

CDE DAIRY MARKETS & MANAGEMENT UPDATE

All prices — NOVEMBER 23, 2009 — except where noted

Milk Basis?

The CME group defines basis as the local cash market price minus the price of the nearby futures contract for that commodity. **Basis for milk is simply your milk check price minus the Class III price for that month.** As an example, for October 2009 take the NASS All Milk PA price of \$15.40 (shown below) subtract the October 2009 Class III settlement price of \$12.82 which equals an October 2009 basis of +\$2.58.

Basis values for any commodity can change from month to month as we see on both the chart below and the graph. Each farm's milk basis will be different due to differences in hauling, component levels, quality and other premiums. All commodities have a range of basis values from the past that can help to predict a price in the future.

Your mailbox milk price is determined by various formulas that usually start from the Class III milk contract settlement price established at the CME group. The graph shows average monthly basis values since January of 2000 using the all milk price published by NASS. This basis is calculated using the gross milk price received by farmers in Pennsylvania. The October basis varied from \$2.24 in 2008 to \$4.80 in 2007 and averaged \$3.10 over the last ten years.

The basis values in the chart below come from the Risk Management Agency website. You can see that these values are very

similar to the ones in the graph using NASS data. I will continue next week.

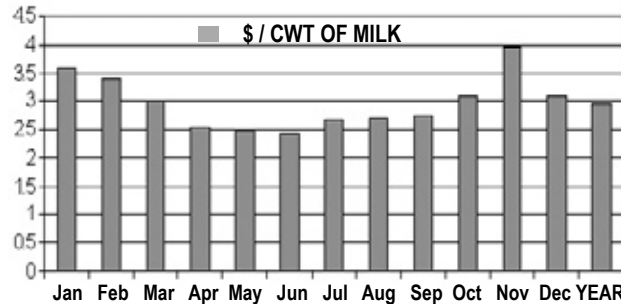
Crop insurance note: Because of the Christmas holidays, LGM will be offered for sale on December 18 & 19, 2009.

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. GRP forage production insurance enrollment/policy change deadline for grass and legumes is 11/30 for 2010 crop year. Your questions and comments are always welcomed.



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GROSS PA 'BASIS'



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.

CME DAILY FUTURES & OPTIONS TRADING — NOVEMBER 23, 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
14.04	14.70	14.85	14.94	15.25	15.48	15.64	15.75	16.03	16.05	16.03	15.93

CLASS III MILK FUTURES (\$/CWT)

NOV-09	DEC-09	JAN-10	FEB-10	MAR-10	APR-10	MAY-10	JUN-10	JUL-10	AUG-10	SEP-10	OCT-10
14.04	14.70	14.85	14.94	15.25	15.48	15.64	15.75	16.03	16.05	16.03	15.93
14.07	14.53	14.60	14.74	15.05	15.24	15.45	15.65	15.80	15.89	15.90	15.79

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	16.05 11/09	16.03 11/09	15.93 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

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

State	PA	NY	VT	NJ	DE	MD	OH	WV
Nov	3.19	2.17	2.27	1.99	2.61	2.57	2.31	2.01
Dec	3.01	1.97	1.99	1.81	2.43	2.39	2.23	1.83
Jan	3.40	2.32	2.38	2.20	2.82	2.78	2.32	2.22
Feb	3.19	2.11	2.15	1.99	2.61	2.57	2.15	2.01
Mar	3.32	2.32	2.42	2.12	2.74	2.70	2.34	2.14
Apr	1.94	1.04	1.10	0.74	1.36	1.32	0.98	0.76
May	2.23	1.43	1.39	1.03	1.65	1.61	1.25	1.05
Jun	2.63	1.57	1.69	1.43	2.05	2.01	1.51	1.45
Jul	2.61	1.61	1.71	1.41	2.03	1.99	1.63	1.43
Aug	2.38	1.44	1.44	1.18	1.80	1.76	1.26	1.20
Sep	2.37	1.39	1.53	1.17	1.79	1.75	1.33	1.19
Oct	2.87	1.79	1.99	1.67	2.29	2.25	1.91	1.69

MILC PAYMENT (\$/CWT) FORECASTS Based on Futures as of Fri., Nov. 20, 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
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CLASS III MILK (\$/CWT) OPTIONS — PUTS — Daily Strike Price / Premium

