

DFA's Future Contracting Service

If you are a DFA member, you can contract directly through DFA's future contracting service. To use the DFA Service there is a 10-cent per cwt. charge on the amount of milk you have contracted. The advantages for using DFA to make your contracts are:

You can make a contract as small as 20,000 lbs., and increase the contract size in 5,000 lb. increments. If you use a broker, the smallest contract you can make is 100,000 lbs. and you can only increase by 100,000 lb. increments.

DFA makes all of your margin call deposits and your account is settled with DFA through your milk check. With a broker, any time your margin account is short you are required to make a deposit.

With DFA you can contract up to 100% of your average monthly production.

With DFA, when a member receives their milk check for the delivery period of the contract, adjustments are made to the milk check equal to the difference between the forward contract price (FCP) and the announced Class III price multiplied by the volume contracted. Remember the price you contracted for is not what you will be paid for your milk. You will be paid the contracted price plus your basis. If you use a broker, your account is cashed settled and you do not make physical delivery of milk to any location.

It is important to develop a marketing strategy if you are going to become a market risk manager. That strategy should start with tracking the futures market and what is impacting the market. Useful sources to track market prices are:

- the CME web site <http://www.cme.com>
- DTN systems
- DFA's market update toll-free number (877-424-3343)
- contact a broker