

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — MAY 25, 2010 — except where noted



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Protect your business

This week's graph shows the expected margins available for purchase during the May 2010 Dairy LGM sales period using CME corn, soybean meal, and Class III milk future prices from May 21, 2010. The bars represent the default feeding values of 1/2 bu. of corn and 4 lbs. of soy meal for every 100 lbs. of milk.

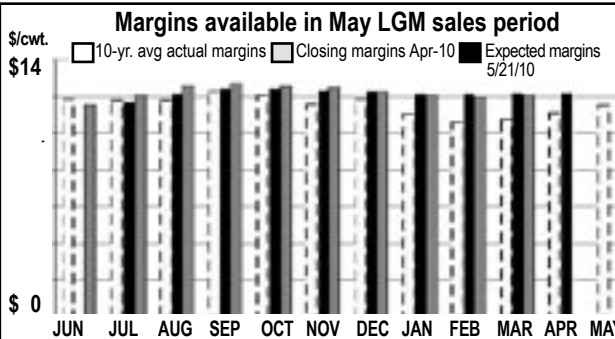
Since April 30 of this year, soybean meal futures have dropped about \$20 in all of the upcoming contract months. Corn futures prices are \$.05 lower in each of the upcoming 10 months. Class III milk prices are \$.20 to \$.50/cwt lower through the November futures contract months, while 2011 milk prices are a little higher than in April. Therefore, the estimated expected margins for the May sales period are a little lower than the April margins until December 2010. Even though milk prices are lower, expected margins are very similar because feed prices are also lower in the May sales period. Protecting a margin rather than a price is the strength of Dairy Gross Margin Insurance (LGM).

Expected margins in both the April and May sales periods are above the 10 year average from August through April. The expected margins for the first four months of 2011 are \$1.00/cwt above the 10 year average. These margins anticipate lower futures market feed costs more than higher milk prices. Again, this is why the margin is more important than just the price of milk or feed alone.

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.

No one really knows whether the actual margins will be higher or lower than these expected margins. If you cannot assume the risk of lower margins in the future, Dairy Gross Margin Insurance can protect your business. May 28 & 29 is the next Dairy Gross Margin sales period.

Crop insurance note: If you replant spring crops, check with your crop insurance agent. You may be eligible for a replanting payment. I welcome questions or comments. You can also find more information at www.centerfordairyexcellence.org.



CME DAILY FUTURES & OPTIONS TRADING — MAY 25, 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	
CLASS III MILK FUTURES (\$/CWT)	13.37	13.60	13.50	14.00	14.39	14.48	14.50	14.52	14.42	14.65	14.69	14.61

WEEK AGO											
13.32	13.52	14.00	14.65	14.85	14.85	14.75	14.71	14.63	14.80	14.80	14.75

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	13.50 5/10	14.00 3/10	14.39 5/10	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

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

MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Wed., May 12, 2010; *May & June* 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	0.00

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium											
13.25 0.00	13.50 0.16	13.50 0.39	14.00 0.62	14.25 0.64	14.25 0.66	14.50 0.77	14.50 0.81	14.25 0.77	14.50 0.84	14.50 0.87	14.50 0.96

CORN (\$/BU) OPTIONS — CALLS				SOYMEAL (\$/TON) OPTIONS — CALLS			
2.70 1.011	2.80 1.005	2.90 1.006	3.00 1.053	240 34.40	240 32.35	230 37.70	230 32.65
2.95 0.762	3.20 0.640	3.30 0.677	3.50 0.674	250 25.30	250 24.05	240 29.70	240 25.65
3.25 0.472	3.70 0.303	3.80 0.383	4.00 0.410	270 10.40	270 11.65	260 16.80	250 19.30
3.65 0.170	4.20 0.134	4.60 0.146	5.00 0.154	300 1.75	320 1.45	330 1.95	330 1.85

CORN FUTURES (\$/BU)											
JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12	SEP-12
3.642	3.732	3.826	3.954	4.042	4.120	4.096	4.106	4.206	4.276	4.316	4.236
WEEK AGO											
3.596	3.682	3.784	3.910	3.994	4.064	4.054	4.054	4.164	4.234	4.264	4.194

SOYMEAL FUTURES (\$/TON)											
JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11	OCT-11
271.1	265.6	260.0	252.5	251.4	252.2	254.2	255.2	257.4	256.8	254.3	251.0
WEEK AGO											
273.6	269.6	263.7	256.8	255.8	256.5	257.8	258.5	260.5	260.5	256.5	254.5

MILK MARGIN — LATEST PSU VALUES — APR 2010				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 05/25/10								SPOT CASH
FEED COST	IOFC (\$/COW @ 65 lbs milk)	PA MILK MARGIN (\$/CWT milk)		MAY	JUN	JUL	AUG	SEP	OCT	NOV	05/25/10	
CURRENT	*5.44	*7.00	*10.76	NFDM	1.255	1.260	1.242	1.240	1.247	1.230	1.300	
PREV MO	*6.09	*7.29	*11.21	WHEY	0.360	0.335	0.330	0.325	0.325	0.332	0.337	
YR AGO	*6.23	*4.66	*7.17	BUTTER	1.583	1.550	1.590	1.590	1.600	1.595	1.600	
				CME SPOT CHEESE: 40 LB BLOCKS 1.5000 / BARRELS 1.4600								

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 MAY 1-14, 2010						APRIL 2010
*15.28 (JUN)	13.78 (APR)	12.92 (APR)	13.73 (APR)	14.60 (APR)	16.20 (APR)	PRODUCT	VALUE	MAKEA003	1.2112	1.2112	PROT	2.1449
MONTH AGO						CHEESE	1.4115	0.2000	1.2112	1.2112	B.FAT	1.5813
YEAR AGO						BUTTER	1.5881	0.1715	1.4166	1.4166	N.FAT	0.9435
13.80	14.46	12.78	12.92	15.10	17.30	NFDM	1.2459	0.1678	1.0781	1.0781	OTHER	0.1702
10.08	10.49	10.78	9.82	11.90	13.40	DRY WHEY	0.3631	0.1991	0.1640	0.1640		

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales May 19, 2010 at New Holland, PA)											
COWS: Fresh			Bred			Springing			HEIFERS: Bred		
1275	N/A	N/A	975	1290	565	865	N/A	790	BULLS (600-1200 lb)		
FOUR WEEK AVG											
1280	N/A	1225	1080	1230	595	780	945	835			

FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)				CURRENT	WK AGO	YR AGO
Choice & Prime 1250-1550 lbs				84.00	85.25	75.10
BULL CALVES: No. 1 & 2, 85-130 lbs				115.00	125.00	64.60

CULL MARKET COWS (\$/CWT LIVELWEIGHT)			
Premium White	Breakers	Boners	Lean
62.00	58.35	56.00	51.75
WEEK AGO			
65.10	62.00	58.50	54.60
YEAR AGO			
59.50	56.75	53.75	49.00

brought to you by:



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



* = NEW IOFC = Income Over Feed Cost

USDA REPORTS: FINAL **FEBRUARY 2010**

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

Average to high dressing