14.00 0.02	14.50 0.17	14.75 0.52	14.75 0.60	15.25 0.80	15.25 0.71	15.50 0.85	15.75 1.00	16.00 1.06	16.00 1.12	16.00 1.19	15.75 1.16
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CORN (\$/BU) OPTIONS — CALLS

Strike	Mar-10	May-10	Jul-10	Sep-10
3.00	1.077	1.005	1.026	1.035
3.50	0.631	0.676	0.731	0.761
4.00	0.310	0.377	0.456	0.510
4.70	0.100	0.110	0.104	0.101

Example
Daily Strike Price / Premium

SOYMEAL (\$/TON) OPTIONS — CALLS

Strike	Jan-10	Mar-10	May-10	Jul-10
280	32.05	38.50	39.55	36.60
290	23.90	19.50	22.55	26.70
310	11.40	9.25	10.55	14.75
360	1.35	1.55	1.55	1.60

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
3.872	4.032	4.132	4.212	4.274	4.344	4.436	4.490	4.544	4.514	4.464	4.644
4.020	4.174	4.272	4.346	4.404	4.464	4.542	4.600	4.654	4.634	4.590	4.790

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
315.6	309.1	303.8	301.4	301.4	301.0	299.0	295.0	295.1	295.1	297.1	295.1
308.7	301.7	298.2	297.2	297.9	297.9	297.5	294.0	295.0	295.0	297.0	295.0

* = NEW MILK MARGIN — LATEST PSU VALUES — OCT 2009

FEED COST	IOFC (\$/COW @ 65 lbs milk)	MILK MARGIN (\$/CWT milk)
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) 11/23/09

	NOV	DEC	JAN	FEB	MAR	APR	MAY	SPOT CASH 11/23/09
NFDM	1.147	1.240	1.250	1.245	1.235	1.180	1.170	1.4000
WHEY	0.347	0.365	0.377	0.380	0.380	0.389	0.380	N/A
BUTTER	1.383	1.500	1.537	1.565	1.635	1.642	1.655	1.5250

CME SPOT CHEESE: 40 LB BLOCKS 1.6100 / BARRELS 1.5000

USDA REPORTS: FINAL AUGUST 2009

ALL-MILK	MAILBOX
U.S. \$12.00	\$12.04
PA \$13.30	\$12.05
NY \$12.00	\$11.81
N.ENGL \$12.70	\$12.57
OH \$13.20	\$12.45
APPAL \$14.20	\$13.04

* = 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)	11.93 (OCT)	12.82 (OCT)	11.86 (OCT)	13.80 (OCT)	15.40 (OCT)
MONTH AGO					
12.86	11.01	12.11	11.15	12.90	14.20
YEAR AGO					
15.43	16.60	17.06	13.62	17.80	19.30

CURRENT FEDERAL ORDER VALUES (\$/LB)

WK ENDING 11/20/09 *	PRODUCT	VALUE	MAKE ALLOW	NET	OCT. 2009 COMPONENTS
	CHEESE	1.5113	0.2003	1.3110	PROT 2.5584
	BUTTER	1.3532	0.1715	1.1817	B.FAT 1.2752
	NFDM	1.1147	0.1678	0.9469	N.FAT 0.8506
	DRY WHEY	0.3432	0.1991	0.1441	OTHER 0.1228

CATTLE FOR DAIRY PURPOSES (\$/HEAD) NORTHEAST (Average of USDA-Reported sales - New Holland, PA - (Nov. 18, 2009)

COWS: Fresh	Bred	Springing	HEIFERS: Bred	Springing	Open: 300-600 lbs	600-900 lbs	900-1200 lbs	BULLS (600-1200 lb)
1285	N/A	1050	1125	1250	470	565	N/A	665
1315	1110	1185	1110	1225	465	635	765	690

Avg. of prices reported by USDA Market News for PA Auction Markets Nov. 20-23, 2009

CULL MARKET COWS (\$/CWT LIVELWEIGHT)

Premium White	Breakers	Boners	Lean
46.00	43.85	41.75	39.50
WEEK AGO			
45.00	43.00	41.00	38.25
YEAR AGO			
52.75	49.50	47.50	44.00

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