

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUES., OCTOBER 26, 2010 — except where noted



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Changes to LGM Dairy... USDA's Risk Management Agency (RMA) announced significant improvements to the Live-stock Gross Margin (LGM) for Dairy Cattle insurance policy making it a more attractive option to manage financial risks on dairy farms. The revised 2011 LGM-Dairy insurance plan will be available beginning with the December 17 & 18, 2010 sales period.

J. Murphy, RMA Administrator.

Other Notes: Register by calling 717-346-0849 or online at www.centerfordairyexcellence.org for the 2010 PA Dairy Profitability Forum Nov. 16-17 at the Farm Show Building in Harrisburg and at the Clarks Mill United Methodist Church in Mercer, PA. Call your agent immediately if there is a possibility of a 2010 crop insurance claim. Nov. 30 is the deadline to purchase area group risk all hay insurance in certain PA counties for the 2011 crop year. Oct. 29 & 30 is the next LGM sales period.

1) Premiums for LGM-Dairy will now be due at the end of the coverage period rather than at the time of purchase. The premium billing date will be the first business day of the month following the last month that you report insured marketings.

2) The maximum dollar deductible has been increased from \$1.50 to \$2.00. Higher deductibles allow producers flexibility to cover a minimum gross margin, providing protection similar to catastrophic coverage.

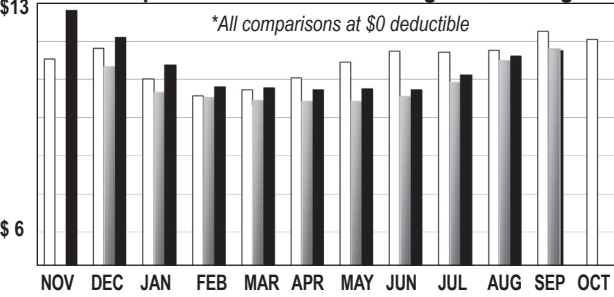
3) A premium subsidy will now be available for those policies that ensure multiple months during the insurance period. Pooling coverage over two or more months will earn a subsidy of from 18% for a \$0.00 deductible to 50% for a deductible of \$1.10 and higher.

4) Feed values have been updated based on information provided by the National Milk Producers Federation.

"These improvements, including a premium subsidy, are substantial and will be of great benefit to American dairy farmers. I applaud the Board's decision to approve these changes, which will make LGM-Dairy even more helpful in managing dairy risk," said William

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.

Expected Margins* as projected on Oct. 20, 21 & 22 vs. Sept. close* vs. 10-Year Avg. Actual Margins*



CME DAILY FUTURES & OPTIONS TRADING — OCT. 26, 2010 CLOSE

	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	JUL-11	AUG-11	SEP-11
CLASS III MILK FUTURES (\$/CWT)	16.88	15.89	14.89	14.20	14.11	14.10	14.14	14.15	14.26	14.72	15.11	15.40

	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT
WEEK AGO	16.83	15.48	14.65	14.10	13.98	13.90	13.92	13.92	14.12	14.50	14.95	15.15

HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED																									
16.89	10/10	16.32	10/10	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	15.99	12/09	15.82	1/10	15.86	10/09		
14.36	3/10	14.40	3/10	14.30	3/10	13.90	3/10	13.73	9/10	13.79	9/10	13.71	9/10	13.77	9/10	13.90	9/10	14.20	9/10	14.50	9/10	14.50	9/10	14.58	9/10

MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)

	PA	NY	VT	NJ	DE	MD	OH	WV
PA 2.87	3.19	3.01	3.40	3.19	3.32	1.94	2.23	2.63
NY 1.79	2.17	1.97	2.32	2.11	2.32	1.04	1.43	1.57
VT 1.99	2.27	1.99	2.38	2.15	2.42	1.10	1.39	1.69
NJ 1.67	1.99	1.81	2.20	1.99	2.12	0.74	1.03	1.43
DE 2.29	2.61	2.43	2.82	2.61	2.74	1.36	1.65	2.05
MD 2.25	2.57	2.39	2.78	2.57	2.70	1.32	1.61	2.01
OH 1.91	2.31	2.23	2.32	2.15	2.34	0.98	1.25	1.51
WV 1.69	2.01	1.83	2.22	2.01	2.14	0.76	1.05	1.45

MILC =	PA	NY	VT	NJ	DE	MD	OH	WV
Milk	2.87	2.17	1.99	1.67	2.29	2.25	1.91	1.69
Income	3.19	2.17	1.99	1.99	2.61	2.57	2.31	2.01
Loss	3.01	1.97	1.99	1.81	2.43	2.39	2.23	1.83
Contract	3.40	2.32	2.38	2.20	2.82	2.78	2.32	2.22
SEPT	3.19	2.11	2.15	1.99	2.61	2.57	2.15	2.01
MILC	3.32	2.32	2.42	2.12	2.74	2.70	2.34	2.14
is estimated	1.94	1.04	1.10	0.74	1.36	1.32	0.98	0.76
at \$0.00	2.23	1.43	1.39	1.03	1.65	1.61	1.25	1.05
	2.63	1.57	1.69	1.43	2.05	2.01	1.51	1.45
	2.01	1.43	1.71	1.41	2.03	1.99	1.63	1.43
	1.99	1.44	1.44	1.18	1.80	1.76	1.26	1.20
	1.75	1.39	1.44	1.17	1.79	1.75	1.33	1.19

MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Tues., Oct. 26, 2010; *Aug. to Nov.* based on CI IV as CI I "mover"												
	0.00	*0.00*	0.02	0.39	0.96	1.28	1.33	1.34	1.39	1.40	1.11	0.82

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium																							
16.75	0.01	15.75	0.13	14.75	0.32	14.00	0.48	14.00	0.59	14.00	0.66	14.00	0.71	14.00	0.77	14.25	0.90	14.50	0.89	15.00	1.02	15.25	1.07

CORN (\$/BU) OPTIONS — CALLS					SOYMEAL (\$/TON) OPTIONS — CALLS										
4.70	1.015	4.90	1.046	5.10	1.032	5.30	1.024	300	36.60	300	38.60	310	35.80	310	39.25
5.20	0.570	5.30	0.767	5.90	0.623	5.90	0.743	320	19.55	320	22.90	340	19.60	340	23.80
5.70	0.256	5.80	0.514	6.60	0.397	6.60	0.512	340	8.20	340	12.35	370	10.65	380	12.85
6.20	0.102	6.90	0.214	7.80	0.196	8.60	0.196	370	1.80	410	1.60	450	1.55	480	1.75

CORN FUTURES (\$/BU)											
DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12	SEP-12	DEC-12	JUL-13
5.710	5.840	5.900	5.940	5.552	5.382	5.440	5.472	5.504	5.340	5.166	5.346
5.460	5.580	5.632	5.650	5.266	5.094	5.142	5.170	5.200	5.056	4.912	5.112

SOYMEAL FUTURES (\$/TON)											
DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11	OCT-11	DEC-11	JAN-12	MAR-12	MAY-12
335.5	336.6	338.6	338.9	340.1	334.3	326.7	312.6	310.7	311.7	312.2	312.2
328.2	329.6	332.2	333.0	334.6	330.3	324.0	313.0	310.8	312.8	314.8	314.8

MILK MARGIN — LATEST PSU VALUES — SEPT. 2010				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 10/26/10												SPOT CASH
IOFC =	FEED COST	IOFC (\$/COW)	PA MILK MARGIN	OCT	NOV	DEC	JAN	FEB	MAR	APR	10/26/10		10/26/10			
Income	(Now based on \$/CWT milk)	@ 65 lbs milk	(\$/CWT milk)	NFDM	1.167	1.167	1.150	1.120	1.122	1.125	1.129	1.2250				
Over				WHEY	0.367	0.369	0.361	0.360	0.357	0.350	0.347	N/A				
Feed	CURRENT	8.08	12.43	BUTTER	2.200	2.090	1.887	1.717	1.645	1.650	1.650	2.1850				
Cost	PREV MO	8.30	12.78	CME SPOT CHEESE: 40 LB BLOCKS 1.6675 / BARRELS 1.6800												
	YR AGO	5.24	8.06													

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—OCT 1-15, 2010				SEPT. 2010	
*17.24 (NOV)	17.60 (SEP)	16.26 (SEP)	16.76 (SEP)	17.20 (SEP)	18.90 (SEP)	PRODUCT	VALUE	MAKEALLOW	NET	COMPONENTS	
						CHEESE	1.7695	0.2003	1.5692	PROT 2.3057	
						BUTTER	2.1942	0.1715	2.0227	B.FAT 2.4044	
						NFDM	1.1755	0.1678	1.0077	N.FAT 0.9608	
						DRY WHEY	0.3634	0.1991	0.1643	OTHER 0.1673	

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales Oct. 20, 2010 at New Holland, PA)											
COWS: Fresh			Bred			Springing			HEIFERS: Bred		
1500	1225	N/A	1050	1300	425	665	N/A	N/A	BULLS (600-1200 lbs)		
						FOUR WEEK AVG					
1430	1220	1375	1165	1355	420	750	875	800			

CULL MARKET COWS (\$/CWT LIVELWEIGHT)				FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)				BULL CALVES: No. 1 & 2, 90-130 lbs				
Premium White	Breakers	Boners	Lean	Choice & Prime	1250-1550 lbs	84.50	81.60	72.85	80-90 lbs	94.00	118.00	78.50
58.35	56.25	53.85	50.85			45.00	75.00	48.50				
WEEK AGO				YEAR AGO								
57.50	55.60	53.00	48.60									
49.00	46.10	44.35	41.85									

brought to you by:



MILC = Milk Income Loss Contract SEPT MILC is estimated at \$0.00



* = NEW IOFC = Income Over Feed Cost

USDA REPORTS FINAL MAILBOX *JULY 2010*

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

Average to high dressing