

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUES., JULY 27, 2010 — except where noted



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July 2010—The National Agriculture Statistics Service (NASS) "Milk Production report" shows that June 2010 production increased 67 lbs more per cow than June 2009 creating a 2.1% increase in total US milk production. There are 87,000 fewer dairy cows on farms than one year ago, but 10,000 more cows than in May of 2010. Total milk production for the second quarter of 2010 (April through June) was 1.7% more than in 2009.

The July NASS "Cold Storage report" says butter stocks were down 7% from last month and down 25% from a year ago, while total cheese inventories were up 1% from last month and up almost 4% from a year ago at record high levels.

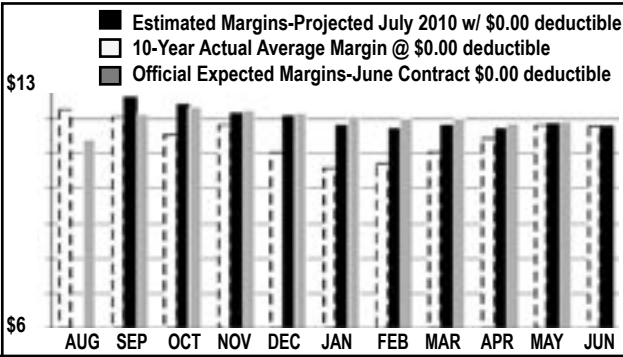
The July NASS "Livestock Slaughter report" tells us that 214,000 dairy cows were slaughtered in June of 2010 compared to 209,000 in May and 256,000 in June of 2009.

July's "Cattle Report" lists the number of milk cows on US dairy farms at 9.1 million head, down 1 percent from July 1, 2009. It also reports the number of milk replacement heifers at 4.1 million, 3% more than one year ago.

After 2009 Joe Dairyman cannot afford another drop in margins. He is concerned about cheese inventories and the possibility of increased milk production. He will consider a LGM policy, a milk put along with corn and soy bean meal calls, and a minimum price milk contract through his coop together with a feed contract with his supplier to protect any potential profits. The graph illustrates the of-

ficial expected margins for the June Dairy Gross Margin sales period and expected margins projected for the July sales period compared to the ten year average of monthly actual margins.

The next Dairy Gross Margin (LGM) sales period is July 30 & 31. August 2, 2010 is the deadline to enroll or make changes to a fall forage seeding policy. Pasture and Hay Rain-fall Index policies are now available in all of Pennsylvania. I am available to discuss the various ways that you can manage risks and welcome any suggestions or comments. Visit www.centerfordairyexcellence.org.



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 — JULY 27, 2010 CLOSE

	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11
CLASS III MILK FUTURES (\$/CWT)	13.74	15.00	15.42	15.20	14.93	14.80	14.55	14.40	14.50	14.40	14.53	14.45
	WEEK AGO											
	13.77	14.93	15.00	14.85	14.63	14.58	14.42	14.37	14.44	14.40	14.48	14.44
	HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED											
	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	16.24 7/09	15.80 8/09
	13.18 6/10	13.57 6/10	14.25 6/10	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	14.30 6/10	14.27 6/10
MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
PA	2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94	2.23	2.63
NY	1.61	1.44	1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04	1.43	1.57
VT	1.71	1.44	1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10	1.39	1.69
NJ	1.41	1.18	1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74	1.03	1.43
DE	2.03	1.80	1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36	1.65	2.05
MD	1.99	1.76	1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32	1.61	2.01
OH	1.63	1.26	1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98	1.25	1.51
WV	1.43	1.20	1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76	1.05	1.45
MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Mon., July 26, 2010; *June & July* based on CI IV as 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												
	13.50 0.00	15.00 0.14	15.25 0.32	15.00 0.51	14.75 0.56	14.75 0.69	14.50 0.75	14.25 0.74	14.50 0.88	14.25 0.84	14.50 0.98	14.25 0.92

