

Daily Dairy Report

Dairy market information provided by Alan Levitt

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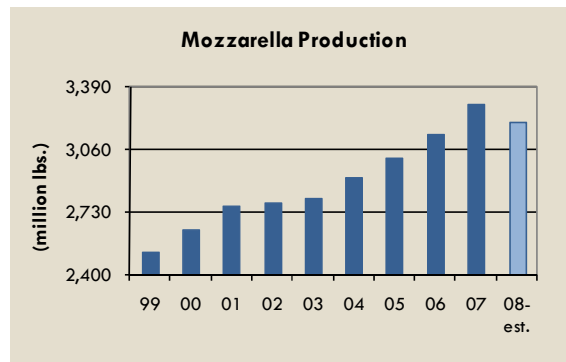
MOZZARELLA PRODUCTION DOWN FOR FIRST TIME IN 15 YEARS

Milk futures rallied again, primarily on speculation that the government will include a dairy cow buyout in its latest economic stimulus bill. Class III contracts covering the second half of the year traded 30-42¢ higher this morning, but dropped back slightly after heavy offers came into the cheese pits. In spot cheese trading, buyers bid blocks and barrels higher – purchasing 8 loads of blocks and 2 loads of barrels – but sellers had more to bring to market. Offers to sell 10 additional loads of block and 1 load of barrel went uncovered, erasing most or all of the session's initial gains.

Domino's Pizza today introduced 6 new premium pizzas that boast 40% more cheese than its regular pizza. The *American Legends* line captures flavors from different parts of the country, such as Philly Cheese Steak, Memphis BBQ Chicken and Honolulu Hawaiian. The roll-out was timed to coincide with Super Bowl Sunday, one of the busiest days of the year for pizza sales. Domino's expects to deliver more than 1.1 million pies on Sunday, 44% more than a usual Sunday.

The pizza-cheese business is coming off its worst year in decades. Mozzarella production was on track to decline 3% in 2008, the first drop in 15 years (adjusting for leap day). From 1993-2007, production had increased 3.8% per year (see chart).

At this month's U.S. Dairy Forum, IDFA president/CEO Connie Tipton attributed the decline in mozzarella usage to pizza chains cutting costs by reducing how much cheese they put on each pie. "On the surface this may not look like much, but do the math and it's downright scary," she told attendees. "The top 10 pizza chains use 30% of all the mozzarella we produce. Cutting back just one ounce of cheese on pizza sold in these major chains equals a total drop of about 250 million lbs." **cme**



JANUARY 26 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	10.82	+4	65	4463	11.00 @ 0.00	NC	10.75 @ 0.01	-2	17.000	NC	83.750	NC	109.750	+0.250
FEB	9.36	-2	170	4812	10.00 @ 0.04	-1	10.00 @ 0.68	+1	16.000	NC	84.000	NC	110.750	-1.000
MAR	10.01	-2	200	4387	10.25 @ 0.28	-2	10.00 @ 0.38	NC	16.500	NC	84.750	NC	116.000	+0.500
APR	10.65	+8	149	3648	10.75 @ 0.46	+3	10.50 @ 0.43	-5	17.250	NC	85.000	NC	118.000	+0.500
MAY	11.11	+11	202	3626	11.25 @ 0.56	+5	11.00 @ 0.56	-6	17.000	NC	85.500	NC	122.000	+0.750
JUN	12.06	+8	107	3058	12.25 @ 0.64	+3	12.00 @ 0.69	-5	17.000	NC	86.000	NC	125.000	NC
JUL	13.10	+20	130	2672	13.25 @ 0.79	+9	13.00 @ 0.80	-10	18.750	NC	87.500	NC	128.250	+0.250
AUG	14.00	+23	227	2707	14.00 @ 0.99	+11	14.00 @ 0.99	-12	20.750	NC	88.000	NC	130.000	+0.750
SEP	14.50	+25	243	2670	14.50 @ 1.09	+12	14.50 @ 1.09	-13	21.500	NC	88.750	NC	132.750	+0.250
OCT	14.53	+25	163	2236	14.75 @ 1.05	+11	14.50 @ 1.14	-12	24.500	NC	90.750	NC	134.000	NC
NOV	14.68	+30	109	2115	14.75 @ 1.20	+15	14.50 @ 1.14	-14	24.750	NC	92.500	NC	136.000	+0.750
DEC	14.80	+40	130	2110	15.00 @ 1.21	+19	14.75 @ 1.27	-20	24.500	NC	93.500	NC	136.000	NC

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

Block cheese	\$1.0900 (+1.50)
Barrel cheese	\$1.1000 (NC)
AA Butter	\$1.1025 (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	1,899	39,028
[* 186 Pit, 1713 Electronic]		
Class IV	0	195
NDM	2	997
Dry whey	0	1,497
Butter (cash settle)	103	3,895

➤ Options Volume and Open Interest

	Volume	Open Interest
Class III	177	50,742
Class III Midi	12	150
Dry whey	0	180
Butter (cash settle)	0	30

Futures and options volume and open interest from previous trading day

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