

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MARCH 22, 2010 — except where noted



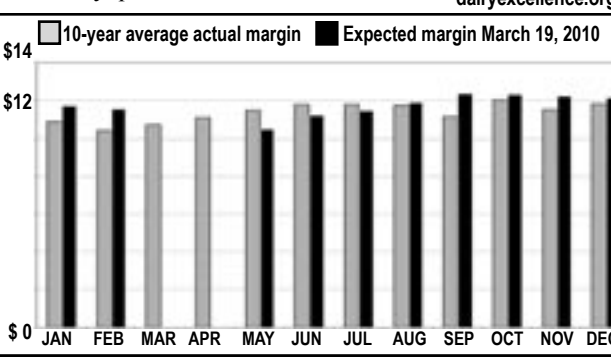
ALAN ZEPP
Risk Management Program Coordinator
717-420-7448
azepp@centerfordairyexcellence.org

Emotion... Joe Dairyman feels content when that calf born backward begins to breathe, when he can see the corn rows coming through the ground, and while watching the kids play in the sunshine.

Fear, greed, and hope are emotions that can interfere with sound marketing decisions. Have you ever been afraid to sell at a profit because you think "the market may go higher"? This could also be seen as greed. Are you afraid to act because you don't understand the tools to manage price risk? Do you simply hope the markets will create a profit on the day your milk and feed are priced? Markets, like weather, can change very quickly. When the markets present an opportunity for a profit, we need to act, just like we do when the weather presents a planting opportunity. The seed, fertilizer and the planter need to be ready for those sunny spring days. To act on pricing opportunities, we must establish pricing targets (our planting window) and then understand how to use the pricing tools (plant the corn). When Joe is planting corn and a storm approaches, he concentrates on what can be done before the rain starts, but he does not panic. When market storms occur, we need to concentrate on our marketing plan, not panic. As we understand the tools available to manage prices, the fear of making a mistake turns into self-confidence. The hope for a profitable milk check changes to an understanding that I do have some control over pricing.

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.

March 26 & 27, 2010 is the next Dairy Gross Margin (LGM) sales period. The expected margins available to purchase in the March sales period are shown on the graph (below) next to the ten year actual monthly averages. April 29, 2010 is the deadline to report your actual production for spring 2009 crops to your crop insurance agent. A record system that meets RMA/USDA standards is available at cropsins.aers.psu.edu. Report any winterkill damage to crops immediately to your agent. Please communicate any questions.



CME DAILY FUTURES & OPTIONS TRADING — MARCH 22, 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
CLASS III MILK FUTURES (\$/CWT)	12.79	12.35	12.75	13.47	13.64	14.00	14.40	14.36	14.40	14.33	13.90	14.00
	WEEK AGO											
	12.84	12.63	13.11	13.82	14.16	14.65	15.10	15.12	15.00	14.90	14.40	14.20
	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	12.35 3/10	12.75 3/10	13.46 2/10	13.64 3/10	14.00 3/10	14.40 3/10	14.36 3/10	14.40 3/10	14.33 3/10	13.90 3/10	14.00 3/10
MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
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
MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Thurs., March 18, 2010	0.00	0.2115	0.1706	0.0650	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	12.75 0.04	12.25 0.13	12.75 0.32	13.25 0.38	13.50 0.54	14.00 0.71	14.25 0.71	14.25 0.74	14.25 0.81	13.50 0.73	14.00 0.97	

	MAY-10	JUL-10	SEP-10	DEC-10		MAY-10	JUL-10	AUG-10	SEP-10	
CORN (\$/BU) OPTIONS — CALLS	2.90 0.807	2.90 0.925	3.30 0.705	3.00 1.051	Example Daily Strike Price / Premium	SOYMEAL (\$/TON) OPTIONS — CALLS	240 31.90	250 25.50	250 25.95	250 25.80
	3.20 0.512	3.30 0.571	3.90 0.350	3.50 0.683			250 22.55	260 18.95	260 19.75	260 20.35
	3.45 0.287	3.80 0.255	4.30 0.212	4.00 0.421			270 8.40	270 13.70	270 15.00	270 15.75
	3.70 0.126	4.30 0.102	4.90 0.102	5.10 0.144			300 1.20	330 1.85	340 1.90	360 1.75

	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12
CORN FUTURES (\$/BU)	3.706	3.816	3.900	3.992	4.100	4.170	4.224	4.196	4.176	4.246	4.306	4.356
	WEEK AGO											
	3.666	3.776	3.872	3.966	4.082	4.154	4.206	4.172	4.142	4.216	4.276	4.332

	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11
SOYMEAL FUTURES (\$/TON)	271.4	270.4	268.5	265.7	259.1	258.7	260.0	262.9	264.4	265.0	266.0	266.0
	WEEK AGO											
	261.5	260.9	259.1	256.4	250.8	250.5	251.9	255.1	257.0	258.0	258.0	258.0

*NEW	*MILK MARGIN — LATEST PSU VALUES — FEB 2010			CME DAIRY CASH-SETTLED FUTURES (\$/LB) 03/22/10						SPOT CASH		
IOFC = Income Over Feed Cost	FEED COST (Now based on \$/CWT milk)	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)	MAR	APR	MAY	JUN	JUL	AUG	SEP	03/22/10	
CURRENT	*5.82	*7.72	*11.88	NFDM	1.057	1.090	1.110	1.145	1.160	1.172	1.175	1.1150
PREV MO	*6.09	*7.74	*11.91	WHEY	0.377	0.340	0.310	0.307	0.307	0.312	0.330	N/A
YR AGO	6.69	4.43	6.81	BUTTER	1.437	1.462	1.475	1.490	1.527	1.545	1.562	1.4750
				CME SPOT CHEESE: 40 LB BLOCKS 1.2700 / BARRELS 1.2650								

*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	WEIGHTED AVERAGE MAR. 1-12, 2010			FEB. 2009				
	*13.22 (APR)	15.65 (FEB)	14.28 (FEB)	12.90 (FEB)	15.90 (FEB)	17.70 (FEB)	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS			
							CHEESE	1.4049	0.2003	1.2046	PROT 2.7066			
							BUTTER	1.4249	0.1715	1.2534	B.FAT 1.4404			
							NFDM	1.0459	0.1678	0.8781	N.FAT 0.9043			
							DRY WHEY	0.3821	0.1991	0.1830	OTHER 0.1992			

Price averages do not include lower-end common cows and heifers.	CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales March 17, 2010 at New Holland, PA)								
	COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lbs)
	1140	N/A	N/A	1115	1175	615	775	N/A	815
	FOUR WEEK AVG								
	1250	965	1100	1070	1215	600	720	865	730
	Avg. of prices reported by USDA Market News for PA Auction Markets March 18-23, 2010								
	CULL MARKET COWS (\$/CWT LIVELWEIGHT)								
	Premium White	Breakers	Boners	Lean					
	57.85	54.50	50.10	45.85					
	WEEK AGO								
	56.10	53.00	50.60	46.85					
	YEAR AGO								
	53.00	51.35	48.50	45.50					

brought to you by: