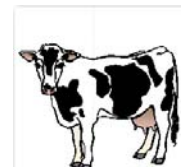
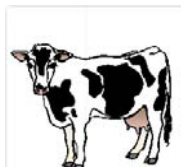


# The Milk Market News



October 20, 2009

**Farmland Legacy Workshops** - Please see the enclosed information announcing three “Farmland Legacy Workshops” to be held in Jackson, Murfreesboro, and Knoxville. The program will emphasize succession planning and estate planning tools. Please note a change from the printed material. The registration fee will not increase on October 19 as stated. The registration fee will remain \$25.00. An excellent program is planned to address vital issues that affect many farm families. Additional information can be found at [www.farmlandlegacy.org](http://www.farmlandlegacy.org).

**Price Outlook** - The Southeast Uniform milk price for September was \$14.12, up 82 cents from August and \$6.51 lower than September 2008. September’s Class III price was \$12.11, up 91 cents from August, and \$4.17 lower than September a year ago. The Class IV price was up 77 cents from August to \$11.15, and \$4.30 under September 2008. Class I utilization was 73.08%, up 2.29% from August. The butterfat price was \$1.2549, up slightly from last month. The September Class I price was \$14.73. The October Class I price is \$16.15, up \$1.42 from September and \$3.18 lower than October 2008. USDA reported the 23-state milk production down 0.7% in September from September 2008. Regional supplies are tightening some as handlers gear up for holidays. Futures prices were up today, pushing them above month ago levels. Class III futures prices on October 20: October \$12.76, up 5 cents from a month ago; November \$13.88, up 18 cents; December \$14.65, up 37 cents; January 2010 \$14.70, up 40 cents; February \$14.75, up 25 cents; March \$15.01, up 47; April \$15.00, up 41 cents; May \$15.05, up 45 cents; June \$15.10, up 20 cents; July \$15.35, up 25 cents; and August \$15.53, up 8 cents. Larger inventories than expected were reported for August. Total cheese stocks usually decline in August, but this August’ decline was the smallest since 1992. American cheese stocks on August 31 were 53.9 million pounds more than a year ago. Commercial butter inventories increased in August for the first time since 1990. Butter stocks usually decline during July and August, but increased this year. August 31 powder stocks are down 28% over the last two months. August cheddar cheese production declined seasonally and was up 1.6% from a year ago. Total cheese production was up 2.6%. August butter production was down 13.6%, the lowest August production in three years. August NDM/SMP production was down 18%, the lowest since September 2007. August whey product was up 3.3% over a year ago. August export volume was the highest of 2009, but 44% less than August a year ago. The dollar value of August exports was down 49.1%. June through August fluid sales were up 2.2%. August cow slaughter was 238,900 head up slightly from July.

**MILC** - FSA has announced the MILC payment for August at \$1.6425. Preliminary September feed prices released on September 30 were \$3.32 per bushel for corn, \$9.85 per bushel for soybeans, and \$110.00 per ton for alfalfa hay, resulting in a preliminary MILC estimate for September near \$1.24. The base price for October has been announced at \$12.35, the highest since January. October MILC payment will be minimum of \$0.60.

**Risk Management Series for Dairy Producers** - Virginia Extension will be offering an online “Dairy Risk Management Workshop” series. The schedule and instructions for online viewing can be found at [www.extension.agecon.vt.edu/agmarketing.html](http://www.extension.agecon.vt.edu/agmarketing.html).

Southeast Federal Order Prices						
Month	Uniform Price	Class I Price	Class III Price	Class IV Price	Percent Class I	Butterfat Price (lb)
Apr 09	13.14	14.16	10.78	9.82	61.02	1.1992
May 09	13.21	14.77	9.84	10.14	57.18	1.2567
June 09	12.83	13.88	9.97	10.22	61.19	1.2677
July 09	13.07	14.06	9.97	10.15	66.92	1.2693
Aug 09	13.30	13.84	11.20	10.38	70.79	1.2508
Sept 09	14.12	14.73	12.11	11.15	73.08	1.2508

### What Is The Market Offering For Milk To Be Sold in January?

Example: It's Oct. 20 and Jan. Class III Milk Futures are trading at \$14.70. Local Jan. basis estimate is +\$2.00.

Then in January: If January Futures	=	\$16.25	\$14.75	\$13.25	
and actual blend price	=	18.25	16.75	15.25	
Sample Strategies (Executed 10/20)		Realized Prices for January Milk			
1) Sold Futures	@	14.70	\$16.70	\$16.70	\$16.70
2) Bought Put	\$13.50 @	0.20	18.05	16.55	15.30
3) Bought Put	\$14.00 @	0.35	17.90	16.40	15.65
4) Bought Put	\$14.50 @	0.55	17.70	16.20	15.95
5) Synthetic Put:					
Sold Futures	@	14.70			
Bought Call	\$16.00 @	0.22	16.73	16.48	16.48

### What Is The Market Offering For Milk To Be Sold in February?

Example: It's Oct. 20 and Feb. Class III Milk Futures are trading at \$14.75. Local Feb. basis estimate is +\$2.00.

Then in February: If February Futures	=	\$16.25	\$14.75	\$13.25	
and actual blend price	=	18.25	16.75	15.25	
Sample Strategies (Executed 10/20)		Realized Prices for February Milk			
1) Sold Futures	@	14.75	\$16.75	\$16.75	\$16.75
2) Bought Put	\$13.75 @	0.29	17.96	16.46	15.46
3) Bought Put	\$14.25 @	0.47	17.78	16.28	15.78
4) Bought Put	\$14.75 @	0.70	17.55	16.05	16.05
5) Synthetic Put:					
Sold Futures	@	14.75			
Bought Call	\$16.00 @	0.27	16.68	16.43	16.43

### What Is The Market Offering For Milk To Be Sold in March?

Example: It's Oct. 20 and Mar. Class III Milk Futures are trading at \$15.01. Local Mar. basis estimate is +\$2.00.

Then in March: If March Futures	=	\$16.50	\$15.00	\$13.50	
and actual blend price	=	18.50	17.00	15.50	
Sample Strategies (Executed 10/20)		Realized Prices for March Milk			
1) Sold Futures	@	15.01	\$17.01	\$17.01	\$17.01
2) Bought Put	\$14.00 @	0.35	18.15	16.65	15.65
3) Bought Put	\$14.50 @	0.54	17.96	16.46	15.96
4) Bought Put	\$15.00 @	0.77	17.73	16.23	16.23
5) Synthetic Put:					
Sold Futures	@	15.01			
Bought Call	\$16.25 @	0.34	16.61	16.36	16.36

