

Daily Dairy Report

Dairy market information provided by Alan Levitt

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MARKETS STALLING

The dairy markets started February on a weak note. Buyers were again absent from cheese trading, leaving blocks at \$1.15 and barrels at \$1.1150 for the third straight day. That prompted another broad sell-off on milk futures, which fell 27¢ in the MAR-DEC09 contracts.

"[Cheese] buyers continue to buy on a hand-to-mouth basis," says USDA's Dairy Market News. "There does not seem to be much interest in stocking up at these low prices."

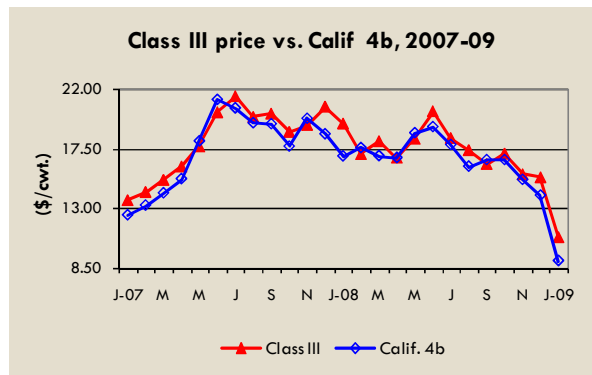
Spot butter dropped 1.25¢ on an uncovered offer to \$1.09, the lowest price since May 16, 2003. Butter futures were mostly lower.

Butter stocks are building seasonally, despite reports of good sales. Last week, 589,149 lbs. of butter was sold to the government under the support program, bringing the four-week total to 2.1 million lbs. Another 8.1 million lbs. of NDM was sold to CCC, bringing the 17-week total to 150.1 million lbs.

Lower Class I prices go into effect this month. Processors hope retailers pass the price reduction along to consumers to stimulate sales.

On the heels of a \$4.50 crash in the Class III price, the California 4b price dropped \$4.93 in January to \$9.02 (see chart). It's the lowest 4b price since March 2003. The California 4a price for January is \$9.53, down 62¢ from December.

The only major release this week is the December "Dairy Products" production report, which comes out Wednesday. **cme**



FEBRUARY 2 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	9.34	-11	96 4971	10.00 @ 0.00	-1	10.00 @ 0.66	+10	16.000	NC	83.750	NC	109.000	NC
MAR	10.00	-33	261 4611	10.00 @ 0.36	-21	10.00 @ 0.36	+12	16.500	NC	84.000	NC	113.000	-1.750
APR	10.75	-30	254 3780	10.75 @ 0.50	-17	10.75 @ 0.50	+13	17.000	NC	84.000	NC	117.250	-1.500
MAY	11.29	-27	193 3748	11.50 @ 0.52	-14	11.25 @ 0.59	+11	17.750	NC	85.500	NC	121.000	-1.500
JUN	12.26	-18	110 3159	12.50 @ 0.61	-10	12.25 @ 0.71	+7	19.000	NC	86.000	NC	124.000	-0.700
JUL	13.05	-24	95 2646	13.25 @ 0.74	-14	13.00 @ 0.81	+10	20.750	NC	89.000	NC	126.000	-0.250
AUG	13.81	-33	90 2608	14.00 @ 0.88	-18	13.75 @ 0.93	+13	21.000	NC	89.250	+0.250	129.750	-0.500
SEP	14.24	-31	92 2582	14.25 @ 1.05	-18	14.00 @ 0.93	+12	21.750	NC	90.500	+0.500	131.500	-0.250
OCT	14.34	-24	93 2121	14.50 @ 1.05	-14	14.25 @ 1.07	+9	24.500	NC	91.000	+0.250	133.500	NC
NOV	14.50	-27	72 2090	14.50 @ 1.21	-15	14.50 @ 1.21	+12	25.500	NC	93.000	NC	135.500	-0.250
DEC	14.60	-21	69 2099	14.75 @ 1.20	-12	14.50 @ 1.21	+8	25.000	NC	94.000	NC	136.500	NC
JAN10	14.70	-10	15 171	15.50 @ 1.02	-5	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	\$1.0900 (-1.25)
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.....	1,455.....	39,045
[*77 Pit, 1378 Electronic]		
Class IV.....	0.....	210
NDM	28.....	1,029
Dry whey.....	7.....	1,541
Butter (cash settle)	90.....	4,115

➤ Options Volume and Open Interest

	Volume	Open Interest
Class III.....	247.....	46,136
Class III Midi.....	0.....	130
Dry whey.....	0.....	160
Butter (cash settle).....	0.....	25

Futures and options volume and open interest from previous trading day

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