	SEP-10	DEC-10	MAR-11	MAY-11		SEP-10	OCT-10	DEC-10	JAN-11
CORN (\$/BU) OPTIONS — CALLS					Example	SOYMEAL (\$/TON) OPTIONS — CALLS			
	2.60 1.041	2.70 1.081	2.90 1.034	3.00 1.037	Daily Strike Price / Premium	250 34.65	240 38.90	250 32.00	250 32.30
	2.90 0.742	3.20 0.624	3.30 0.690	3.40 0.707		260 25.30	260 21.95	260 24.85	260 25.35
	3.20 0.452	3.80 0.242	3.90 0.333	4.00 0.367		280 10.45	280 10.15	280 14.15	280 14.90
	3.60 0.143	4.30 0.100	4.80 0.102	5.20 0.100		320 1.15	330 1.40	350 1.80	350 1.75

	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12	SEP-12	DEC-12
CORN FUTURES (\$/BU)	3.626	3.770	3.904	3.986	4.062	4.090	4.130	4.240	4.304	4.356	4.264	4.170
	WEEK AGO											
	3.740	3.874	4.000	4.082	4.152	4.164	4.180	4.284	4.344	4.394	4.300	4.214

	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11	OCT-11	DEC-11
SOYMEAL FUTURES (\$/TON)	294.5	284.3	278.6	278.3	277.7	278.5	279.0	281.1	279.7	277.5	273.5	273.5
	WEEK AGO											
	301.5	291.0	282.7	281.9	281.3	282.1	281.9	284.0	282.5	279.5	274.0	275.0

*NEW	MILK MARGIN — LATEST PSU VALUES — JUNE 2010			CME DAIRY CASH-SETTLED FUTURES (\$/LB) 07/27/10						SPOT CASH			
	*FEED COST	*IOFC (\$/COW)	*PA MILK MARGIN	JUL	AUG	SEP	OCT	NOV	DEC	JAN	07/27/10		
	(Now based on \$/CWT milk)	@ 65 lbs milk	(\$/CWT milk)	NFDM	1.185	1.175	1.175	1.167	1.162	1.160	1.140	1.2100	
IOFC =	CURRENT	*5.69	*7.94	*12.21	WHEY	0.365	0.357	0.348	0.347	0.335	0.337	0.315	N/A
Income	PREV MO	*5.44	*7.45	*11.46	BUTTER	1.735	1.795	1.800	1.750	1.751	1.640	1.590	1.8000
Over	YR AGO	6.54	4.13	6.36	CME SPOT CHEESE: 40 LB BLOCKS 1.6025 / BARRELS 1.5600								
Feed													
Cost													

*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 - JULY1-16, 2010			JUNE 2010		
	*15.77 (AUG)	16.01 (JUN)	13.62 (JUN)	15.45 (JUN)	15.80 (JUN)	17.90 (JUN)	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS	
ALL-MILK							CHEESE	1.4497	0.2003	1.2494	PROT 2.2040	
U.S.	\$14.60	\$14.51	MONTH AGO				BUTTER	1.7321	0.1715	1.5606	B.FAT 1.7234	
PA	\$16.30	\$15.10	YEAR AGO				NFDM	1.2333	0.1678	1.0655	N.FAT 1.0843	
NY	\$15.50	\$14.52					DRY WHEY	0.3618	0.1991	0.1627	OTHER 0.1748	
N.ENGL	\$15.80	\$15.61										
OH	\$16.00	\$15.20										
APPAL	\$17.00	\$15.71										

Price averages do not include lower-end common cows and heifers.	CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales July 21, 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)	
	1175	N/A	925	1075	1200	N/A	630	850	N/A	
	FOUR WEEK AVG									
	1270	1200	1135	1060	1130	505	645	890	640	
	Avg. of prices reported by USDA Market News for PA Auction Markets July 22-27, 2010						FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)	CURRENT	WK AGO	YR AGO
	CULL MARKET COWS (\$/CWT LIVELWEIGHT)						Choice & Prime 1250-1550 lbs	82.25	79.25	75.00
	Premium White	Breakers	Boners	Lean						
	60.00	58.10	55.50	51.50						
	WEEK AGO						BULL CALVES: No. 1 & 2, 90-130 lbs	112.00	89.50	92.50
	64.25	59.75	58.00	53.75						
	YEAR AGO						80- 90 lbs	73.00	37.50	54.00
	54.75	52.50	49.75	45.75						

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