

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — **DECEMBER 1, 2009** — except where noted



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## Milk Basis... continued from last week

**Basis for milk is simply your milk check price minus the Class III price for that month.** Commodity basis values are not constant. Each commodity has a historical range of values that we can see on the chart below and the graph.

Joe Dairyman uses 'basis' to help estimate his future milk check price. Each month Joe subtracts the closing Class III milk price for that month from his net mailbox price to create his own farm's historic basis values. He records this value for future reference. This allows him to estimate future milk prices on his farm more accurately than with state basis averages.

Joe wants to be comfortable that any Class III milk futures price he chooses to protect for March 2010 will actually reflect his mailbox price. The average March Class III milk basis on Joe's farm is \$2.00, but he will use \$1.50 to be safe. To estimate his March 2010 mailbox price, Joe takes the March-10 Class III future price of \$15.40 below, and he adds the \$1.50. This gives Joe a conservative March 2010 price forecast for his farm of \$16.90

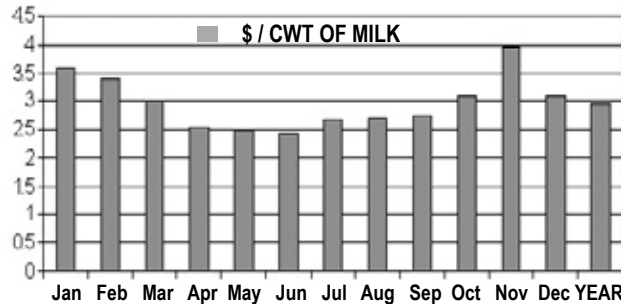
To use the basis values from the graph below, remember that the March basis of \$3.32 is from one year (2008). The values in the chart are very similar to the long term state average values in the graph. Your farm may have different hauling costs, component percentages, cooperative dues, quality and other premiums

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.

than the average. To be safer when estimating future prices, use a reasonable basis value from the lower end of the range. This should help to reduce any unpleasant price surprises.

**Crop insurance note:** Because of the Christmas holidays, LGM will be offered for sale on December 18 & 19, 2009. The harvest price has been set for CRC corn at \$3.72 and soybeans at \$9.66. If you think you have a claim, call your agent immediately. Claims may be denied if notice of loss is turned in after 12/10/09. Your questions and comments are always welcomed.

## GROSS PA 'BASIS'



## CME DAILY FUTURES & OPTIONS TRADING — DECEMBER 1, 2009 CLOSE

	NOV-09	DEC-09	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10
<b>CLASS III MILK FUTURES (\$/CWT)</b>	14.08	14.84	14.97	15.09	15.40	15.53	15.70	15.90	16.14	16.24	16.16	16.00
	14.04	14.70	14.85	14.94	15.25	15.48	15.64	15.75	16.03	16.05	16.03	15.93
WEEK AGO												
HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED												
	20.60 6/08	20.64 6/08	20.30 6/08	19.89 6/08	19.75 6/08	19.60 6/08	19.50 6/08	19.20 7/08	19.20 7/08	16.24 12/09	16.16 12/09	16.00 11/09
	12.80 8/09	13.00 9/09	13.23 1/09	13.31 8/09	13.41 8/09	13.58 8/09	13.82 8/09	14.49 8/09	14.75 9/09	15.00 9/09	15.35 10/09	15.44 11/09
<b>MILK BASIS (\$/CWT) — SELECTED NORTHEAST &amp; MID-ATLANTIC STATES (2008 Historical Reference)</b>												
PA	3.19	3.01	3.40	3.19	3.32	1.94	2.23	2.63	2.61	2.38	2.37	2.87
NY	2.17	1.97	2.32	2.11	2.32	1.04	1.43	1.57	1.61	1.44	1.39	1.79
VT	2.27	1.99	2.38	2.15	2.42	1.10	1.39	1.69	1.71	1.44	1.53	1.99
NJ	1.99	1.81	2.20	1.99	2.12	0.74	1.03	1.43	1.41	1.18	1.17	1.67
DE	2.61	2.43	2.82	2.61	2.74	1.36	1.65	2.05	2.03	1.80	1.79	2.29
MD	2.57	2.39	2.78	2.57	2.70	1.32	1.61	2.01	1.99	1.76	1.75	2.25
OH	2.31	2.23	2.32	2.15	2.34	0.98	1.25	1.51	1.63	1.26	1.33	1.91
WV	2.01	1.83	2.22	2.01	2.14	0.76	1.05	1.45	1.43	1.20	1.19	1.69
<b>MILC PAYMENT (\$/CWT) FORECASTS</b> Based on Futures as of Fri., Nov. 27, 2009												
	0.37	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium</b>												
	14.00 0.00	14.75 0.15	14.75 0.44	15.00 0.61	15.25 0.70	15.25 0.67	15.50 0.81	15.75 0.91	16.00 0.99	16.00 1.02	16.00 1.11	16.00 1.25

