

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JUNE 1, 2010 — except where noted



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What is your plan?

This week's graph (below) compares the US all milk price to the number of cows on US dairy farms from January of 1998 until April 2010. As margins become smaller in the normal price cycle, Joe Dairyman and all of his neighbors cull the marginal cows from their herds. This culling continues until the total milk supply is also reduced. Then milk prices increase because of the smaller supply. The graph below shows this cycle usually lasts about three years. Will this be a "normal" cycle?

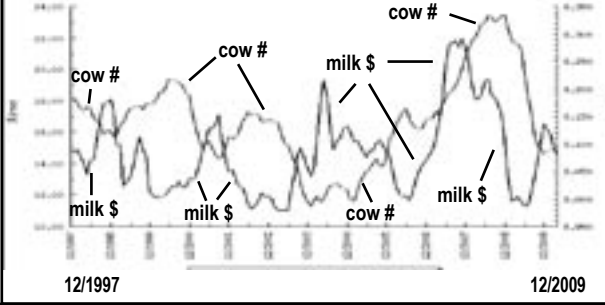
There are many factors affecting milk supply and demand. Beef and cull cow prices could stay strong, which could increase culling. The overall U.S. economy could continue to improve, creating more demand for dairy products. Or, the general economy could falter again, which may slow demand for dairy products. US dairy products will be more expensive on the world market if the US dollar stays strong. If the dollar weakens compared to other currencies again, US products will be more price competitive.

Joe Dairyman knows that he cannot predict future prices or any other future events. That is why he uses a long term marketing plan, rather than making decisions based entirely on today's outlook. This outlook may affect some short term decisions but will not change his long term marketing plan. Joe pays down debt and increases cash reserves during good times to prepare for the lean times. He protects profitable opportunities with fixed and mini-

mum milk futures price contracts combined with fixed and maximum price feed contracts when they appear. He buys LGM dairy to protect cash flow in upcoming months. Joe does not try to outguess the market; his plan is to protect profitable margins whenever they are available.

Your questions are welcome, and more information is available at www.centerfordairyexcellence.org. Crop Insurance Note: If you replant spring crops, check with your crop insurance agent. You may be eligible for a replanting payment.

Cows on farms vs. Milk price in U.S. 1998-2009



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 — JUNE 1, 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) | 13.35 | 13.54 | 13.30 | 13.84 | 14.45 | 14.57 | 14.64 | 14.67 | 14.57 | 14.60 | 14.68 | 14.61 |
| | 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 | | | | | | | | | | | | |
| 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 | 13.30 6/10 | 13.84 6/10 | 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 Fri., May 28, 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 |
| CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium | | | | | | | | | | | | |
| | 13.25 0.00 | 13.50 0.11 | 13.25 0.32 | 13.75 0.54 | 14.25 0.60 | 14.50 0.72 | 14.50 0.69 | 14.50 0.73 | 14.50 0.82 | 14.50 0.85 | 14.50 0.86 | 14.50 0.94 |

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



CORN (\$/BU) OPTIONS — CALLS

| | JUL-10 | SEP-10 | DEC-10 | MAR-11 |
|------|--------|------------|------------|------------|
| 2.50 | 1.091 | 2.60 1.094 | 2.80 1.010 | 2.90 1.064 |
| 2.80 | 0.791 | 3.00 0.705 | 3.20 0.672 | 3.40 0.665 |
| 3.15 | 0.446 | 3.60 0.275 | 3.80 0.322 | 3.90 0.394 |
| 3.55 | 0.126 | 4.10 0.112 | 4.60 0.121 | 5.10 0.120 |

SOYMEAL (\$/TON) OPTIONS — CALLS

| | JUL-10 | AUG-10 | SEP-10 | OCT-10 |
|-----|--------|-----------|-----------|-----------|
| 240 | 33.90 | 230 38.70 | 230 34.40 | 220 37.15 |
| 250 | 24.40 | 240 29.80 | 240 26.65 | 230 29.35 |
| 270 | 8.75 | 260 14.85 | 260 14.50 | 250 16.85 |
| 290 | 1.90 | 310 1.75 | 330 1.50 | 320 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 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 3.540 | 3.640 | 3.752 | 3.882 | 3.970 | 4.052 | 4.032 | 4.036 | 4.142 | 4.212 | 4.256 | 4.162 |
| | 3.642 | 3.732 | 3.826 | 3.954 | 4.042 | 4.120 | 4.096 | 4.106 | 4.206 | 4.276 | 4.316 | 4.236 |

