

GRAIN, CATTLE, HOG, & MILK BFP FUTURES MARKETS

Markets Courtesy of Chicago Board and Mercantile Exchange
Closing Bids: Thursday, Dec. 6, 2001

Corn

210 1/4	210 1/4	205 1/4	205 1/4	205 3/4	205 1/2	-42
211 3/4	211 3/4	209	209		209	-26
220	220	216 1/4	216 1/4	216 1/2	216 1/2	-26
226 3/4	226 3/4	223	223	223 1/2	223 1/4	-26
232	232	228 1/2	228 1/2	229	228 3/4	-26
236 1/4	236 1/2	234	234	234 1/4	234 1/4	-20
243 1/4	243 1/2	241 1/4	241 1/4	241 1/2	241 1/2	-16
251	251	249	249	249 1/2	249 1/4	-16
255	255 1/2	254	254 1/2		254 1/2	-14
255 1/2	255 1/2	254	255		255	Unch

Soybeans

445	445 1/2	441	441 1/4	441 3/4	441 1/2	-10
447	448	443 3/4	443 3/4	444 1/2	444 1/4	-10
452	452 1/2	447 1/2	448 1/4	448	448 1/4	-12
456	457	452 3/4	453 1/2	453	453 1/4	-10
456	456	452 1/4	452 1/4		452 1/4	-12
457	457	454	454		454	+4
460	461 1/2	458	458		458	-6
			489 n		489	-30

Soybean Meal

154.0	154.0	151.0	151.1	151.3	151.2	-27
150.2	150.2	148.4	148.5	148.7	148.6	-17
148.0	148.3	146.8	147.3	147.1	147.2	-12
147.0	147.0	145.7	146.2	146.1	146.2	-11
148.0	148.0	146.5	147.0	147.1	147.1	-11
147.5	148.3	146.8	146.8		146.8	-7
148.7	148.8	147.5	147.5		147.5	-13
148.5	148.5	147.0	147.0	147.3	147.2	-7
150.0	150.0	149.0	149.5		149.5	-3
			149.2 b	149.7 a	149.5	-1

Lean Hogs

Date	Open	High	Low	Last	Chge	Previous Volume	Previous Open_Int	
12/06/01	Dec 01	4720	4795	4665	4777	+75	3871	8681
12/06/01	Feb 02	5200	5340	5190	5305	+40	5397	14603
12/06/01	Apr 02	5600	5755	5575	5737	+70	528	3991
12/06/01	May 02	6250	6327	6205	6312	+27	45	1036
12/06/01	Jun 02	6350	6430	6315	6425	+75	96	1383
12/06/01	Jul 02	6110	6210	6095	6190	+60	45	484
12/06/01	Aug 02	6000	6095	5995	6095	+53	2	317
12/06/01	Oct 02	5310	5320	5290	5310	+23	13	351
12/06/01	Dec 02	5010	5020	4997	5000	unch	21	69

Composite Volume Open_Int
12/05/01 10018 30917

Live Cattle

Date	Open	High	Low	Last	Chge	Previous Volume	Previous Open_Int	
12/06/01	Dec 01	6685	6705	6650	6675	-42	4173	16821
12/06/01	Feb 02	6965	6975	6912	6930	-57	4527	41285
12/06/01	Apr 02	7190	7200	7147	7162	-45	1937	19463
12/06/01	Jun 02	6887	6887	6842	6855	-37	589	12633
12/06/01	Aug 02	6882	6885	6860	6865	-22	159	5018
12/06/01	Oct 02	7070	7077	7060	7077	-38	32	1556
12/06/01	Dec 02	7205	7205	7135	7140	-65	9	528

Composite Volume Open_Int
12/05/01 11427 97304

Pork Bellies

Date	Open	High	Low	Last	Chge	Previous Volume	Previous Open_Int	
12/06/01	Feb 02	7410	7550	7350	7517	+110	712	1998
12/06/01	Mar 02	7375	7540	7310	7515	+153	58	259
12/06/01	May 02	7512	7685	7500	7677	+132	2	117
12/06/01	Jul 02	7720	7720	7700	7710	+160	3	37
12/06/01	Aug 02	7720	7720	7525	7720	+150	0	7

Composite Volume Open_Int
12/05/01 775 2419

Oats

234	235	226 1/2	226 1/2		226 1/2	-70
213	213	203	203 1/2	203	203 1/4	-94
199 1/2	199 1/2	191 1/2	192		192	-80
176	176	173 1/4	173 1/4		173 1/4	-60
148	150	148	150		150	+20
150	150	150	150		150	-24

Weekly Dairy Market Outlook

Ken Bailey
Penn State

Nov. 30, 2001

Planning For Milk Prices In 2002

- December Class I mover drops.
- Outlook for 2002 milk prices.
- Hedging strategies.

USDA announced last week that the December 2001 Class I mover for fluid milk in all federal orders would decline \$3.78 per CWT from the prior month to \$11.98/CWT. The class I differential is added to this figure to determine the fluid price for milk in a given location (that is, it will be \$15.23 per CWT in Boston, Mass. for December, 2001).

