

Daily Dairy Report

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Milk futures rebound today

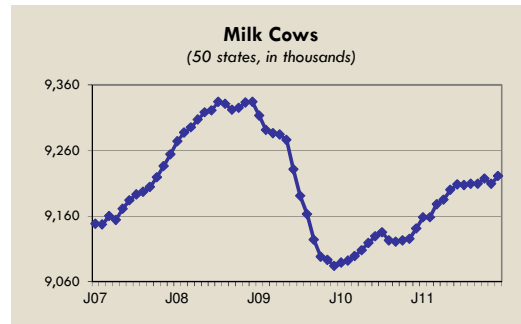
Milk futures rebounded today and traders found value in prices that had fallen more than a dollar in the nearby contracts over the previous two weeks. FEB-APR settled 25¢ higher on the day. Buyers also were reassured by buying support for barrel cheese at unchanged price levels. Butter futures, on the other hand, continue to sell off.

USDA revised November cow numbers down 7,000 head, but reported an estimated 12,000-head increase from November to December. Based on preliminary numbers, the greatest expansion in the fourth quarter came from Iowa (+5,000 head in December vs. September), Indiana (+3,000 head) and New Mexico (+3,000 head). The largest declines came from Minnesota (-6,000 head) and Missouri (-2,000 head).

An ample supply of replacement heifers offset aggressive culling in 2011. Dairymen sent 2.914 million cows to slaughter last year, up 3.8% from the prior year and the most since 1997. The January "Cattle" report comes out Friday.

In 2011, California milk production was a record-high 41.462 billion lbs., up 2.7% from 2010 output. Wisconsin milk production was also a record, but just barely: 26.111 billion lbs., up 0.3%. Wisconsin output had increased 18% in the previous six years.

Retail dairy prices pulled back in December. The Milk CPI was 148.7 down 0.1% from November. The Cheese CPI was 223.4, down 1.0%. The Butter CPI was 199.6, down 0.5%, according to the Bureau of Labor Statistics. **cme group**



FUTURES & OPTIONS VOLUME AND OPEN INTEREST →

Futures Volume and Open Interest

	Volume	Open Interest
Class III [0 Pit, 889 Electronic]	889	32,957
Cheese	122	7,342
Dry whey	100	3,330
Class IV	8	1,990
Butter (cash settle)	84	4,382
NDM (cash settle)	3	653

Options Volume and Open Interest

	Volume	Open Interest
Class III	1,073	79,491
Class III midi	0	1,335
Butter (cash settle)	0	2,026
Cheese	154	979
Class IV	480	2,758
Dry whey	15	481

Futures and options volume and open interest from previous trading day.

SPOT PRICES (with change from previous day): Block cheese \$1.5050 (NC) • Barrel cheese \$1.4850 (NC) • AA Butter \$1.5600 (-0.50¢) • NDM Extra Grade \$1.4800 (NC) • NDM Grade A \$1.4500 (NC) **MILK PRICES** (with change from previous month): December Class III milk (USDA) \$18.77 (-\$0.30) • December Class IV milk (USDA) \$16.87 (-\$1.00)

January 24 Trading Activity

	Class III Futures			Class III Options Calls		Class III Options Puts		Dry Whey Futures		NDM Futures		Butter Futures – Cash settle	
	Settle (\$)	chg. (¢)	volume & open interest from previous day	Settle (\$)	chg. (¢)	Settle (\$)	chg. (¢)	Settle (¢)	chg. (¢)	Settle (¢)	chg. (¢)	Settle (¢)	chg. (¢)
JAN 12	17.10	+1	86 4213	17.25 @ 0.00	-1	17.00 @ 0.00	-1	68.750	NC	140.500	NC	159.000	NC
FEB	16.50	+22	213 5312	16.50 @ 0.22	+9	16.50 @ 0.22	-13	71.500	+0.775	140.000	NC	154.000	-1.000
MAR	16.82	+28	301 5221	17.00 @ 0.46	+11	16.75 @ 0.51	-14	69.500	+0.550	138.500	-1.500	158.000	-0.750
APR	16.82	+26	138 3228	17.00 @ 0.66	+12	16.75 @ 0.70	-14	62.580	+0.350	137.000	-1.000	161.500	-1.250
MAY	16.83	+9	50 2947	17.00 @ 0.78	+4	16.75 @ 0.81	-5	57.800	-0.200	137.000	-2.000	163.500	-2.500
JUN	17.12	+12	23 2477	17.25 @ 0.90	+6	17.00 @ 0.90	-5	54.600	+0.100	137.500	-1.500	164.000	-2.500
JUL	17.19	+4	20 1786	17.25 @ 1.06	+2	17.00 @ 0.99	-2	51.500	+0.550	138.000	-1.025	165.250	-2.750
AUG	17.25	+5	13 1779	17.25 @ 1.17	+3	17.25 @ 1.17	-2	50.480	+0.475	139.000	-0.250	166.000	-2.500
SEP	17.16	NC	8 1673	17.25 @ 1.21	NC	17.00 @ 1.17	NC	49.500	+0.500	139.000	-0.500	167.530	-2.475
OCT	17.12	NC	13 1420	17.25 @ 1.25	-1	17.00 @ 1.25	NC	49.480	+0.975	139.000	-1.000	168.970	-3.000
NOV	17.07	+2	9 1344	17.25 @ 1.29	+1	17.00 @ 1.33	-1	48.020	+0.025	139.000	-1.000	169.000	-2.000
DEC	17.08	-1	8 1351	17.25 @ 1.37	-1	17.00 @ 1.40	NC	48.000	NC	140.000	NC	169.500	-2.000

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