

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MON., DECEMBER 27, 2010 — except where noted



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New Year's Resolutions... The graph below shows the March 2011 CME corn contract that started to trade in April of 2009. Joe Dairyman knows that the \$2.00 increase in corn prices since last summer is causing expected margins for the first half of 2011 to be much lower than he would like. Some forecasters see a possibility of even higher feed prices going forward. A new year always brings anticipation so Joe hopes these margins will improve, but resolves to monitor his cost of production, and then use Dairy Gross Margin Insurance (LGM) and feed contracts to protect these future margins from any possibility of even higher feed costs.

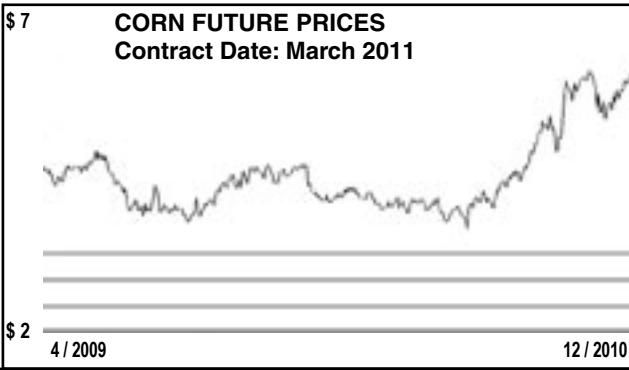
established his coverage. In this example, coverage ends in the month of March. However, the insurance period ends 11 months from the applicable sales closing date, which is November 2011 and the premium billing date is the first business day of the month following the end of the insurance period, in this case, December 1, 2011.

I am available to meet and discuss the various ways to manage risks. Make your resolution to improve your understanding of the pricing tools that can reduce market volatility in your business. Visit: www.centerfordairyexcellence.org

The billing date for Dairy Gross Margin Insurance payments has improved also. Under the revised LGM-Dairy policy, premium payments will now be due at the end of the insurance period. The insurance period is defined in the LGM-Dairy policy as: the eleven-month period designated in the summary of insurance to which this policy is applicable. The definition of the premium stated in the policy is the amount owed for the insurance coverage based on the target marketing. The premium billing date is the first business day of the month following the last month of the insurance period in which you have target marketings.

Here is an example in English. A producer purchased a policy in December 2010 and listed target marketings for the months of February and March 2011 on the Target Marketing Report which es-

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 — DEC. 27, 2010 CLOSE

	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	JUL-11	AUG-11	SEP-11	OCT-11	NOV-11
CLASS III MILK FUTURES (\$/CWT)	13.82	13.10	13.42	13.72	14.24	14.50	14.70	15.19	15.40	15.56	15.61	15.55
	-----WEEK AGO-----											
	13.74	13.12	13.37	13.75	14.20	14.35	14.60	15.10	15.30	15.44	15.54	15.50
	-----HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED-----											
	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	15.90 10/09	15.95 12/09
	13.26 11/10	13.02 12/10	13.16 12/10	13.57 12/10	13.71 9/10	13.77 9/10	13.90 9/10	14.20 9/10	14.50 9/10	14.58 9/10	14.51 9/10	14.40 9/10
	MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)											
	PA 3.01	3.40	3.19	3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87	3.19
	NY 1.97	2.32	2.11	2.32	1.04	1.43	1.57	1.61	1.44	1.39	1.79	2.17
	VT 1.99	2.38	2.15	2.42	1.10	1.39	1.69	1.71	1.44	1.53	1.99	2.27
	NJ 1.81	2.20	1.99	2.12	0.74	1.03	1.43	1.41	1.18	1.17	1.67	1.99
	DE 2.43	2.82	2.61	2.74	1.36	1.65	2.05	2.03	1.80	1.79	2.29	2.61
	MD 2.39	2.78	2.57	2.70	1.32	1.61	2.01	1.99	1.76	1.75	2.25	2.57
	OH 2.23	2.32	2.15	2.34	0.98	1.25	1.51	1.63	1.26	1.33	1.91	2.31
	WV 1.83	2.22	2.01	2.14	0.76	1.05	1.45	1.43	1.20	1.19	1.69	2.01
	MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Thurs., Dec. 23, 2010; *Nov. to Dec.* based on CI IV as CI I "mover"											
	0.00	0.66	0.78	1.10	0.95	0.79	0.98	1.03	1.05	0.92	0.78	0.64
	CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium											
	13.75 0.01	13.00 0.10	13.25 0.30	13.50 0.44	14.00 0.52	14.50 0.74	14.50 0.71	15.00 0.82	15.25 0.91	15.50 1.01	15.50 1.06	15.50 1.13