MILC = Milk Income Loss Contract OCT MILC (not shown) is estimated at \$0.60

MAR-10	MAY-10	JUL-10	SEP-10		JAN-10	MAR-10	MAY-10	JUL-10
<b>CORN (\$/BU) OPTIONS — CALLS</b>				Example Daily Strike Price / Premium	<b>SOYMEAL (\$/TON) OPTIONS — CALLS</b>			
3.10 1.056	3.20 1.082	3.40 1.026	3.50 1.041		280 34.00	280 34.25	280 35.85	290 34.75
3.50 0.696	3.70 0.676	3.80 0.742	4.40 0.537		290 25.05	290 27.20	300 20.30	310 25.30
4.10 0.302	4.20 0.387	4.30 0.477	4.90 0.371		310 10.90	310 16.60	330 13.40	350 13.80
4.80 0.100	5.30 0.104	6.10 0.103	6.40 0.102		350 1.25	400 1.80	450 1.80	510 1.90

DEC-09	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	JUL-12
<b>CORN FUTURES (\$/BU)</b>											
3.996	4.144	4.244	4.326	4.384	4.444	4.534	4.584	4.640	4.580	4.544	4.704
WEEK AGO											
3.872	4.032	4.132	4.212	4.274	4.344	4.436	4.490	4.544	4.514	4.464	4.644
<b>SOYMEAL FUTURES (\$/TON)</b>											
324.7	313.4	308.9	306.1	307.0	306.7	304.4	299.4	299.4	299.4	301.4	299.4
WEEK AGO											
315.6	309.1	303.8	301.4	301.4	301.0	299.0	295.0	295.1	295.1	297.1	295.1

* = NEW MILK MARGIN — LATEST PSU VALUES — OCT 2009				CME DAIRY CASH-SETTLED FUTURES (\$/LB) 12/01/09										SPOT CASH
FEED COST		IOFC (\$/COW @ 65 lbs milk)	MILK MARGIN (\$/CWT milk)	NOV	DEC	JAN	FEB	MAR	APR	MAY	12/01/09			12/01/09
(Now based on \$/CWT milk)				NFDM	1.137	1.240	1.270	1.260	1.180	1.170	1.4075			1.4075
<b>CURRENT</b>		<b>5.85</b>	<b>6.21</b>	<b>9.55</b>	0.347	0.367	0.382	0.382	0.382	0.392	0.380			N/A
PREV MO		6.14	5.24	8.06	1.383	1.480	1.500	1.515	1.582	1.605	1.630			1.5250
YR AGO		6.92	8.12	12.47	<b>CME SPOT CHEESE: 40 LB BLOCKS 1.6700 / BARRELS 1.4900</b>									

Jan - Sept 2009 vs 2008 Commercial Disappearance	* = 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	WK ENDING 11/20/09			OCT. 2009		
	13.99 (DEC)	11.93 (OCT)	12.82 (OCT)	11.86 (OCT)	*15.00 (NOV)	*16.40 (NOV)	PRODUCT	VALUE	MAKE ALLOW	NET	COMPONENTS	
	Butter -7.8%	12.86	11.01	12.11	11.15	13.80	*15.80	CHEESE	1.5113	0.2003	1.3110	PROT 2.5584
Nat. Am Cheese +4.5%	MONTH AGO						BUTTER	1.3532	0.1715	1.1817	B.FAT 1.2752	
Other Cheese +0.6%	YEAR AGO						NFDM	1.1147	0.1678	0.9469	N.FAT 0.8506	
NFDM -6.2%	15.43	16.60	17.06	13.62	17.10	19.20	DRY WHEY	0.3452	0.1991	0.1461	OTHER 0.1228	
Fluid Milk +1.2%												

CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales - New Holland, PA - (Nov. 25, 2009)										
COWS: Fresh		Bred	Springing	HEIFERS: Bred		Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
1400		N/A	1185	1175		1350	515	875	N/A	725
FOUR WEEK AVG										
1315		985	1135	1125		1255	465	705	765	690
Avg. of prices reported by USDA Market News for PA Auction Markets Nov. 30-Dec. 1, 2009										
<b>CULL MARKET COWS (\$/CWT LIVELWEIGHT)</b>										
Premium White		Breakers	Boners	Lean						
45.75		44.75	42.25	39.60		FED HOLSTEIN STEERS (\$/CWT LIVELWEIGHT)				
WEEK AGO						Choice & Prime 1250-1550 lbs		CURRENT		YR AGO
46.00						43.85		N/A		71.35
YEAR AGO						BULL CALVES: No. 1 & 2, 85-130 lbs		48.00		70.00
49.25						45.75		43.25		58.00

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Average to high dressing