

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — JUNE 9, 2009 — except where noted



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This graph (Fig. 1) shows fluid milk prices for Pennsylvania from 1980 until April of 2009. Price fluctuation is not new, but this chart shows that the extremes between the peaks and valleys are wider over the last 10 years. This volatility is what has become difficult for dairy farm businesses to manage.

Dairy Livestock Gross Margin Insurance or forward contracting of milk and feed—when there is a profit to protect—are some tools that we will explain along the way.

The Class III milk futures and options, along with the corn and soybean futures and options prices, are determined at an open auction on the Chicago Mercantile Exchange (CME). Due to a merger with the former Chicago Board of Trade, almost all agricultural commodities are now traded on the CME. The CME trades these ag based commodities as well as interest rates, metals, and other non-agricultural products.

Airlines use the futures market to control fuel costs and protect profits. Banks use the futures market to control interest costs and protect profits. Farmers can use the futures market to control feed costs and protect profits.

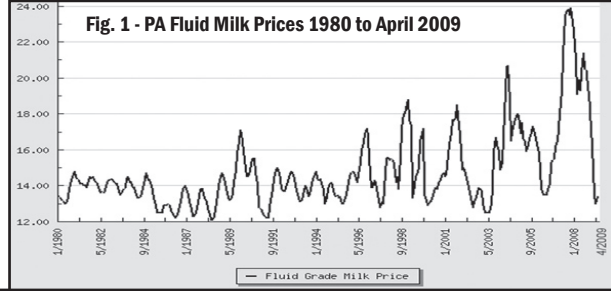
Historically, brokers made these trades for a client in the 'trading pit.' Many agricultural products are traded this way during the day, but can also be traded electronically 24 hours a day on weekdays. Brokers place trades for clients.

Prices change daily. The market data below are compiled weekly by Farmshine, using CME and USDA reports and the Center for Dairy Excellence ScoreCard. This market information is an example for educational purposes.

The CLASS III MILK FUTURES row (below) shows the prices for contracts traded in each of the next 12 months at the end of the trading day. The new trading day starts right away on the electronic trading platform, but each day has a closing price.

Class III milk is generally used for cheese production. A Class III milk contract on the CME consists of 200,000 lbs. of milk at standardized component levels established by CME.

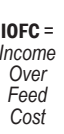
We intend to provide a brief commentary each week to explain concepts, terms and prices from the tables below. Readers are welcome to suggest topics or questions.



CME DAILY FUTURES & OPTIONS TRADING — JUNE 9, 2009 CLOSE

	JUN-09	JUL-09	AUG-09	SEP-09	OCT-09	NOV-09	DEC-09	JAN-10	FEB-10	MAR-10	APR-10	MAY-10
CLASS III MILK FUTURES (\$/CWT)	9.91	10.74	11.71	12.92	13.54	14.09	14.38	14.64	14.52	15.05	15.11	15.27
	WEEK AGO											
	10.12	11.10	12.35	13.73	14.40	14.83	15.05	15.16	15.04	15.55	15.79	15.81
	CONTRACT HIGH / LOW & DATE											
	18.75 4/08	18.40 8/08	16.90 9/08	17.00 9/08	18.62 8/08	16.10 3/09	20.30 7/08	14.72 6/09	18.15 8/08	19.30 7/08	19.20 7/08	19.10 7/08
	9.92 6/09	10.60 6/09	11.57 6/09	12.79 6/09	13.17 1/09	13.95 6/09	14.27 6/09	14.50 6/09	14.49 6/09	13.72 1/09	13.98 1/09	14.25 1/09
MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)												
PA	2.63	2.61	2.38	2.37	2.87	3.19	3.01	3.40	3.19	3.32	1.94	2.23
NY	1.57	1.61	1.44	1.39	1.79	2.17	1.97	2.32	2.11	2.32	1.04	1.43
VT	1.69	1.71	1.44	1.53	1.99	2.27	1.99	2.38	2.15	2.42	1.10	1.39
NJ	1.43	1.41	1.18	1.17	1.67	1.99	1.81	2.20	1.99	2.12	0.74	1.03
DE	2.05	2.03	1.80	1.79	2.29	2.61	2.43	2.82	2.61	2.74	1.36	1.65
MD	2.01	1.99	1.76	1.75	2.25	2.57	2.39	2.78	2.57	2.70	1.32	1.61
OH	1.51	1.63	1.26	1.33	1.91	2.31	2.23	2.32	2.15	2.34	0.98	1.25
WV	1.45	1.43	1.20	1.19	1.69	2.01	1.83	2.22	2.01	2.14	0.76	1.05
MILC PAYMENT (\$/CWT) PROJECTIONS Based on Futures as of June 5, 2009	2.04	1.82	1.65	1.50	1.01	0.61	0.34	0.27	0.19	0.16	0.03	0.00
CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium	9.75 0.06	10.50 0.27	11.50 0.48	12.75 0.65	13.50 0.84	14.00 0.95	14.25 1.02	14.50 1.03	14.50 1.15	14.50 0.98	14.50 1.02	15.25 1.40