	MAR-11	MAY-11	JUL-11	SEP-11		MAR-11	MAY-11	JUL-11	AUG-11	
CORN (\$/BU) OPTIONS — CALLS	5.20 1.011	5.40 1.021	5.70 1.016	5.30 1.030	Example Daily Strike Price / Premium	SOYMEAL (\$/TON) OPTIONS — CALLS	330 37.10	340 36.30	350 36.35	340 37.80
	5.60 0.704	5.70 0.834	6.30 0.743	5.80 0.812			350 23.40	370 21.90	370 27.85	360 28.60
	6.15 0.406	6.20 0.586	7.40 0.417	7.00 0.456			370 13.75	410 11.15	420 14.90	400 14.95
	7.40 0.104	8.00 0.150	9.10 0.166	8.50 0.226			440 1.85	500 1.60	540 3.05	510 1.80

	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12	SEP-12	DEC-12	MAR-13	MAY-13
CORN FUTURES (\$/BU)	6.152	6.230	6.264	5.794	5.532	5.606	5.656	5.706	5.414	5.124	5.204	5.284
	-----WEEK AGO-----											
	5.994	6.070	6.110	5.634	5.426	5.506	5.554	5.600	5.350	5.086	5.166	5.216

	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11	OCT-11	DEC-11	JAN-12	MAR-12	MAY-12	JUL-12
SOYMEAL FUTURES (\$/TON)	366.4	370.3	371.0	371.4	361.7	349.1	331.5	328.5	328.8	329.1	327.1	327.1
	-----WEEK AGO-----											
	351.5	355.5	356.1	356.6	347.6	336.2	320.5	317.6	318.1	318.6	316.6	316.6

*NEW IOFC = Income Over Feed Cost	*LATEST PSU VALUES — NOV. 2010			CME DAIRY CASH-SETTLED FUTURES (\$/LB) 12/27/10				SPOT CASH			
	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)	DEC	JAN	FEB	MAR	APR	MAY	JUN	12/27/10
CURRENT	*6.17	*9.05	*13.93	NFDM 1.205	1.230	1.250	1.255	1.255	1.245	1.220	1.2700
PREV MO	*6.76	*8.93	*13.74	WHEY 0.379	0.387	0.392	0.405	0.420	0.420	0.420	N/A
YR AGO	5.88	*7.10	10.92	BUTTER 1.644	1.660	1.670	1.720	1.725	1.722	1.740	1.6525
				CME SPOT CHEESE: 40 LB BLOCKS 1.3200 / BARRELS 1.3450							

USDA REPORTS FINAL MAILBOX *SEPT. 2010*	*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-DEC. 1-17, 2010		NOV. 2010		
ALL-MILK MAILBOX	*15.20 (JAN)	17.21 (NOV)	15.44 (NOV)	16.68 (NOV)	17.90 (NOV)	20.10 (NOV)	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS
U.S. \$17.70 \$17.81			MONTH AGO				CHEESE	1.4841	0.2003	1.2838	PROT 2.1981
PA \$18.60 \$18.43			YEAR AGO				BUTTER	1.6328	0.1715	1.4613	B.FAT 2.2422
NY \$18.60 \$17.59	16.96	17.57		17.15	18.50	20.30	NFDM	1.2148	0.1678	1.0470	N.FAT 1.0172
N. ENGL \$19.10 \$18.84							DRY WHEY	0.3783	0.1991	0.1792	OTHER 0.1797
OH \$19.20 \$18.55	15.03	13.24	14.08	13.25	15.40	16.80					
APPAL \$20.50 \$19.36											

Price averages do not include lower-end common cows and heifers.	CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales Dec. 22, 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)
	1375	1025	1190	1090	1225	N/A	N/A	N/A	850
	-----FOUR WEEK AVG-----								
	1335	1035	1210	1020	1160	365	620	875	760
	Avg. of prices reported by USDA Market News for PA Auction Markets Dec. 23-27, 2010				FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)		CURRENT	WK AGO	YR AGO
	CULL MARKET COWS (\$/CWT LIVELWEIGHT)				Choice & Prime 1250-1550 lbs		85.25	83.75	71.10
	Premium White	Breakers	Boners	Lean	No. 1 & 2, 90-130 lbs		99.00	101.00	61.00
	65.25	61.75	59.50	56.75	80- 90 lbs		45.00	57.00	33.00
	-----WEEK AGO-----								
	62.85	60.60	58.00	53.35					
	-----YEAR AGO-----								
	49.50	47.00	44.75	41.50					