

# CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — **DECEMBER 8, 2009** — except where noted

## How Do I Start Protecting a Price?

Price risk management is a new concept to many dairy producers. Joe Dairyman is constantly evaluating new concepts to see how they fit into his business. No-till, embryo transfer and rotational grazing are all subjects that Joe has looked at. He asks for opinions from his neighbors, feed consultant, veterinarian, and others to determine whether these concepts will fit into the way Joe manages his farm. Before Joe decides to use embryo transfer, he needs to understand the procedure, find someone who can do it on his farm, and accurately estimate the costs. Then Joe decides whether or not using embryo transfer will increase his long term profits.

Becoming comfortable with price risk management concepts is no different than any other new undertaking. You should understand the language and strategy of risk management, know who to call to take action, know what the costs will be and experiment a little. As with all new concepts, there is a lot of information to be aware of. Once you make up your mind that price risk management is important to the future of your business, you will spend the time needed to learn the language and concepts. The goal when you study any new topic should be that you understand that topic well enough to say: "I know what to do," not "I don't know what to do."

There are many resources for help. My role is to help farm-

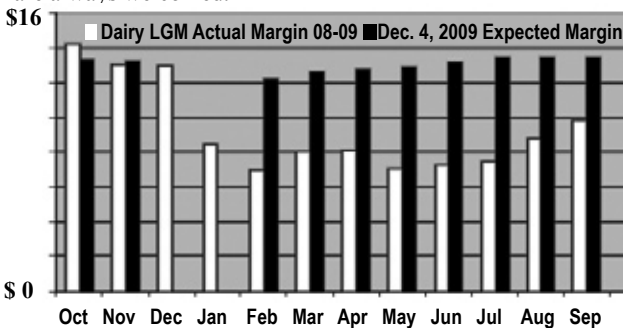
Prices change daily. This market information is an example for educational purposes. The market data below are compiled weekly by Farmshine, using CME and USDA reports and the CDE Scorecard.

ers understand risk management tools and concepts. Several milk marketing cooperatives have risk management specialists tasked to help members understand the cooperative's risk management tools. Extension educators, nutrition consultants, veterinarians, bankers, accountants, crop insurance agents and many other people, that you know and trust, can help. You need to start the process.

Because of the Christmas holidays, LGM will be offered for sale on Dec. 18 & 19, 2009. Your questions and comments are always welcomed.



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## CME DAILY FUTURES & OPTIONS TRADING — DECEMBER 8, 2009 CLOSE

DEC-09	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10	NOV-10
14.71	14.50	14.54	15.01	15.29	15.42	15.70	16.15	16.20	16.24	16.05	15.95

### CLASS III MILK FUTURES (\$/CWT)

14.84	14.97	15.09	15.40	15.53	15.70	15.90	16.14	16.24	16.16	16.00	15.95
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WEEK AGO

HIGHEST & LOWEST DAILY SETTLE PRICE OVER LIFE OF CONTRACT AND MONTH/YEAR IT OCCURRED

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	16.24 12/09	16.06 12/09	15.95 12/09
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	15.95 12/09

### MILK BASIS (\$/CWT) — SELECTED NORTHEAST & MID-ATLANTIC STATES (2008 Historical Reference)

	PA	NY	VT	NJ	DE	MD	OH	WV
3.01	3.40	3.19	3.32	1.94	2.23	2.63	2.61	2.38
1.97	2.32	2.11	2.32	1.04	1.43	1.57	1.61	1.44
1.99	2.38	2.15	2.42	1.10	1.39	1.69	1.71	1.44
1.81	2.20	1.99	2.12	0.74	1.03	1.43	1.41	1.18
2.43	2.82	2.61	2.74	1.36	1.65	2.05	2.03	1.80
2.39	2.78	2.57	2.70	1.32	1.61	2.01	1.99	1.76
2.23	2.32	2.15	2.34	0.98	1.25	1.51	1.63	1.26
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 Fri., Dec. 4, 2009

0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
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### CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium

14.50 0.04	14.50 0.39	14.50 0.60	15.00 0.65	15.25 0.74	15.25 0.77	15.50 0.83	16.00 0.97	16.00 1.03	16.00 1.06	16.00 1.21	15.75 1.18
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### CORN (\$/BU) OPTIONS — CALLS

