

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — FEBRUARY 16, 2010 — except where noted



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Margin (account)

Webster's dictionary lists five definitions for "margin." This is number four. **4 a** : the difference which exists between net sales and the cost of merchandise sold and from which expenses are usually met or profit derived; **b** : the excess market value of collateral over the face of a loan; **c (1)** : **cash or collateral that is deposited by a client with a commodity or securities broker to protect the broker from loss on a contract**; (2) : the client's equity in securities bought with the aid of credit obtained specifically (as from a broker) for that purpose; **d** : a range about a specified figure within which a purchase is to be made. Another way to describe definition **c (1)** is the **"good faith" money required to trade a futures contract, also known as "performance bond."** A dairyman's definition of **4 a** : is "milk income over feed costs" for every 100 pounds of milk.

that Joe and all intermediary parties keep enough money in the brokerage account to maintain this performance bond (*margin*) at all times. This is the *maintenance margin*. The monthly brokerage account statement tracks any increase or decrease in the value of the contract.

Feb. 26-27 is the next sales period for Dairy Gross Margin, which is an insurance program that can protect "Milk Income over Feed Costs" (*margin*) through Dec. 2010. March 15 is the deadline to enroll and make policy changes for most spring crops including new AGR Lite policies.

Commodity brokers, clearing members and ultimately the Chicago Mercantile Exchange (CME) Clearing House all require customers to deposit funds as a performance bond (*margin*). This helps to ensure the financial integrity of brokers, clearing members and the exchange as a whole. Before Joe Dairyman can sell a Class III milk contract, the CME requires that his brokerage account has enough money to cover the initial performance bond (*margin*). This is the *initial margin*. The United States Securities and Exchange Commission requires

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.

20 Announced Class III Futures Prices — Contract Date May 2010



CME DAILY FUTURES & OPTIONS TRADING — FEBRUARY 16, 2010 CLOSE

	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11
CLASS III MILK FUTURES (\$/CWT)	14.20	13.51	13.11	13.22	13.62	14.19	14.80	15.30	15.37	15.17	15.18	14.95
	WEEK AGO											
	14.19	13.67	13.30	13.37	13.89	14.62	14.92	15.32	15.30	15.17	15.16	15.07
	HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED											
	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	16.26 1/10	16.03 12/09	16.05 12/09	16.33 7/09
	13.31 8/09	13.28 2/10	13.05 2/10	13.22 2/10	13.62 2/10	14.19 2/10	14.80 2/10	14.90 1/09	15.05 1/09	15.17 2/10	15.16 2/10	14.95 2/10
	MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)											
	PA 3.19	3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87	3.19	3.01	3.40
	NY 2.11	2.32	1.04	1.43	1.57	1.61	1.44	1.39	1.79	2.17	1.97	2.32
	VT 2.15	2.42	1.10	1.39	1.69	1.71	1.44	1.53	1.99	2.27	1.99	2.38
	NJ 1.99	2.12	0.74	1.03	1.43	1.41	1.18	1.17	1.67	1.99	1.81	2.20
	DE 2.61	2.74	1.36	1.65	2.05	2.03	1.80	1.79	2.29	2.61	2.43	2.82
	MD 2.57	2.70	1.32	1.61	2.01	1.99	1.76	1.75	2.25	2.57	2.39	2.78
	OH 2.15	2.34	0.98	1.25	1.51	1.63	1.26	1.33	1.91	2.31	2.23	2.32
	WV 2.01	2.14	0.76	1.05	1.45	1.43	1.20	1.19	1.69	2.01	1.83	2.22
	MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Thurs., Feb. 11, 2010											
	0.00	0.00	0.00	0.00	0.0818	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 0.00	13.50 0.29	13.00 0.32	13.00 0.35	13.50 0.50	14.00 0.55	14.75 0.77	15.25 0.80	15.25 0.76	15.00 0.77	15.00 0.80	14.50 0.82

