputs such as feed and fertilizer and fuel. Joe Dairyman considers opinions from many professionals. He consults with his veterinarian, nutrition consultant, and banker to plan for 2010. Joe combines these views along with his own experience to create a vision for Joe's dairy farm in 2010 and beyond.

Risk management is anticipating the future, then acting on those expectations. Joe expects 2010 crops to yield above his ten

year average, class III milk prices to close at the levels shown below, and that the heifer in the freshening pen will calve tonight without help. Just in case 2010 does not meet his expectations, Joe will purchase crop insurance, protect some of his 2010 milk production with a Dairy Gross Margin policy, and check the close up pen tonight. Joe is an optimist but he understands that farming has countless risks to deal with.

We manage risks every day without thinking about it. There are many tools available to help; we just need to learn how to use them. Call the Center for Dairy Excellence for more information — I'd be glad to visit with you.

PA Milk Price (bottom line) vs. Consumer Confidence Index (top line)



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 — JANUARY 5, 2010 CLOSE

	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10
CLASS III MILK FUTURES (\$/CWT)	14.24	13.66	14.22	14.62	14.97	15.49	15.88	15.91	16.09	16.05	15.85	15.86
	----- WEEK AGO -----											
	14.33	14.15	14.59	14.85	15.22	15.64	16.05	16.10	16.21	16.08	15.90	15.95
	----- HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED -----											
	20.30 6/08	19.89 6/08	19.75 6/08	19.60 6/08	19.50 6/08	19.20 7/08	19.20 7/08	18.00 9/08	17.20 10/08	16.12 12/09	16.03 12/09	16.05 12/09
	13.23 1/09	13.31 8/09	13.41 8/09	13.58 8/09	13.82 8/09	14.49 8/09	14.71 1/09	14.90 1/09	14.90 1/09	15.05 1/09	15.30 2/09	15.22 2/09
	MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)											
	PA 3.40	3.19	3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87	3.19	3.01
	NY 2.32	2.11	2.32	1.04	1.43	1.57	1.61	1.44	1.39	1.79	2.17	1.97
	VT 2.38	2.15	2.42	1.10	1.39	1.69	1.71	1.44	1.53	1.99	2.27	1.99
	NJ 2.20	1.99	2.12	0.74	1.03	1.43	1.41	1.18	1.17	1.67	1.99	1.81
	DE 2.82	2.61	2.74	1.36	1.65	2.05	2.03	1.80	1.79	2.29	2.61	2.43
	MD 2.78	2.57	2.70	1.32	1.61	2.01	1.99	1.76	1.75	2.25	2.57	2.39
	OH 2.32	2.15	2.34	0.98	1.25	1.51	1.63	1.26	1.33	1.91	2.31	2.23
	WV 2.22	2.01	2.14	0.76	1.05	1.45	1.43	1.20	1.19	1.69	2.01	1.83
	MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Fri., Dec. 29, 2009											
	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											
	14.00 0.05	13.50 0.27	14.00 0.42	14.50 0.58	14.75 0.63	15.25 0.72	15.75 0.86	15.75 0.92	16.00 1.02	16.00 1.10	15.75 1.11	15.75 1.15

MILC = Milk Income Loss Contract NOV MILC (not shown) is estimated at \$0.37



	MAR-10	MAY-10	JUL-10	SEP-10		MAR-10	MAY-10	JUL-10	SEP-10	AUG-10
CORN (\$/BU) OPTIONS — CALLS	3.15 1.040	3.30 1.014	3.40 1.047	3.50 1.051	Example Daily Strike Price / Premium	SOYMEAL (\$/TON) OPTIONS — CALLS	280 33.85	280 33.70	280 35.40	280 37.90
	3.60 0.612	3.80 0.600	3.90 0.681	4.40 0.530			290 25.65	290 27.00	310 20.10	300 27.15
	4.20 0.194	4.30 0.306	4.40 0.420	5.30 0.252			310 12.20	310 16.60	330 13.75	340 13.80
	4.45 0.113	5.00 0.110	5.80 0.111	6.20 0.115			360 1.35	390 1.90	460 1.50	430 1.60

	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12
CORN FUTURES (\$/BU)	4.186	4.290	4.374	4.416	4.452	4.544	4.602	4.660	4.572	4.512	4.592	4.662
	----- WEEK AGO -----											
	4.170	4.270	4.354	4.396	4.452	4.542	4.602	4.654	4.586	4.542	4.622	4.692
SOYMEAL FUTURES (\$/TON)	319.4	311.4	306.5	306.5	304.5	299.5	290.4	288.4	289.4	291.4	289.4	289.4
	----- WEEK AGO -----											
	314.9	307.6	304.1	304.7	303.4	299.4	290.3	289.1	290.3	292.3	290.3	290.3

* = NEW	MILK MARGIN — LATEST PSU VALUES — NOV 2009				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 01/05/10							SPOT CASH	
IOFC = Income Over Feed Cost	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)		JAN	FEB	MAR	APR	MAY	JUN	JUL	01/05/10	
	(Now based on \$/CWT milk)				NFDM	1.295	1.285	1.285	1.265	1.265	1.275	1.280	1.3700
	CURRENT 5.93	6.81	10.47		WHEY	0.377	0.382	0.380	0.382	0.370	0.390	0.385	N/A
	PREV MO 5.82	6.49	9.98		BUTTER	1.340	1.400	1.445	1.470	1.480	1.510	1.537	1.3300
	YR AGO 6.87	8.02	12.31		CME SPOT CHEESE: 40 LB BLOCKS 1.4400 / BARRELS 1.4350								

USDA: Dec 2009 Income Over Feed Cost (U.S.) \$9.95/cwt	* = 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	WK ENDING 12/31/09			DEC. 2009 COMPONENTS		
	15.03 (JAN)	*14.25 (DEC)	*14.98 (DEC)	*15.01 (DEC)	*16.30 (DEC)	*17.90 (DEC)	PRODUCT	VALUE	MAKE ALLOW	NET	PROT 2.8751	
	----- MONTH AGO -----						BUTTER	1.4459	0.1715	1.2744	B.FAT 1.5433	
	13.99	13.24	14.08	13.25	15.30	16.80	NFDM	1.2858	0.1678	1.1180	N.FAT 1.1068	
	----- YEAR AGO -----						DRY WHEY	0.3668	0.1991	0.1677	OTHER 0.1727	
	15.74	11.21	15.28	10.35	15.50	17.10						

Price averages do not include lower-end common cows and heifers. Average to high dressing	CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales — New Holland, PA — (Dec. 30, 2009)							
	COWS: Fresh				HEIFERS: Bred			
	1225	N/A	N/A	1050	1150	N/A	N/A	725
	1365	885	1235	1125	1235	585	780	965
Avg. of prices reported by USDA Market News for PA Auction Markets Dec. 31, 2009 — Jan. 5, 2010								
CULL MARKET COWS (\$/CWT LIVELWEIGHT)								
Premium White	Breakers	Boners	Lean					
49.75	47.50	44.35	41.35					
----- WEEK AGO -----								
48.25	47.00	44.50	43.00					
----- YEAR AGO -----								
52.00	48.50	45.50	42.00					

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