MAR-10	MAY-10	JUL-10	SEP-10
2.80 1.043	2.90 1.072	3.10 1.025	3.20 1.044
3.30 0.591	3.40 0.653	3.50 0.724	4.10 0.516
3.80 0.263	3.90 0.354	4.00 0.450	5.00 0.254
4.20 0.117	4.80 0.105	5.40 0.120	6.10 0.100

Example  
Daily Strike  
Price / Premium

### SOYMEAL (\$/TON) OPTIONS — CALLS

JAN-10	MAR-10	MAY-10	JUL-10
280 32.70	280 33.40	280 36.60	290 35.55
290 23.15	300 20.45	300 24.85	310 26.05
310 8.15	340 6.95	360 7.75	390 8.00
330 1.85	390 1.95	440 1.55	490 1.95

### CORN FUTURES (\$/BU)

DEC-09	MAR-10	MAY-10	JUL-10	SEP-10	DEC-10	MAR-11	MAY-11	JUL-11	SEP-11	DEC-11	JUL-12
3.694	3.850	3.960	4.056	4.130	4.206	4.314	4.376	4.432	4.364	4.334	4.514

WEEK AGO

3.996	4.144	4.244	4.326	4.384	4.444	4.534	4.584	4.640	4.580	4.544	4.704
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### SOYMEAL FUTURES (\$/TON)

DEC-09	JAN-10	MAR-10	MAY-10	JUL-10	AUG-10	SEP-10	OCT-10	DEC-10	JAN-11	MAR-11	MAY-11
316.6	308.1	305.0	304.4	306.0	305.5	302.2	296.2	296.0	297.0	299.0	297.0

WEEK AGO

324.7	313.4	308.9	306.1	307.0	306.7	304.4	299.4	299.4	299.4	301.4	299.4
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### \*NEW MILK MARGIN — LATEST PSU VALUES — OCT 2009

	FEED COST	IOFC (\$/COW @ 65 lbs milk)	MILK MARGIN (\$/CWT milk)
CURRENT	5.85	6.21	9.55
PREV MO	6.14	5.24	8.06
YR AGO	6.92	8.12	12.47

### CME DAIRY CASH-SETTLED FUTURES (\$/LB) 12/08/09

	DEC	JAN	FEB	MAR	APR	MAY	JUN	12/08/09
NFDM	1.285	1.370	1.375	1.375	1.300	1.300	1.300	1.4075
WHEY	0.360	0.380	0.382	0.382	0.387	0.373	0.379	N/A
BUTTER	1.460	1.410	1.415	1.456	1.480	1.525	1.565	1.4300

CME SPOT CHEESE: 40 LB BLOCKS 1.7000 / BARRELS 1.4600

### \*NEW ANNOUNCED FEDERAL ORDER PRICES (\$/CWT)

CL I ADV	*CL II	*CL III	*CL IV	ALL-MILK U.S.	ALL-MILK PA
13.99 (DEC)	*13.24 (NOV)	*14.08 (NOV)	*13.25 (NOV)	15.00 (NOV)	16.40 (NOV)
12.86	11.93	12.82	11.86	13.80	15.80
15.43	14.45	15.51	12.25	17.10	19.20

### CURRENT FEDERAL ORDER VALUES (\$/LB)

PRODUCT	VALUE	MAKE ALLOW	NET	NOV. 2009 COMPONENTS
CHEESE	1.5169	0.2003	1.3166	PROT 2.6991
BUTTER	1.3817	0.1715	1.2102	B.FAT 1.4656
NFDM	1.1120	0.1678	0.9442	N.FAT 0.9348
DRY WHEY	0.3471	0.1991	0.1480	OTHER 0.1524

### Price averages do not include lower-end common cows and heifers. CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales — New Holland, PA — (Dec. 2, 2009)

COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
1425	N/A	N/A	1175	1165	N/A	715	N/A	585
1360	N/A	1115	1140	1245	470	715	785	635

Avg. of prices reported by USDA Market News for PA Auction Markets Dec. 3-8, 2009

### CULL MARKET COWS (\$/CWT LIVELWEIGHT)

Premium White	Breakers	Boners	Lean
44.00	43.35	41.50	38.60
45.75	44.75	42.25	39.60
47.50	44.50	41.00	37.25

Average to high dressing

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