

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MAY 11, 2010 — except where noted



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

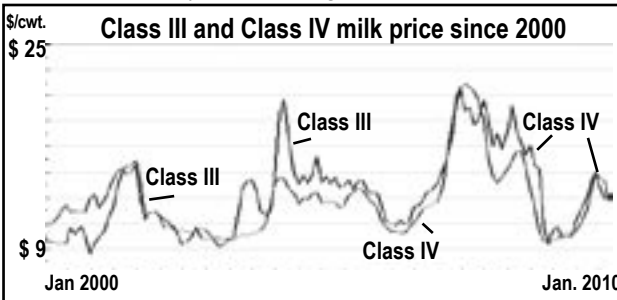
## Class IV prices – Good news for now

Over the past 100 years, a complex pricing system has evolved that determines farm prices from various dairy product wholesale prices. Component pricing methods emerged that recognize different values for milk depending on what the milk was used for. Milk used as fluid milk or cream is assigned as Class I. Milk used for cottage cheese, yogurt, ice cream, and other so-called soft products is assigned to Class II. Class III represents milk used to manufacture cheddar, mozzarella, and other hard cheeses, cream cheese and other spreadable cheeses. Milk used in the manufacture of butter and powdered milks is assigned as Class IV. The federal order tracks the amount of milk used in each of these classes, along with average prices for the various end products, then calculates the monthly pooled farm level prices for that geographic area.

check price for May and June will be higher than we expected only six weeks ago. This “higher of” Class III or Class IV calculation insures that milk will go to the fluid market before manufactured products. It also affects the milk basis and makes milk prices even harder to predict. Class IV milk price has no effect on Dairy LGM insurance.

If you need to replant spring crops, check with your crop insurance agent. You may be eligible for a replanting payment. May 28 & 29 is the next Dairy LGM (gross margin insurance) sales period. I welcome any questions or comments. More information is also available at [www.centerfordairyexcellence.org](http://www.centerfordairyexcellence.org).

This week's graph (at right) shows CME Class III and Class IV milk prices since January of 2000. Butter prices have increased faster than cheese prices recently, so for March and April 2010, the Class IV milk price was higher than Class III. This also affects the Class I price. The Class I skim milk price is determined by adding the fixed Class I location differential (by county) in each federal milk marketing order to the higher of an advanced Class III or Class IV skim milk price.



The good news is: Because of higher butter prices, your milk

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 — MAY 11, 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
<b>CLASS III MILK FUTURES (\$/CWT)</b>	13.24	13.72	14.46	15.18	15.40	15.18	15.09	14.98	14.67	14.67	14.70	14.63
	13.22	13.71	14.45	15.10	15.22	15.09	15.08	14.91	14.63	14.56	14.66	14.58
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
<b>MILK BASIS (\$/CWT) — SELECTED NORTHEAST &amp; MID-ATLANTIC STATES (2008 Historical Reference)</b>												
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
<b>MILC PAYMENT (\$/CWT) FORECASTS</b> Based on Futures as of Thurs., May 6, 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
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>												
	13.00 0.01	13.50 0.19	14.25 0.42	15.00 0.62	15.25 0.73	15.00 0.77	15.00 0.79	14.75 0.76	14.50 0.81	14.50 0.86	14.50 0.88	14.25 0.85

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



## CORN (\$/BU) OPTIONS — CALLS

	JUL-10	SEP-10	DEC-10	MAR-11
2.70	1.005	2.70 1.082	2.80 1.076	3.00 1.030
3.15	0.567	3.20 0.632	3.30 0.662	3.50 0.651
3.75	0.154	3.80 0.264	3.90 0.332	4.00 0.397
3.95	0.093	4.40 0.107	4.90 0.106	5.40 0.105

## SOYMEAL (\$/TON) OPTIONS — CALLS

	JUL-10	AUG-10	SEP-10	OCT-10
240	39.50	240 37.95	240 34.50	230 37.40
260	21.85	260 21.90	250 26.70	240 29.95
280	9.20	280 11.05	270 15.10	260 17.40
320	1.40	330 1.70	340 1.80	340 1.80

## CORN FUTURES (\$/BU)

	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11
	3.696	3.770	3.840	3.930	4.052	4.136	4.210
	3.600	3.690	3.776	3.870	3.996	4.086	4.166

## 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
	282.3	281.6	278.4	271.6	263.6	262.4	263.1	264.5	264.7	266.5	266.2	263.2
	285.5	287.8	285.6	280.4	272.8	272.0	272.5	273.4	273.0	274.5	274.5	271.0

## MILK MARGIN — LATEST PSU VALUES — MAR 2010

	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)
CURRENT	6.05	7.31	11.25
PREV MO	5.95	7.90	12.15
YR AGO	6.44	4.27	6.56

## CME DAIRY CASH-SETTLED FUTURES (\$/LB) 05/11/10

	MAY	JUN	JUL	AUG	SEP	OCT	NOV	SPOT CASH 05/11/10
NFDM	1.222	1.270	1.280	1.280	1.280	1.280	1.270	1.3350
WHEY	0.355	0.352	0.342	0.345	0.347	0.350	0.355	N/A
BUTTER	1.570	1.640	1.660	1.680	1.682	1.680	1.682	1.6100

USDA REPORTS: FINAL JANUARY 2010

## \* = NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)

	CL I ADV	CL II	CL III	CL IV	ALL-MILK U.S.	ALL-MILK PA
	13.80 (MAY)	13.78 (APR)	12.92 (APR)	13.73 (APR)	14.60 (APR)	16.20 (APR)
	13.22	14.46	12.78	12.92	15.10	17.30
	10.97	10.49	10.78	9.82	11.90	13.40

## CURRENT FEDERAL ORDER VALUES (\$/LB)

	PRODUCT VALUE	MAKE ALLOW NET	APRIL 2010 COMPONENTS
	CHEESE 1.3827	0.2003	1.1824
	BUTTER 1.4773	0.1715	1.3058
	NFDM 1.1208	0.1678	0.9530
	DRY WHEY 0.3643	0.1991	0.1652
			B.FAT 1.5813
			N.FAT 0.9435
			OTHER 0.1702

## CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales May 5, 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 lb)
	1450	N/A	N/A	1125	1215	690	780	1025	N/A
	1325	N/A	1025	1035	1170	525	685	825	780

Avg. of prices reported by USDA Market News for PA Auction Markets May 6 - 11, 2010

## CULL MARKET COWS (\$/CWT LIVELWEIGHT)

	Premium White	Breakers	Boners	Lean
	64.10	60.85	58.10	54.85
	64.00	61.60	58.60	54.10
	57.60	55.50	53.00	49.50

## FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)

	Choice & Prime 1250-1550 lbs	CURRENT	WK AGO	YR AGO
		88.10	84.50	74.10

## BULL CALVES: No. 1 & 2, 85-130 lbs

	CURRENT	WK AGO	YR AGO
	133.00	125.00	84.00

brought to you by:



Average to high dressing