MILC = Milk Income Loss Contract MAY MILC (not shown) is estimated at \$1.52



	JUL-09	SEP-09	DEC-09	MAR-10		JUL-09	SEP-09	OCT-09	DEC-09			
CORN (\$/BU) OPTIONS — CALLS	3.35 1.003	3.50 1.064	3.80 1.022	N/A	Example Daily Strike Price / Premium	380 30.80	340 31.95	330 30.15	330 31.65			
	3.65 0.706	3.90 0.726	4.30 0.701	N/A		400 16.95	370 19.25	360 19.25	370 19.15			
	4.05 0.414	4.40 0.412	5.00 0.407	N/A		430 5.25	410 9.65	390 9.60	420 10.40			
	4.55 0.102	5.50 0.101	6.90 0.103	N/A		460 1.25	500 1.85	500 1.10	550 1.50			
CORN FUTURES (\$/BU)	JUL-09	SEP-09	DEC-09	MAR-10	JUL-10	SEP-10	DEC-10	MAR-11	JUL-11	DEC-11		
	4.440	4.532	4.662	4.774	4.846	4.914	4.770	4.622	4.726	4.832	4.716	
	WEEK AGO											
	4.494	4.596	4.726	4.830	4.902	4.970	4.840	4.700	4.800	4.900	4.784	
SOYMEAL FUTURES (\$/TON)	JUL-09	AUG-09	SEP-09	OCT-09	DEC-09	JAN-10	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10
	407.8	376.6	353.3	334.3	325.8	321.6	317.1	309.4	306.0	302.5	296.0	283.0
	WEEK AGO											
	387.5	367.8	350.3	334.1	325.8	321.6	317.0	309.0	305.5	300.5	295.5	286.5

MILK MARGIN — LATEST PSU VALUES — APR 2009				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 06/09/09							SPOT CASH	
	FEED COST (\$/COW @ 65 lbs milk)	IOFC (\$/COW @ 65 lbs milk)	MILK MARGIN (as \$/CWT)	JUN	JUL	AUG	SEP	OCT	NOV	DEC		
CURRENT	4.18	4.53	6.97	NFDM	0.845	0.855	0.885	0.925	0.950	0.955	0.965	0.902
PREV MO	4.22	4.23	6.51	WHEY	0.260	0.272	0.287	0.312	0.297	0.305	0.307	N/A
YRAGO	5.75	7.19	11.06	BUTTER	1.240	1.262	1.290	1.310	1.315	1.317	1.345	1.230
				CME SPOT CHEESE: 40 LB BLOCKS	1.1500 / BARRELS							1.0975

ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)						CURRENT FED. ORDER COMPONENTS (\$/LB)			
CL I ADV	CLASS II	CLASS III	CLASS IV	ALL-MILK U.S.	ALL-MILK PA	WK ENDING 06/05/09			
10.08 (JUN)	10.71 (MAY)*	9.84 (MAY)*	10.14 (MAY)*	11.70 (MAY)	13.40 (MAY)	ITEM	VALUE	MAKE ALLOWANCE	NET
MONTH AGO						NFDM	0.8318	0.1678	0.6640
10.97	10.49	10.78	9.82	11.90	13.40	DRY WHEY	0.2317	0.1991	0.0326
YEAR AGO						BUTTER	1.2159	0.1715	1.0444
18.18	15.51	18.18	15.26	18.30	19.30	CHEESE	1.1553	0.2003	0.9550

CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales - New Holland, PA - June 3, 2009)

COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
1390	N/A	1215	1215	1315	775	990	1040	675
FOUR WEEK AVG								
1430	825	1280	1218	1375	795	1010	1050	750

Avg. of prices reported by USDA Market News for PA Auction Markets June 4 - 9, 2009

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	WK AGO	YR AGO
54.00	51.75	50.10	46.00	71.75	73.85	81.50	76.75	75.60	91.00	
WEEK AGO				76.75			75.60			
56.00	53.00	51.50	48.25	YEAR AGO			75.60			
68.00	64.75	60.25	56.35	YEAR AGO			75.60			

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