

# Daily Dairy Report

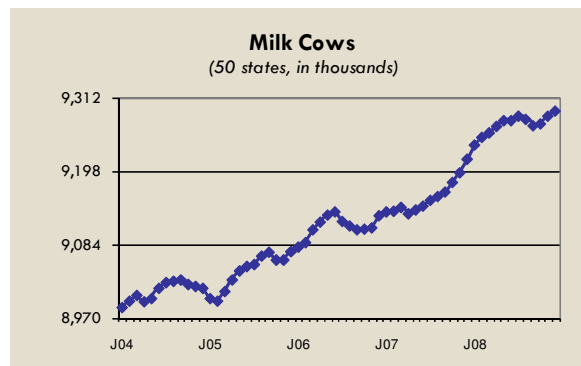
Dairy market information provided by Alan Levitt

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## DAIRY PRODUCERS STILL EXPANDING

Following the extended weekend and amidst the inauguration hoopla, blocks were offered lower, butter traded at a new 5 1/2 year low but milk futures closed mostly a few cents higher. Class III futures for the second quarter increased 4¢ to an average of \$10.86. Futures for the second half increased 9¢ to \$13.36. Butter futures were mixed. Whey futures were mostly higher.

Traders did not seem too concerned about continual growth in supply, as reported in Friday's "Milk Production" report. Dairy producers added cows in December, despite the prospects of historically low milk prices and meager profitability in the months ahead. Cow numbers increased 8,000 head last month to 9.292 million, the highest figure in more than a decade (see chart). Texas and Kansas dairymen each added 3,000 cows.



On Friday, USDA will announce the February Class I base price – likely to be the lowest since July 2003. For the last 20 months, the Class I mover has averaged \$18.86 but February's price is expected to be below \$11.00.

Other releases this week: Dec. 31 "Cold Storage" inventory report comes out Thursday, providing additional information on the strength (or weakness) of cheese and butter demand, and USDA's monthly "Livestock, Dairy & Poultry Outlook" comes out Thursday as well. The Dec. 31 "Livestock Slaughter" report comes out Friday morning. **cme**

## JANUARY 20 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	10.65	-2	48	4600	10.75 @ 0.02	-3	10.50 @ 0.01	-1	16.750	NC	83.750	NC	110.500	-0.525
FEB	9.34	-1	66	4560	10.00 @ 0.05	-2	10.00 @ 0.71	-1	16.000	NC	84.000	NC	112.000	-1.000
MAR	9.73	-1	62	4248	10.00 @ 0.29	-2	10.00 @ 0.56	-1	16.500	+0.500	85.000	NC	116.000	-1.000
APR	10.35	+7	58	3565	10.50 @ 0.44	+2	10.25 @ 0.46	-4	16.750	+0.750	86.000	NC	117.000	-0.500
MAY	10.64	-1	63	3573	10.75 @ 0.56	-1	10.50 @ 0.54	NC	17.000	+0.750	86.500	NC	121.000	NC
JUN	11.60	+5	58	3037	11.75 @ 0.64	+1	11.50 @ 0.66	-3	17.500	+0.750	86.500	NC	125.000	NC
JUL	12.35	+13	36	2691	12.50 @ 0.75	+6	12.25 @ 0.76	-7	19.000	+0.250	87.000	NC	127.000	+0.500
AUG	13.17	+9	75	2663	13.25 @ 0.91	+4	13.00 @ 0.86	-5	21.000	+1.000	88.000	NC	128.750	+0.250
SEP	13.55	+9	34	2650	13.75 @ 0.94	+3	13.50 @ 1.00	-5	21.750	+0.750	89.000	NC	131.750	NC
OCT	13.58	+8	66	2233	13.75 @ 1.01	+3	13.50 @ 1.05	-4	24.000	+0.500	91.000	-1.000	134.000	NC
NOV	13.75	+9	62	2101	13.75 @ 1.17	+4	13.75 @ 1.17	-5	24.500	+1.500	92.000	-1.500	134.500	-0.500
DEC	13.76	+7	45	2104	14.00 @ 1.11	+3	13.75 @ 1.21	-4	24.000	+1.250	93.000	-1.500	135.000	NC

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

Block cheese	\$1.0625 (-0.75)
Barrel cheese	\$1.0900 (NC)
AA Butter	\$1.1000 (-1.25)
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.....	673	38,547
[*73 Pit, 600 Electronic]		
Class IV.....	0	130
NDM.....	9	898
Dry whey.....	130	1,444
Butter (cash settle).....	96	3,696

➤ **Options Volume and Open Interest**

	Volume	Open Interest
Class III.....	403	50,402
Class III Midi.....	0	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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