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



CORN (\$/BU) OPTIONS — CALLS

	MAR-10	MAY-10	JUL-10	SEP-10
2.60	1.072	2.70 1.091	2.90 1.014	3.00 1.023
3.00	0.673	3.10 0.701	3.40 0.585	3.50 0.783
3.30	0.373	3.50 0.361	3.90 0.287	4.00 0.376
3.70	0.023	3.80 0.184	4.50 0.112	4.90 0.141

SOYMEAL (\$/TON) OPTIONS — CALLS

	MAR-10	MAY-10	JUL-10	AUG-10
250	33.95	240 39.40	250 33.00	240 39.45
260	23.95	260 23.00	260 26.35	270 20.35
270	14.15	280 11.00	280 15.70	290 12.40
280	4.50	330 1.40	360 1.75	360 1.95

CORN FUTURES (\$/BU)

	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12
	3.672	3.790	3.900	3.966	4.026	4.140	4.210	4.262	4.186	4.146	4.216	4.276
	WEEK AGO											
	3.584	3.702	3.806	3.872	3.934	4.046	4.116	4.166	4.134	4.104	4.174	4.234

SOYMEAL FUTURES (\$/TON)

	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11
	283.9	278.3	277.2	274.0	269.5	260.5	258.9	260.1	262.6	264.6	265.6	265.6
	WEEK AGO											
	270.6	264.2	263.5	261.7	258.0	249.9	249.0	250.5	253.0	255.0	256.0	256.0

*=NEW	MILK MARGIN — LATEST PSU VALUES — DEC 2009			CME DAIRY CASH-SETTLED FUTURES (\$/LB) 02/16/10			SPOT CASH					
	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)	FEB	MAR	APR	MAY	JUN	JUL	AUG	02/16/10	
IOFC = Income Over Feed Cost				NFDM	1.085	1.065	1.080	1.070	1.120	1.155	1.177	1.1050
				WHEY	0.382	0.335	0.290	0.270	0.260	0.267	0.292	N/A
				BUTTER	1.342	1.420	1.445	1.485	1.520	1.550	1.560	1.3300
				CME SPOT CHEESE: 40 LB BLOCKS 1.4800 / BARRELS 1.4250								

USDA REPORTS: FINAL NOVEMBER 2009	*=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 JAN. 1-31, 2010			JAN. 2009		
PA \$15.30 \$15.37	14.84 (FEB)	\$15.22 (JAN)	*14.50 (JAN)	*13.85 (JAN)	*16.50 (JAN)	*18.30 (JAN)	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS	
US \$16.80 \$15.60	MONTH AGO						CHEESE	1.5374	0.2003	1.3371	PROT 2.7916	
NY \$15.30 \$14.84	YEAR AGO						BUTTER	1.3610	0.1715	1.1895	B.FAT 1.4405	
N.ENGL \$16.20 \$15.90	15.03	14.25	14.98	15.01	16.30	17.90	NFDM	1.1929	0.1678	1.0251	N.FAT 1.0148	
OH \$16.60 \$15.85	10.72	10.41	10.78	9.59	13.30	16.20	DRY WHEY	0.3880	0.1991	0.1889	OTHER 0.1946	
APPAL \$17.50 \$16.33												

Price averages do not include lower-end common cows and heifers.	CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales Feb. 3, 2010 at New Holland, PA (sales limited Feb. 10 due to snow).)				COWS: Fresh Bred Springing HEIFERS: Bred Springing Open: 300-600 lbs 600-900 lbs 900-1200 lbs BULLS (600-1200 lb)								
	1400	N/A	N/A	1125	1315	615	700	685	N/A				
	FOUR WEEK AVG				1400	1265	1275	1200	1300	565	710	685	625

CULL MARKET COWS (\$/CWT LIVEWEIGHT)			
Premium White	Breakers	Boners	Lean
55.50	51.60	50.00	46.60
WEEK AGO			
54.60	50.85	49.00	45.85
YEAR AGO			
53.00	51.00	48.50	46.25

FED HOLSTEIN STEERS (\$/CWT LIVEWEIGHT)			
Choice & Prime 1250-1550 lbs	CURRENT	WK AGO	YR AGO
	76.35	74.25	69.00
BULL CALVES: No. 1 & 2, 85-130 lbs			
	61.50	64.00	58.00

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