This severe drop will come as a big shock for many dairy producers in heavy fluid markets. In Pennsylvania, where 40 percent of all sales are for fluid purposes, this drop alone will take roughly \$1.50/CWT out of the December milk check.

The reason for the December Class I price drop was falling cheese and butter prices. The lower butter price reduced the advanced butterfat pricing factor from \$1.8556 in November to \$1.4513 per pound in December. The lower cheese price

reduced the advanced Class III skim milk pricing factor from \$9.60 per CWT in November to \$6.32 in December. As a result, the advanced Class IV skim price of \$7.15 per CWT was used in the calculation of the December base skim milk price.

The technical explanation won't mask the disappointment and concern of dairy farmers seeing a nearly \$4 per CWT drop in the Class I milk price. That said, producers who forward-contracted their milk or hedged through a broker could have avoided this rather steep price drop.

For many producers, hedging and forward contracting has a rather mixed history. Producers who locked in milk prices for the months January through September 2001 inevitably sat back and watched market prices climb well above their hedged position. For some, this was evidence enough that hedging was "risky business." However, the recent drop, steep as it is, shows just how risky relying on the market can be.

What is needed is a good conservative hedging strategy. This is no different than investing your retirement dollars. Let's start by reviewing the market outlook for 2002:

USDA projects the following:

crease 2.7 percent.

• Consumption of dairy products will rise 2-3 percent.

• Farm-gate milk prices will drop about \$1.90 per CWT.

• The U.S. economy will remain in a recession during most of 2002.

• Imports of Milk Protein Concentrate "may" increase if world powder prices continue to drop.

• USDA "may" further reduce the support price for nonfat dry milk, thus increasing producer exposure to lower Class I, II, and IV prices.

Now, let's review the futures market.

As of Nov. 29, 2001, the Chicago Mercantile Exchange Class III futures market offered an average contract price of \$12.20 per CWT for the first half of 2002 and \$12.85 for the second half of 2002. Two other facts: the Class III price averaged less than \$12 over the past 5 years, and the outlook for 2002 milk prices are very uncertain at best.

So, what is a good hedging strategy? Well, if you think the milk supply will grow at a rate less than 2 percent next year, as the market likely thinks, then do nothing and "ride the market." However, if you believe the milk supply will grow in the 2-3 percent range, as USDA does, then hedging part of your 2002 milk supply now (say 10-25 percent) may be good advice.

Once you have 10-25 percent of your 2002 milk supply locked up, you can hold off and hedge another 20-25 percent over the course of the year when prices look particularly favorable. That's what some producers recently did when they hedged October December 2001 milk earlier in the year. This strategy represents a good balance between "locking it all in at a bad price" and doing nothing and "riding the market."

For more information about forward contracting and hedging, consider reading a new Penn State report, "The Fundamentals of Forward Contracting, Hedging, and Options For Dairy Producers In the Northeast." To order, call Penn State at (877) 345-0691 and ask for report number UA359.

Average Farm Feed Costs for Handy Reference

To help farmers across the state to have handy reference of commodity input costs in their feeding operations for DHIA record sheets or to develop livestock feed cost data, here's last week's average costs of various ingredients as compiled from regional reports across the state of Pennsylvania.

Remember, these are averages, so you will need to adjust your figures up or down according to your location and the quality of your crop.

Corn, No.2y — 2.25 bu., 4.02 cwt.
Wheat, No.2 — 2.58 bu., 4.31 cwt.
Barley, No.3 — 1.53 bu., 3.27 cwt.
Oats, No.2 — 1.47 bu., 4.60 cwt.
Soybeans, No.1 — 4.07 bu., 6.80 cwt.
Ear Corn — 62.91 ton, 3.15 cwt.
Alfalfa Hay — 123.75 ton, 6.19 cwt.
Mixed Hay — 119.25 ton, 5.96 cwt.
Timothy Hay — 121.75 ton, 6.09 cwt.

Corn Belt Feedstuff

St. Joseph, Mo.

December 4, 2001

Report Supplied By USDA

CORN BELT FEEDSTUFF: Wholesale Bids. Truck or Rail dollars per ton. Feedstuff prices were mostly steady to slightly lower except for alfalfa By-products. Demand was slow this week as mild weather returned and feed usage continued slow. Markets traded have been trading up and down on the Board. Inventories are adequate, despite the holiday closings. Alfalfa products, however, are tight and demand improved.

SOYBEAN MEAL: 44 percent rail bids 3.00 to 4.00 lower at 149.00-153.00. 48 percent rail 4.00 to 5.00 lower at 157.00-161.00. Truck 44 percent 5.00 lower at 151.00-156.00. 48 percent 4.00 to 6.00 lower at 158.00-165.00 per ton.

CORN BY-PRODUCTS: Gluten Feed 21 percent, Interior Points, 2.00 to 4.00 lower at 59.00-72.00; Chicago steady to 2.00 higher at 64.00-75.00. 60 percent Gluten Meal, Interior Points, steady at 250.00-265.00; Chicago steady to 2.00 lower at 255.00-265.00 per ton. Rail Hominy Feed, Central Illinois Points, steady at 61.00-62.00; truck steady at 60.00-64.00. Crude Corn Oil 150 points higher at 22.00-23.00 cents per lb.