

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — TUES., SEPTEMBER 7, 2010 — except where noted



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Options

An option contract gives the owner the right, but not the obligation, to buy or sell a futures contract at a specified price within a specified time. A **Put** option provides the purchaser the right (but not the obligation) to sell a futures contract at an agreed price. A **put option protects against a price decline**. Minimum Price Contracts offered by some cooperatives are essentially Put options.

A **Call** option provides the purchaser the right (but not the obligation) to buy a futures contract at an agreed price. A **call option protects against a price increase**.

Dairy Gross Margin Insurance is similar to an option contract that combines both feed cost and milk price protection.

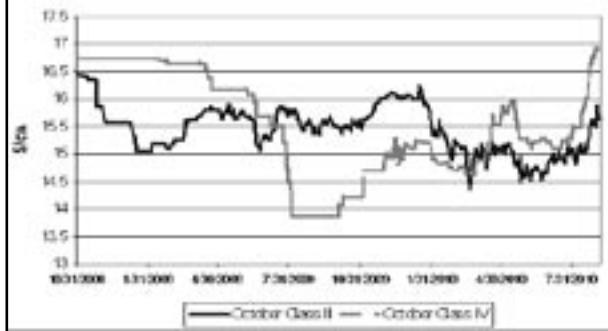
The option with the strike price closest to the underlying futures price is "At the money". The "At the money" strike price for each contract month is shown below under CLASS III MILK (\$/cwt) OPTIONS-PUTS- Dailey Strike Price/ premium and CORN or SOYMEAL OPTIONS-CALLS

Auction bids on the CME set the cost for the option, which is listed to the right of each month's strike price. The option cost will vary depending on how much time is left until that futures contract expires, and how close the strike price for the option is to the trading price of that futures contract.

The graph compares October 2010 Class III and Class IV futures

contracts. Call your agent immediately if there is a possibility of a 2010 crop insurance claim. Prior Authorization is required to leave sample rows for yield determination. September 30, 2010 is the deadline to enroll or make any 2011 policy changes to fall seeded wheat, barley and alfalfa based forage production policies as well as the new Pasture, Hay and Forage insurance policies now available in all of Pennsylvania. I am available to discuss the various ways that you can manage your risks and information at www.centerfordairyexcellence.org.

October 2010 Class III and Class IV Futures Prices



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 — SEPT. 7, 2010 CLOSE

SEP-10	OCT-10	NOV-10	DEC-10	JAN-11	FEB-11	MAR-11	APR-11	MAY-11	JUN-11	JUL-11	AUG-11
CLASS III MILK FUTURES (\$/CWT)											
16.19	15.64	14.97	14.55	14.00	13.80	13.88	13.77	13.85	13.95	14.20	14.50

WEEK AGO											
16.07	15.75	15.07	14.65	14.17	14.00	14.00	13.98	14.10	14.10	14.40	14.60

HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED											
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	16.24 7/09	15.80 8/09	15.99 12/09	15.82 1/10
14.25 6/10	14.36 3/10	14.40 3/10	14.30 3/10	13.90 3/10	13.80 9/10	13.88 9/10	13.77 9/10	13.85 9/10	13.95 9/10	14.20 9/10	14.50 9/10

MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
PA	2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94	2.23	2.63	2.61	2.38
NY	1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04	1.43	1.57	1.61	1.44
VT	1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10	1.39	1.69	1.71	1.44
NJ	1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74	1.03	1.43	1.41	1.18
DE	1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36	1.65	2.05	2.03	1.80
MD	1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32	1.61	2.01	1.99	1.76
OH	1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98	1.25	1.51	1.63	1.26
WV	1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76	1.05	1.45	1.43	1.20

MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Tues., Sept. 7, 2010; *Aug. and Sept.* based on CI IV as CI I "mover"											
0.00	0.00	0.00	0.00	0.00	0.0507	0.1949	0.2873	0.3529	0.3948	0.5378	0.3811

CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium											
16.00 0.01	15.50 0.28	14.75 0.36	14.50 0.49	14.00 0.59	13.75 0.61	13.75 0.62	13.75 0.73	13.75 0.75	13.75 0.74	14.00 0.83	14.50 1.00

CORN (\$/BU) OPTIONS — CALLS				SOYMEAL (\$/TON) OPTIONS — CALLS			
3.60 1.077	3.80 1.067	4.00 1.001	4.10 1.013	270 33.80	270 38.20	270 38.90	280 33.80
4.10 0.647	4.20 0.775	4.40 0.756	4.90 0.614	280 24.00	290 21.65	290 23.60	290 27.35
4.70 0.304	4.80 0.464	4.90 0.525	5.70 0.380	300 7.20	310 10.60	310 13.25	310 17.60
5.50 0.104	6.10 0.152	6.50 0.170	7.10 0.165	320 1.15	360 1.60	370 1.35	410 1.45

CORN FUTURES (\$/BU)											
SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	MAR-12	MAY-12	JUL-12	SEP-12	DEC-12
4.514	4.662	4.796	4.842	4.880	4.702	4.502	4.592	4.636	4.700	4.552	4.422

SOYMEAL FUTURES (\$/TON)											
SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11	JUL-11	AUG-11	SEP-11	OCT-11	DEC-11	JAN-12
308.7	303.7	306.7	307.0	307.7	307.4	308.5	305.5	300.0	291.0	290.2	291.6

MILK MARGIN — LATEST PSU VALUES — JULY 2010			
FEED COST	IOFC (\$/COW)	PA MILK MARGIN	
(Now based on \$/CWT milk)	@ 65 lbs milk	(\$/CWT milk)	
CURRENT	6.16	7.57	11.64
PREV MO	5.74	7.65	11.76
YR AGO	6.18	4.43	6.82

CME DAIRY CASH-SETTLED FUTURES (\$/LB) 09/07/10											
SEP	OCT	NOV	DEC	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG
NFDM	1.162	1.200	1.200	1.199	1.185	1.177	1.165	1.2300			
WHEY	0.362	0.370	0.360	0.330	0.345	0.330	0.308	N/A			
BUTTER	2.125	2.070	1.880	1.727	1.615	1.575	1.575	2.2250			

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-AUG 1-31, 2010	AUGUST 2010	PRODUCT	VALUE	MAKEALLOW	NET	COMPONENTS
15.50 (SEP)	*16.98 (AUG)	*15.18 (AUG)	*15.61 (AUG)	*16.60 (AUG)	*18.70 (AUG)	CHEESE	1.6031	0.2003	1.4028			PROT 2.3788
MONTH AGO						BUTTER	1.8508	0.1715	1.6793			B.FAT 2.0336
YEAR AGO						NFDM	1.1557	0.1678	0.9879			N.FAT 0.9780
10.93	10.86	11.20	10.38	12.10	13.30	DRY WHEY	0.3590	0.1991	0.1599			OTHER 0.1647

CATTLE - DAIRY PURPOSES (\$/HD) NORTHEAST (Avg. USDA-Reported sales Sept. 1, 2010 at New Holland, PA)											
COWS: Fresh				HEIFERS: Bred				BULLS (600-1200 lbs)			
1240	N/A	N/A	890	1175	N/A	N/A	N/A	725			
FOUR WEEK AVG											
1280	N/A	1265	1000	1215	460	615	805	695			

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	84.25	86.00	70.85	80-90 lbs	106.00	123.00	94.00
63.00	59.60	57.10	53.50		68.00	72.00	51.00				

brought to you by:

Price averages do not include lower-end common cows and heifers. Average to high dressing