

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MARCH 16, 2010 — except where noted



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## Hope for best, prepare for worst

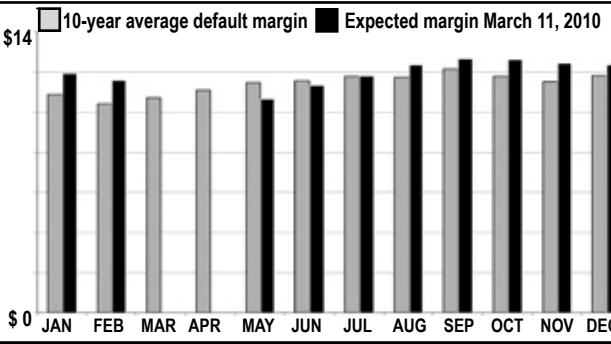
Managing risk is simply looking at the future and asking, "What can go wrong?" Then, react with, "How can I prevent this? Can I rebuild the barn, if snow brings the roof down? If I break a leg in a car accident, how will the work get done? What if milk prices (and margins) stay weak?" Planning ahead for different scenarios will make the event much easier to deal with when it does occur.

Joe Dairyman listens to several dairy economists, adds his own life experience, and then creates a marketing plan with several scenarios. He lists probabilities with each scenario. Joe thinks there is about a 60% chance that the general economy will continue fairly stagnant for the rest of the year. This scenario keeps milk margins close to what the futures markets provide today. He sees the probability of the economy improving more quickly (along with milk margins) at around 20%. Joe also pictures about a 20% likelihood that the economy slows down and margins decrease.

To protect his business from the last scenario, Joe will consider a Dairy Gross Margin insurance policy or a minimum price contract (put option). This will protect him from a price downturn, but allow him to benefit from any milk price increase. March 27 & 28, 2010 is the next Dairy Gross Margin sales period. The expected margins available to purchase in the

March sales period are shown on the graph next to the ten year monthly averages.

The Center for Dairy Excellence will host a Mastering the Dairy Business call on "How to Market with Strategy and Discipline" on Tuesday, March 23. Scott Stewart and Mike Hogan, from the consulting firm Stewart-Peterson, will lead the discussion. The conference call is free, but pre-registration is required. To register, call the Center at 717-346-0849 with date of call, name, phone number, e-mail address. Once registered, you'll receive the call-in information.



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 — MARCH 16, 2010 CLOSE

	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11
<b>CLASS III MILK FUTURES (\$/CWT)</b>	12.84	12.63	13.11	13.82	14.16	14.65	15.10	15.12	15.00	14.90	14.40	14.20
	WEEK AGO											
	12.76	12.55	12.92	13.62	14.24	14.83	15.08	15.08	14.90	14.88	14.44	14.15
	HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED											
	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	16.25 7/09
	12.76 3/10	12.55 3/10	12.92 3/10	13.46 2/10	13.99 2/10	14.59 2/10	14.84 2/10	14.90 2/10	14.80 2/10	14.74 2/10	14.40 3/10	14.05 3/10
<b>MILK BASIS (\$/CWT) — SELECTED NORTHEAST &amp; MID-ATLANTIC STATES (2008 Historical Reference)</b>												
PA	3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19
NY	2.32	1.04	1.43	1.57	1.61	1.44	1.39	1.79	2.17	1.97	2.32	2.11
VT	2.42	1.10	1.39	1.69	1.71	1.44	1.53	1.99	2.27	1.99	2.38	2.15
NJ	2.12	0.74	1.03	1.43	1.41	1.18	1.17	1.67	1.99	1.81	2.20	1.99
DE	2.74	1.36	1.65	2.05	2.03	1.80	1.79	2.29	2.61	2.43	2.82	2.61
MD	2.70	1.32	1.61	2.01	1.99	1.76	1.75	2.25	2.57	2.39	2.78	2.57
OH	2.34	0.98	1.25	1.51	1.63	1.26	1.33	1.91	2.31	2.23	2.32	2.15
WV	2.14	0.76	1.05	1.45	1.43	1.20	1.19	1.69	2.01	1.83	2.22	2.01
<b>MILC PAYMENT (\$/CWT) FORECASTS</b> Based on Futures as of Thurs., March 11, 2010	0.00	0.2385	0.0548	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>	12.75 0.03	12.50 0.14	13.00 0.34	13.75 0.49	14.00 0.57	14.50 0.68	15.00 0.79	15.00 0.75	15.00 0.86	14.75 0.82	14.00 0.77	14.00 0.89

