

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MARCH 30, 2010 — except where noted



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Options Contract... Here is the Chicago Mercantile Exchange definition for an options contract. "A contract that gives the bearer the right, but not the obligation, to be "long" or "short" a futures contract at a specified price within a specified time period. The specified price is called the strike price. The futures contract that the long may establish by exercising the option is referred to as the underlying futures contract." What??? Commodity brokers and markets have their own language just as dairymen do.

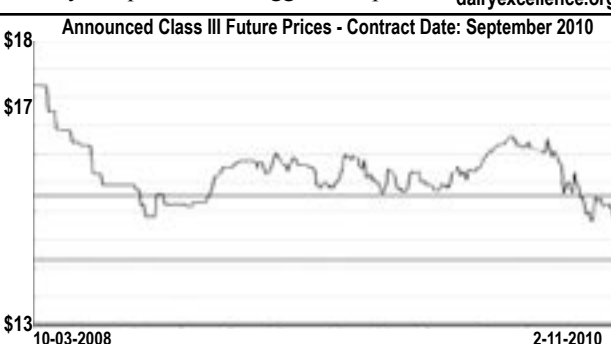
I will translate. An options contract is similar to an insurance policy. You may pay a premium for the right to buy (long) or sell (short) a commodity contract (underlying futures contract) at a later time at the specified strike price. Options can create a price floor for milk and feed.

Class III milk options-Puts are listed at the bottom of the box with the milk bottle below. Class III milk options trade in \$.25 intervals called the **strike price**. The September **CLASS III MILK FUTURES** price shown below is \$15.22. At the bottom of the same column in bold print is the **at the money strike price** of \$15.00. This is the options price closest to where the underlying contract closed. The **option premium** or cost of \$.75 is listed just to the right of the **option strike price**. **Daily Strike Prices/Premiums** for corn and soybean meal are listed just above the ear of corn on the

chart. Auction bids on the CME determine the costs for these contracts.

April 29, 2010 is the deadline to report your actual production for spring 2009 crops to your crop insurance agent. A record system that meets RMA/USDA standards is available at cropins.aers.psu.edu. Report any winterkill damage to crops immediately to your agent.

Class III milk prices improved last week. The graph shows the September 2010 Class III milk price history. I welcome your questions or suggested topics.



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 — MARCH 30, 2010 CLOSE

	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11
CLASS III MILK FUTURES (\$/CWT)	12.78	12.60	13.33	14.09	14.57	14.94	15.22	15.10	14.94	14.67	14.53	14.44
	WEEK AGO											
	12.79	12.35	12.75	13.47	13.64	14.00	14.40	14.36	14.40	14.33	13.90	14.00
	HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED											
	19.75 6/08	19.60 6/08	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
	12.76 3/10	12.35 3/10	12.75 3/10	13.44 3/10	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
	MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)											
	PA 3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19
	NY 2.32	1.04	1.43	1.57	1.61	1.44	1.39	1.79	2.17	1.97	2.32	2.11
	VT 2.42	1.10	1.39	1.69	1.71	1.44	1.53	1.99	2.27	1.99	2.38	2.15
	NJ 2.12	0.74	1.03	1.43	1.41	1.18	1.17	1.67	1.99	1.81	2.20	1.99
	DE 2.74	1.36	1.65	2.05	2.03	1.80	1.79	2.29	2.61	2.43	2.82	2.61
	MD 2.70	1.32	1.61	2.01	1.99	1.76	1.75	2.25	2.57	2.39	2.78	2.57
	OH 2.34	0.98	1.25	1.51	1.63	1.26	1.33	1.91	2.31	2.23	2.32	2.15
	WV 2.14	0.76	1.05	1.45	1.43	1.20	1.19	1.69	2.01	1.83	2.22	2.01
	MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Thurs., March 25, 2010											
	0.00	0.2115	0.1305	0.0225	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											
	12.75 0.00	12.50 0.12	13.25 0.30	14.00 0.50	14.50 0.60	14.75 0.70	15.00 0.75	15.00 0.83	14.75 0.79	14.50 0.82	14.50 0.94	14.25 0.89

