

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MAY 4, 2010 — except where noted



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

What If?

One of the joys of farming is that each spring brings the opportunity for a new start. We always hope for that "perfect year." The USDA Crop Progress report shows 2010 corn planting across the United States well ahead of recent years. Pennsylvania soil conditions have also allowed corn planting and forage harvesting to progress rapidly.

What if the early planting is followed by timely rains in the Corn Belt this summer creating a bumper corn crop? In this scenario, if demand remains constant or decreases, harvest corn prices could move lower. *What if* the early planting is followed by a late spring frost, dry weather during pollination or a general summer drought? Under these circumstances, we would expect corn prices to increase.

On the demand side, *what if* oil prices increase for any reason? This could increase the demand for ethanol and corn resulting in higher feed prices. *What if* the world economy does not continue to recover? Corn demand for ethanol, feed and other uses could decrease, lowering feed prices.

These risks affect each farm differently. Some farms buy all of their feed, some have grain to sell. Here are some tools that could protect a profit in various "what if?" situations. Whether these tools fit into your risk management strategy today or not, you should understand how they work for tomorrow.

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.

Dairymen may want to protect against possible grain price increases with a Dairy Gross Margin insurance policy. A (long) corn contract or call option with a commodity broker could create a feed price ceiling. Dairymen in most areas can also forward price future feed needs with their local feed dealer.

Corn sellers could forward price a portion of their anticipated production by contracting for delivery to a local mill. Buying (long) a call option or corn contract with a broker could also protect a profitable price.

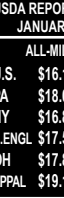
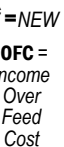
This week's graph shows the December 2010 corn futures contract prices since April 2008. I welcome any questions or comments.



CME DAILY FUTURES & OPTIONS TRADING — MAY 4, 2010 CLOSE

	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11
CLASS III MILK FUTURES (\$/CWT)	13.22	13.71	14.45	15.10	15.22	15.09	15.08	14.91	14.63	14.56	14.66	14.58
	13.49	14.00	14.65	15.15	15.26	15.10	14.97	14.77	14.58	14.50	14.63	14.57
WEEK AGO												
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED												
	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	16.00 7/09	16.24 7/09
	12.75 3/10	13.12 4/10	13.64 3/10	14.00 3/10	14.40 3/10	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
MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
PA	2.23	2.63	2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94
NY	1.43	1.57	1.61	1.44	1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04
VT	1.39	1.69	1.71	1.44	1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10
NJ	1.03	1.43	1.41	1.18	1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74
DE	1.65	2.05	2.03	1.80	1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36
MD	1.61	2.01	1.99	1.76	1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32
OH	1.25	1.51	1.63	1.26	1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98
WV	1.05	1.45	1.43	1.20	1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76
MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Fri., April 30, 2010; *MAY* is based on CI IV as FMMO 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
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium												
	13.00 0.02	13.50 0.21	14.25 0.46	15.00 0.71	15.00 0.70	15.00 0.81	15.00 0.80	14.75 0.80	14.50 0.84	14.50 0.91	14.50 0.91	14.00 0.75

MILC = Milk Income Loss Contract APRIL MILC (not shown) is estimated at \$0.2115



Price averages do not include lower-end common cows and heifers.

Average to high dressing

	JUL-10	SEP-10	DEC-10	MAR-11		JUL-10	AUG-10	SEP-10	OCT-10							
CORN (\$/BU) OPTIONS — CALLS					Example Daily Strike Price / Premium	SOYMEAL (\$/TON) OPTIONS — CALLS										
2.70	1.015	2.80	1.010	2.90		1.012	3.00	1.053	250	36.20	250	36.15	250	34.30	240	36.90
3.00	0.716	3.20	0.645	3.40		0.606	3.40	0.736	270	19.50	270	21.00	260	27.15	250	29.35
3.40	0.362	3.80	0.271	3.90		0.337	4.00	0.414	290	8.00	290	10.80	280	15.75	270	17.85
3.70	0.177	4.40	0.111	4.90		0.110	5.10	0.136	320	1.70	340	1.70	360	1.70	360	1.55
CORN FUTURES (\$/BU)																
MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12					
3.600	3.690	3.776	3.870	3.996	4.086	4.166	4.142	4.126	4.214	4.284	4.336					
WEEK AGO																
3.474	3.536	3.614	3.690	3.820	3.910	3.980	3.964	3.940	4.030	4.100	4.144					
SOYMEAL FUTURES (\$/TON)																
MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11					
285.5	287.8	285.6	280.4	272.8	272.0	272.5	273.4	273.0	274.5	274.5	271.0					
WEEK AGO																
287.0	286.8	283.9	278.1	269.7	269.0	269.0	269.9	269.4	270.4	270.5	268.0					

*=NEW IOFC = Income Over Feed Cost	MILK MARGIN — LATEST PSU VALUES — MAR 2010				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 05/04/10								SPOT CASH 05/04/10
	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)		MAY	JUN	JUL	AUG	SEP	OCT	NOV		
CURRENT	6.05	7.31	11.25		NFDM	1.200	1.235	1.280	1.265	1.275	1.272	1.260	1.3100
PREV MO	5.95	7.90	12.15		WHEY	0.350	0.352	0.337	0.343	0.350	0.350	0.355	N/A
YR AGO	6.44	4.27	6.56		BUTTER	1.600	1.682	1.695	1.705	1.705	1.700	1.690	1.6400
					CME SPOT CHEESE: 40 LB BLOCKS 1.3850 / BARRELS 1.3800								

USDA REPORTS: FINAL JANUARY 2010	*=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 APR. 1-30, 2010			APRIL 2010			
U.S. \$16.10 \$16.16	13.80 (MAY)	*13.78 (APR)	*12.92 (APR)	*13.73 (APR)	*14.60 (APR)	*16.20 (APR)	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS		
PA \$18.00 \$16.72	MONTH AGO						CHEESE	1.3827	0.2003	1.1824	PROT 2.1449		
NY \$16.80 \$15.97	13.22	14.46	12.78	12.92	15.10	17.30	BUTTER	1.4773	0.1715	1.3058	B.FAT 1.5813		
N.ENGL \$17.50 \$17.03	YEAR AGO						NFDM	1.1208	0.1678	0.9530	N.FAT 0.9435		
OH \$17.80 \$16.92	10.97	10.49	10.78	9.82	11.90	13.40	DRY WHEY	0.3643	0.1991	0.1652	OTHER 0.1702		
APPAL \$19.10 \$17.76													

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales April 28, 2010 at New Holland, PA)												
COWS: Fresh			Bred			Springing			HEIFERS: Bred		Springing	
1200			N/A			N/A			1100		1175	
515			665			N/A		865		FOUR WEEK AVG		
1260			N/A			1025			990		1175	
480			665			735		795				
Avg. of prices reported by USDA Market News for PA Auction Markets April 29 - May 4, 2010												
CULL MARKET COWS (\$/CWT LIVEWEIGHT)												
Premium White		Breakers		Boners		Lean						
64.00		61.60		58.60		54.10						
WEEK AGO												
61.00		59.85		56.10		53.35						
YEAR AGO												
58.00		53.50		52.60		46.85						

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