

Daily Dairy Report

Dairy market information provided by Alan Levitt

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HEAVY SUPPLY OF REPLACEMENTS IN PIPELINE

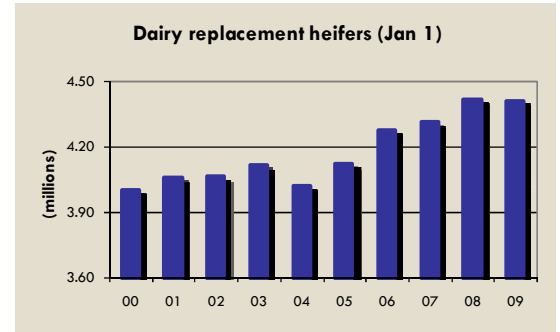
January ended on a quiet note in the cheese pits; there was no activity this morning. Milk futures declined after upward momentum on cheese stalled. Spot butter also was unchanged, and butter futures were lower.

The January Class III price plunged \$4.50 from December and fell to its lowest in 5 1/2 years. The new Class III is \$10.78. The Class IV is \$9.59, down 76¢ from December, and the lowest price since the Class IV was put into place to value butter/powder milk in January 2000.

Lower prices will squeeze farmers further, particularly with feed costs at historically high levels. The cost of feed in January was up fractionally from December, while the All-Milk price fell \$1.80 (to \$13.80), according to USDA's "Ag Prices" report released this afternoon. Income over feed costs (the All-Milk price minus the cost of feed) was just \$5.63/cwt. in January, down from a revised \$7.48 in December and less than half of the income seen last January. Corn prices increased 5¢/bushel to \$4.15, soybeans climbed 68¢ to \$9.92 and alfalfa hay fell \$6/ton to \$149 last month.

Attempts to rein in supply in the face of falling profitability will be complicated by an abundant supply of replacement heifers in the pipeline. On Jan. 1, there were 4.410 million replacements, down only slightly from 4.415 million heifers a year ago, according to USDA's "Cattle" inventory report released this afternoon (see chart). There were 47.3 replacements for every 100 cows, down from 47.7 going into last year.

NASS dairy product prices for the week ending Jan. 24: cheddar blocks \$1.1529 (-7.03¢ vs. the prior week); barrels \$1.1330 (-13.00¢); butter \$1.0724 (-0.48¢); nonfat dry milk 82.77¢ (-0.34¢); dry whey 16.59¢ (-0.33¢). **cme**



JANUARY 30 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. (¢)
FEB09	9.45	-10	127 4871	10.00 @ 0.01	-2	10.00 @ 0.56	+8	16.000	NC	83.750	NC	109.000	-1.000
MAR	10.33	-15	193 4481	10.50 @ 0.31	-7	10.25 @ 0.34	+6	16.500	NC	84.000	-0.500	114.750	-1.250
APR	11.05	-19	102 3708	11.25 @ 0.43	-9	11.00 @ 0.49	+8	17.000	-0.250	84.000	NC	118.750	-0.500
MAY	11.56	-9	115 3701	11.75 @ 0.55	-5	11.50 @ 0.60	+3	17.750	+0.250	85.500	NC	122.500	NC
JUN	12.44	-6	88 3120	12.50 @ 0.71	-3	12.25 @ 0.64	+2	19.000	NC	86.000	-1.000	124.700	-0.300
JUL	13.29	-4	56 2677	13.50 @ 0.76	-2	13.25 @ 0.84	+2	20.750	-0.250	89.000	+1.000	126.250	-0.250
AUG	14.14	-6	35 2634	14.25 @ 0.94	-4	14.00 @ 0.92	+2	21.000	NC	89.000	+0.750	130.250	-1.250
SEP	14.55	-6	51 2630	14.75 @ 1.00	-3	14.50 @ 1.06	+3	21.750	NC	90.000	NC	131.750	NC
OCT	14.58	-2	35 2157	14.75 @ 1.07	-1	14.50 @ 1.11	+1	24.500	NC	90.750	NC	133.500	NC
NOV	14.77	-3	32 2100	15.00 @ 1.13	-2	14.75 @ 1.22	+1	25.500	NC	93.000	NC	135.750	-0.225
DEC	14.81	-4	32 2105	15.00 @ 1.21	-2	14.75 @ 1.26	+1	25.000	+0.500	94.000	NC	136.500	-0.750
JAN10	14.80	-4	6 160	15.50 @ 1.07	-2	NA	NA	22.000	NC	99.500	NC	138.500	NC

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

Block cheese	\$1.1500 (NC)
Barrel cheese	\$1.1150 (NC)
AA Butter	\$1.1025 (NC)
NDM Extra Grade	\$.8500 (NC)
NDM Grade A	\$.8300 (NC)

➤ Milk Prices (with change from previous month):

Jan. Class III milk (USDA)	\$10.78 (-\$4.50)
Jan. Class IV milk (USDA)	\$9.59 (-\$0.76)

➤ Futures Volume and Open Interest

	Volume	Open Interest
Class III	972	39,219
[*188 Pit, 784 Electronic]		
Class IV	5	210
NDM	2	1,001
Dry whey	34	1,539
Butter (cash settle)	79	4,070

➤ Options Volume and Open Interest

	Volume	Open Interest
Class III	438	51,223
Class III Midi	6	156
Dry whey	0	180
Butter (cash settle)	0	30

Futures and options volume and open interest from previous trading day

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