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 |
|--|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | 269.4 | 263.1 | 257.4 | 250.8 | 249.2 | 249.7 | 251.2 | 252.1 | 254.3 | 253.5 | 251.0 | 247.7 |
| | 271.1 | 265.6 | 260.0 | 252.5 | 251.4 | 252.2 | 254.2 | 255.2 | 257.4 | 256.8 | 254.3 | 251.0 |

| * = NEW IOFC = Income Over Feed Cost | MILK MARGIN — LATEST PSU VALUES — APR 2010 | | | | CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/01/10 | | | | | | | | SPOT CASH |
|--------------------------------------|--|-----------------------------|------------------------------|--|---|-------|-------|-------|-------|-------|-------|----------|-----------|
| | FEED COST | IOFC (\$/COW @ 65 lbs milk) | PA MILK MARGIN (\$/CWT milk) | | MAY | JUN | JUL | AUG | SEP | OCT | NOV | 06/01/10 | |
| CURRENT | 5.44 | 7.00 | 10.76 | | NFDM | 1.255 | 1.260 | 1.225 | 1.230 | 1.235 | 1.227 | 1.300 | |
| PREV MO | 6.09 | 7.29 | 11.21 | | WHEY | 0.360 | 0.335 | 0.322 | 0.322 | 0.327 | 0.325 | N/A | |
| YR AGO | 6.23 | 4.66 | 7.17 | | BUTTER | 1.583 | 1.575 | 1.612 | 1.632 | 1.635 | 1.622 | 1.5600 | |
| | | | | | CME SPOT CHEESE: 40 LB BLOCKS 1.4375 / BARRELS 1.4000 | | | | | | | | |

| USDA REPORTS: FINAL FEBRUARY 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 MAY 1-14, 2010 | APRIL 2010 | PRODUCT | VALUE | MAKEALLOW | NET | COMPONENTS |
| | 15.28 (JUN) | 13.78 (APR) | 12.92 (APR) | 13.73 (APR) | 14.60 (APR) | 16.20 (APR) | | | CHEESE | 1.4115 | 0.2003 | 1.2112 | PROT 2.1449 |
| ALL-MILK MAILBOX | | | | | | | | | BUTTER | 1.5881 | 0.1715 | 1.4166 | B.FAT 1.5813 |
| PA \$15.90 \$15.97 | | | | | | | | | NFDM | 1.2459 | 0.1678 | 1.0781 | N.FAT 0.9435 |
| NY \$16.80 \$15.79 | | | | | | | | | DRY WHEY | 0.3631 | 0.1991 | 0.1640 | OTHER 0.1702 |
| N. ENGL \$17.30 \$17.02 | | | | | | | | | | | | | |
| OH \$17.60 \$16.92 | | | | | | | | | | | | | |
| APPAL \$19.00 \$17.65 | | | | | | | | | | | | | |

| Price averages do not include lower-end common cows and heifers. | CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales May 26, 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) | | | |
| | 1450 | N/A | 1065 | 990 | 1340 | 615 | N/A | 825 | N/A | | | |
| | 1340 | N/A | 1145 | 1055 | 1270 | 620 | 815 | 905 | 820 | | | |
| | FOUR WEEK AVG | | | | | | | | | | | |

| CULL MARKET COWS (\$/CWT LIVELWEIGHT) | | | | FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT) | | | | BULL CALVES: No. 1 & 2, 85-130 lbs | | | | | | | |
|---------------------------------------|----------|--------|-------|--|---------|--------|--------|------------------------------------|---------|--------|--------|--|--|--|--|
| Premium White | Breakers | Boners | Lean | Choice & Prime 1250-1550 lbs | CURRENT | WK AGO | YR AGO | Choice & Prime 1250-1550 lbs | CURRENT | WK AGO | YR AGO | | | | |
| 61.75 | 58.00 | 55.50 | 51.25 | 81.00 | 81.00 | 84.00 | 74.50 | 121.00 | 121.00 | 115.00 | 69.50 | | | | |
| WEEK AGO | | | | | | | | | | | | | | | |
| 62.00 | 58.35 | 56.00 | 51.75 | | | | | | | | | | | | |
| YEAR AGO | | | | | | | | | | | | | | | |
| 55.00 | 52.00 | 51.75 | 47.50 | | | | | | | | | | | | |

brought to you by:



Average to high dressing