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



	MAY-10	JUL-10	SEP-10	DEC-10		MAY-10	JUL-10	AUG-10	SEP-10
<b>CORN (\$/BU) OPTIONS — CALLS</b>	2.60 1.067	2.70 1.082	2.90 1.004	3.00 1.030		230 32.05	230 33.60	230 33.05	230 32.70
	2.95 0.720	3.20 0.621	3.30 0.675	3.40 0.730	Example Daily Strike Price / Premium	240 23.00	240 25.90	240 25.95	240 25.95
	3.25 0.432	3.80 0.237	3.90 0.334	4.00 0.406		260 8.75	260 14.05	260 14.85	260 15.65
	3.65 0.134	4.20 0.114	4.70 0.123	5.20 0.127		290 1.50	320 1.80	330 1.85	350 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
<b>CORN FUTURES (\$/BU)</b>	N/A	3.666	3.776	3.872	3.966	4.082	4.154	4.206	4.172	4.142	4.216	4.276
	WEEK AGO											
	3.586	3.690	3.800	3.886	3.970	4.076	4.144	4.192	4.132	4.082	4.156	4.216

	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11
<b>SOYMEAL FUTURES (\$/TON)</b>	N/A	261.5	260.9	259.1	256.4	250.8	250.5	251.9	255.1	257.0	258.0	258.0
	WEEK AGO											
	259.0	258.7	259.2	257.9	255.2	248.3	248.0	249.2	251.9	252.9	253.9	253.9

*=NEW	<b>MILK MARGIN — LATEST PSU VALUES — JAN 2010</b>				<b>CME DAIRY CASH-SETTLED FUTURES (\$/LB) 03/16/10</b>								<b>SPOT CASH</b>
IOFC = Income Over Feed Cost	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)		MAR	APR	MAY	JUN	JUL	AUG	SEP	03/16/10	
	(Now based on \$/CWT milk)				NFDM	1.060	1.090	1.107	1.125	1.140	1.170	1.175	1.1150
<b>CURRENT</b>	5.98	8.01	12.32		WHEY	0.377	0.337	0.327	0.325	0.325	0.325	0.330	N/A
<b>PREV MO</b>	6.03	7.65	11.77		<b>BUTTER</b>	1.425	1.450	1.472	1.490	1.527	1.545	1.565	1.4500
<b>YR AGO</b>	6.66	6.20	9.54		<b>CME SPOT CHEESE:</b>	40 LB BLOCKS 1.2675 / BARRELS 1.2625							

*=NEW	<b>ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)</b>						<b>CURRENT FEDERAL ORDER VALUES (\$/LB)</b>						
	CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA	WEIGHTED AVERAGE FEB. 1-26, 2010			FEB. 2009			
	14.34 (MAR)	15.65 (FEB)	14.28 (FEB)	12.90 (FEB)	15.90 (FEB)	17.70 (FEB)	PRODUCT	VALUE	MAKEALLOW	NET	COMPONENTS		
	MONTH AGO						CHEESE	1.5110	0.2003	1.3107	PROT 2.7066		
	14.84	15.22	14.50	13.85	16.10	18.10	BUTTER	1.3609	0.1715	1.1894	B.FAT 1.4404		
	YEAR AGO						NFDM	1.0812	0.1678	0.9134	N.FAT 0.9043		
	9.43	10.25	9.31	9.45	11.60	13.50	DRY WHEY	0.3925	0.1991	0.1934	OTHER 0.1992		

Price averages do not include lower-end common cows and heifers.	<b>CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales March 10, 2010 at New Holland, PA)</b>										
	COWS: Fresh		Bred	Springing	HEIFERS: Bred		Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
	1150	N/A	1100	N/A	1215	N/A	775	800	785		
	FOUR WEEK AVG										
	1300	965	1100	1045	1235	585	705	865	705		

Average to high dressing	<b>CULL MARKET COWS (\$/CWT LIVELWEIGHT)</b>				<b>FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)</b>			
	Premium White	Breakers	Boners	Lean	Choice & Prime 1250-1550 lbs	CURRENT	WK AGO	YR AGO
	56.10	53.00	50.60	46.85		76.00	75.85	74.50
	WEEK AGO				<b>BULL CALVES:</b> No. 1 & 2, 85-130 lbs	95.00	71.00	70.50
	55.10	51.50	49.00	45.60				
	YEAR AGO							
	50.75	48.50	45.50	42.50				

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