

Daily Dairy Report

Dairy market information provided by Alan Levitt

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EU TO REINSTATE EXPORT SUBSIDIES

Block cheese continued to weaken losing another 1.5¢ to close at \$1.04 with 3 loads traded. Barrels were bid up 0.25¢ to \$1.07. Cheese price has been below support for 9 days without any moving to the CCC. Buyers and sellers remained absent in the spot butter market leaving the price unchanged.

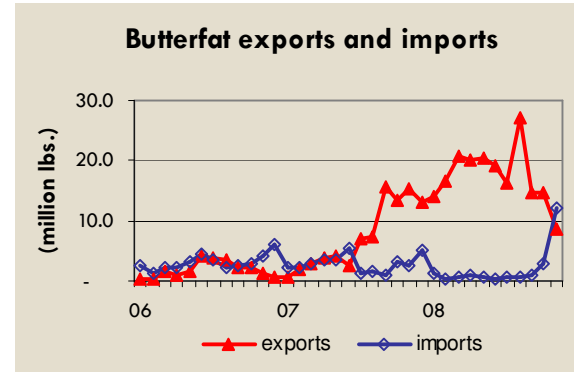
Milk futures in 2009 declined an average of 17¢ in reaction to the lower block price with FEB and MAR contracts making new lows.

The European Union will reactivate export subsidies for butter, cheese, and skim milk powder that have been suspended since 2007. This move will help its exporters better compete in the depressed world market says EU Agriculture Commissioner Mariann Fischer Boel.

November butterfat exports of 8.6 million lbs. resulted in a decrease of 42% from the previous month. However, imports jumped 421% to 12.2 million lbs. (see chart). The last time imports were nearly this high was in May 2004.

Regional dry whey prices remained steady for the week. Inventories are building with offers from manufacturers and resellers becoming more numerous, says USDA's *Dairy Market News*. Some end users had stocked up at lower price levels decreasing the need for ongoing purchases, resulting in soft demand, indicates *DMN*.

The USDA will release the December "Milk Production" report tomorrow afternoon. **cme**



JANUARY 15 TRADING ACTIVITY

| | Class III Futures | | | Class III Options Calls | | Class III Options Puts | | Dry Whey Futures | | Nonfat Dry Milk Futures | | Butter Futures – Cash settle | |
|--------|-------------------|----------|--|-------------------------|----------|------------------------|----------|------------------|----------|-------------------------|----------|------------------------------|----------|
| | Settle (\$) | chg. (¢) | volume & open interest from previous day | Settle (\$) | chg. (¢) | Settle (\$) | chg. (¢) | Settle (¢) | chg. (¢) | Settle (¢) | chg. (¢) | Settle (¢) | chg. (¢) |
| JAN 09 | 10.68 | -4 | 8 4578 | 10.75 @ 0.05 | -2 | 10.50 @ 0.02 | NC | 16.750 | NC | 83.750 | -0.250 | 110.000 | -0.975 |
| FEB | 9.32 | -13 | 214 4282 | 10.00 @ 0.07 | -3 | 10.00 @ 0.10 | +10 | 15.500 | NC | 84.000 | NC | 113.000 | -0.250 |
| MAR | 9.65 | -22 | 313 4103 | 10.00 @ 0.27 | -10 | 10.00 @ 0.62 | +12 | 15.250 | NC | 85.750 | -1.250 | 116.000 | -1.000 |
| APR | 10.20 | -17 | 160 3408 | 10.25 @ 0.49 | -9 | 10.00 @ 0.42 | +7 | 15.500 | +0.500 | 86.000 | -1.500 | 117.250 | -0.750 |
| MAY | 10.63 | -27 | 157 3414 | 10.75 @ 0.56 | -15 | 10.50 @ 0.55 | +11 | 16.250 | +0.500 | 86.500 | -3.000 | 121.500 | -0.500 |
| JUN | 11.50 | -20 | 132 2930 | 11.50 @ 0.71 | -12 | 11.50 @ 0.71 | +8 | 16.750 | +0.250 | 86.500 | -2.000 | 125.000 | NC |
| JUL | 12.22 | -20 | 153 2668 | 12.25 @ 0.81 | -11 | 12.00 @ 0.71 | +8 | 18.250 | NC | 86.750 | -5.000 | 126.000 | NC |
| AUG | 12.97 | -20 | 47 2655 | 13.00 @ 0.93 | -11 | 12.75 @ 0.83 | +8 | 19.250 | NC | 88.000 | -3.750 | 128.000 | NC |
| SEP | 13.40 | -18 | 62 2641 | 13.50 @ 0.98 | -10 | 13.25 @ 0.95 | +7 | 20.000 | NC | 89.000 | -5.000 | 131.750 | +0.250 |
| OCT | 13.46 | -20 | 32 2221 | 13.50 @ 1.07 | -11 | 13.25 @ 0.98 | +8 | 22.500 | NC | 92.000 | -5.000 | 134.250 | -0.750 |
| NOV | 13.65 | -7 | 25 2081 | 13.75 @ 1.12 | -4 | 13.50 @ 1.09 | +3 | 22.500 | NC | 93.500 | -5.000 | 135.000 | NC |
| DEC | 13.65 | -10 | 46 2092 | 13.75 @ 1.17 | -6 | 13.50 @ 1.14 | +4 | 22.000 | +0.250 | 94.500 | -5.000 | 135.000 | NC |

➤ Spot Prices (with change, in cents, from previous day):

| | |
|-----------------|------------------|
| Block cheese | \$1.0400 (-1.50) |
| Barrel cheese | \$1.0700 (+0.25) |
| AA Butter | \$1.1125 (NC) |
| NDM Extra Grade | \$.8500 (NC) |
| NDM Grade A | \$.8300 (NC) |

➤ Milk Prices (with change from previous month):

| | |
|----------------------------|-------------------|
| Dec. Class III milk (USDA) | \$15.28 (-\$0.23) |
| Dec. Class IV milk (USDA) | \$10.35 (-\$1.90) |

➤ Futures Volume and Open Interest

| | Volume | Open Interest |
|-----------------------------|------------|---------------|
| Class III..... | 1,412..... | 37,593 |
| [*59 Pit, 1,353 Electronic] | | |
| Class IV..... | 0..... | 130 |
| NDM..... | 8..... | 886 |
| Dry whey..... | 16..... | 1,381 |
| Butter (cash settle)..... | 83..... | 3,604 |

➤ Options Volume and Open Interest

| | Volume | Open Interest |
|---------------------------|----------|---------------|
| Class III..... | 811..... | 49,803 |
| Class III Midi..... | 12..... | 140 |
| Dry whey..... | 0..... | 150 |
| Butter (cash settle)..... | 0..... | 30 |

Futures and options volume and open interest from previous trading day

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