

# Daily Dairy Report

Dairy market information provided by Alan Levitt

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## SOLID GAINS IN CLASS IIIs

Milk futures posted double-digit gains today, and traders expanded the premium on second-half-of-the-year contracts. MAR-DEC09 increased 17¢. Class III futures for the second half average \$13.53, more than \$4 higher than the FEB contract.

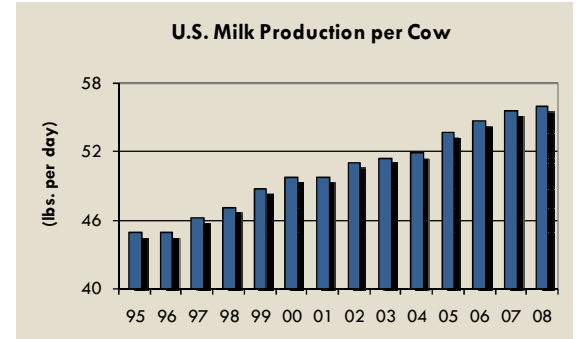
Blocks traded 1.5¢ higher, but additional offers came into the pit to push the price back down half a cent. After 7 sales and an uncovered offer, the price settled a penny higher at \$1.0725, the highest in more than a week. Barrels trade 1¢ higher at \$1.10, the high for the year.

Milk production per cow increased for the 12<sup>th</sup> straight year in 2008, but productivity gains were the smallest since 2001, according to USDA's latest "Milk Production" report(see chart). Production per cow was 55.9 lbs. per day, up just 0.4 lbs. (+0.7%) from the year before. That's less than half the growth rate of the previous decade, when productivity increased an average of 0.9 lbs. per day, year over year (+1.9%).

Production per cow tailed off in California in 2008 as a result of base production plans and changes in rations to counter high feed costs. Productivity dropped to 61.0 lbs. per day, down from 61.5 lbs. per day in 2007. For the year, California milk production was 40.514 billion lbs., up only 1.0% from 2007 (adjusting for leap day), and the smallest year-over-year gain since 1998.

On Tuesday, manufacturers from the Western region sold 968,024 lbs. of butter and 5.4 million lbs. of NDM to the government under the support program. Since October, USDA has bought 139.7 million lbs. of NDM and in the last 3 weeks it has bought 1.3 million lbs. of butter.

The U.S. Senate confirmed former Iowa governor Tom Vilsack as Secretary of Agriculture yesterday. **cme**



## JANUARY 21 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	NC	92 4560	10.75 @ 0.02	NC	10.50 @ 0.01	NC	16.750	NC	83.750	NC	110.000	-0.500
FEB	9.38	+4	262 4638	10.00 @ 0.05	NC	10.00 @ 0.67	-4	16.000	NC	84.000	NC	112.000	NC
MAR	9.92	+19	110 4276	10.00 @ 0.38	+9	10.00 @ 0.46	-10	16.500	NC	84.750	-0.250	115.750	-0.250
APR	10.51	+16	68 3576	10.75 @ 0.41	+7	10.50 @ 0.51	-8	17.250	+0.500	85.000	-1.000	117.250	+0.250
MAY	10.83	+19	43 3603	11.00 @ 0.54	+9	10.75 @ 0.57	-10	17.500	+0.500	85.500	-1.000	121.000	NC
JUN	11.70	+10	103 3041	11.75 @ 0.69	+5	11.50 @ 0.61	-5	18.000	+0.500	86.000	-0.500	125.000	NC
JUL	12.49	+14	46 2681	12.50 @ 0.82	+7	12.25 @ 0.70	-6	19.000	NC	87.000	NC	127.000	NC
AUG	13.35	+18	28 2671	13.50 @ 0.89	+9	13.25 @ 0.90	-9	21.000	NC	87.500	-0.500	128.750	NC
SEP	13.74	+19	59 2661	13.75 @ 1.04	+10	13.50 @ 0.92	-8	21.500	-0.250	88.250	-0.750	132.000	+0.250
OCT	13.77	+19	56 2259	14.00 @ 1.00	+9	13.75 @ 1.09	-9	24.000	NC	90.000	-1.000	134.000	NC
NOV	13.90	+15	31 2109	14.00 @ 1.13	+7	13.75 @ 1.10	-7	24.500	NC	91.000	-1.000	134.500	NC
DEC	13.93	+17	18 2109	14.00 @ 1.20	+9	13.75 @ 1.13	-8	24.000	NC	92.500	-0.500	135.000	NC

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

Block cheese	\$1.0725 (+1.00)
Barrel cheese	\$1.1000 (+1.00)
AA Butter	\$1.1000 (NC)
NDM Extra Grade	\$0.8500 (NC)
NDM Grade A	\$0.8300 (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	920	38,707
[*87 Pit, 833 Electronic]		
Class IV	0	130
NDM	0	898
Dry whey	38	1,466
Butter (cash settle)	98	3,751

### ➤ Options Volume and Open Interest

	Volume	Open Interest
Class III	284	50,574
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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