MILC = Milk Income Loss Contract FEB MILC (not shown) is estimated at \$0.00



	MAY-10	JUL-10	SEP-10	DEC-10		MAY-10	JUL-10	AUG-10	SEP-10	
CORN (\$/BU) OPTIONS — CALLS	2.50 1.071	2.60 1.084	2.80 0.996	2.90 1.016	Example Daily Strike Price / Premium	SOYMEAL (\$/TON) OPTIONS — CALLS	240 37.40	240 35.90	240 33.90	240 30.80
	2.80 0.771	3.10 0.614	3.20 0.664	3.30 0.707			260 19.65	260 20.95	250 26.40	250 24.35
	3.15 0.430	3.60 0.272	3.60 0.407	3.80 0.425			280 7.00	280 10.80	270 15.25	270 14.40
	3.55 0.133	4.10 0.103	4.50 0.127	4.90 0.140			300 2.15	320 2.65	330 2.35	340 2.20

	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12
CORN FUTURES (\$/BU)	3.544	3.660	3.746	3.836	3.950	4.024	4.082	4.046	4.022	4.102	4.162	4.242
	WEEK AGO											
	3.706	3.816	3.900	3.992	4.100	4.170	4.224	4.196	4.176	4.246	4.306	4.356

	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11
SOYMEAL FUTURES (\$/TON)	283.1	279.1	274.4	267.7	256.5	254.1	255.1	257.8	259.3	260.8	261.8	261.8
	WEEK AGO											
	271.4	270.4	268.5	265.7	259.1	258.7	260.0	262.9	264.4	265.0	266.0	266.0

*=NEW	MILK MARGIN — LATEST PSU VALUES — FEB 2010				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 03/30/10								SPOT CASH
IOFC = Income Over Feed Cost	FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)		MAR	APR	MAY	JUN	JUL	AUG	SEP	03/30/10	
	(Now based on \$/CWT milk)				NFDM	1.050	1.090	1.110	1.180	1.190	1.200	1.220	1.1850
	CURRENT	5.82	7.72	11.88	WHEY	0.375	0.340	0.320	0.322	0.310	0.315	0.332	N/A
	PREV MO	6.09	7.74	11.91	BUTTER	1.440	1.470	1.482	1.510	1.532	1.540	1.570	1.4900
	YR AGO	6.69	4.43	6.81	CME SPOT CHEESE:	40 LB BLOCKS 1.3525 / BARRELS 1.3400							

*=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 MAR. 1-12, 2010			FEB. 2009			
	13.22 (APR)	15.65 (FEB)	14.28 (FEB)	12.90 (FEB)	15.90 (FEB)	17.70 (FEB)	PRODUCT	VALUE	MAKEALLOW	NET	COMPONENTS		
	MONTH AGO						CHEESE	1.4049	2.0003	1.2046	PROT 2.7066		
	14.34	15.22	14.50	13.85	16.10	18.10	BUTTER	1.4249	0.1715	1.2534	B.FAT 1.4404		
	YEAR AGO						NFDM	1.0459	0.1678	0.8781	N.FAT 0.9043		
	10.36	10.25	9.31	9.45	11.60	13.50	DRY WHEY	0.3821	0.1991	0.1830	OTHER 0.1992		

Price averages do not include lower-end common cows and heifers.	CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales March 24, 2010 at New Holland, PA)													
	COWS: Fresh			HEIFERS: Bred			Open: 300-600 lbs		600-900 lbs		900-1200 lbs		BULLS (600-1200 lb)	
	1265	825	1015	825	1115	375	725	N/A		640				
	FOUR WEEK AVG													
	1190	895	1070	1005	1195	525	735	850		740				

Average to high dressing	CULL MARKET COWS (\$/CWT LIVELWEIGHT)				FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)			
	Premium White	Breakers	Boners	Lean	Choice & Prime 1250-1550 lbs	CURRENT	WK AGO	YR AGO
	60.00	57.50	52.60	48.35		81.00	81.00	72.25
	WEEK AGO				BULL CALVES: No. 1 & 2, 85-130 lbs	64.00	87.00	69.00
	57.85	54.50	50.10	45.85				
	YEAR AGO							
	53.50	51.25	48.50	45.50				

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