

Daily Dairy Report

Vol. 14, No. 21 / February 2, 2010

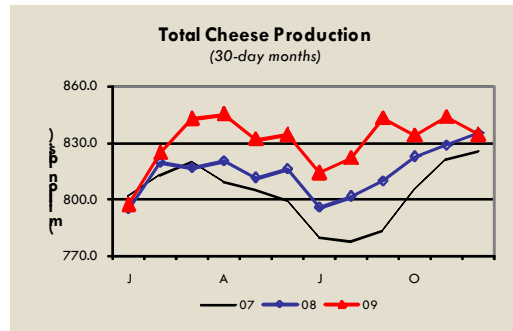
Cheese production falls in December

Milk futures settled mostly higher today after yesterday's steep sell-off, with double-digit increases in the MAR, JUN and JUL10 contracts. Butter futures continued to fall, but whey futures posted gains. Blocks, barrels and butter all continued to drift lower.

Whole milk powder prices in Fonterra's monthly auction slipped for the second straight month, falling 1.6% in February to a weighted average of \$1.48/lb. The relatively small decline reflects a balanced market situation, the company says. "It is encouraging to see that prices remain relatively stable in a range that is high by historic standards," says Paul Grave, manager of Fonterra's internet trading platform. The price of AMF on the auction dropped 7.8%, to \$1.90. Fonterra will add SMP to the auction starting next month.

Daily cheese production slipped below year-earlier levels in December for the first time since March 2008. Total cheese output for the month was 862.0 million lbs., down 0.1% from prior year, according to USDA's "Dairy Products" report released this afternoon (see chart).

Among other products, butter production was down 4.3% in December, NDM/SMP output was off 15.0% and dry whey production was up fractionally, USDA says. **cme group**



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FUTURES & OPTIONS VOLUME AND OPEN INTEREST →

Futures Volume and Open Interest

	Volume	Open Interest
Class III [427 Pit, 2,006 Electronic]	2,433	30,970
Class IV	0	235
NDM (cash settle)	0	904
NDM (deliverable)	0	3
Dry whey	54	2,331
Butter (cash settle)	221	3,179

Options Volume and Open Interest

	Volume	Open Interest
Class III	1,896	54,607
Class III midi	0	364
Dry whey	0	687
Butter (cash settle)	0	127

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

SPOT PRICES (with change, in cents, from previous day): Block cheese \$1.5025 (-0.75) • Barrel cheese \$1.4725 (-0.75) • AA Butter \$1.3100 (-1.50) • NDM Extra Grade \$1.2400 (NC) • NDM Grade A \$1.1900 (NC) **MILK PRICES** (with change, in dollars, from previous month): December Class III milk (USDA) \$14.98 (+\$0.90) • Dec. Class IV milk (USDA) \$15.01 (+\$1.76)

February 2 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 10	14.47	-2	6 4222	14.50 @ 0.01	NC	14.25 @ 0.00	NC	38.250	NC	118.900	NC	136.000	NC
FEB	13.86	-4	273 4043	14.00 @ 0.06	-1	13.75 @ 0.07	+2	34.250	+0.500	108.500	NC	134.000	-3.750
MAR	13.43	+15	418 3822	13.50 @ 0.30	+5	13.25 @ 0.25	-7	28.020	+1.025	107.500	NC	141.500	-1.500
APR	13.11	+6	463 3421	13.25 @ 0.30	-2	13.00 @ 0.35	-3	26.320	+2.300	109.000	NC	144.000	-2.000
MAY	13.38	+7	272 2735	13.50 @ 0.44	+3	13.25 @ 0.47	+1	26.500	+2.500	108.500	NC	144.000	-3.500
JUN	14.05	+17	163 2264	14.25 @ 0.48	+7	14.00 @ 0.60	-3	27.000	+2.975	113.000	+1.000	145.000	-3.000
JUL	14.80	+10	220 1843	15.00 @ 0.65	+11	14.75 @ 0.70	NC	28.000	+0.500	113.000	NC	146.220	-2.780
AUG	15.10	+4	153 1868	15.25 @ 0.71	+2	15.00 @ 0.75	NC	28.000	NC	115.750	NC	148.000	-2.000
SEP	15.36	+5	126 1770	15.50 @ 0.73	+3	15.25 @ 0.76	NC	32.000	+1.000	118.500	NC	150.000	-1.500
OCT	15.34	-2	79 1656	15.50 @ 0.77	-1	15.25 @ 0.80	+1	32.000	NC	123.000	NC	151.000	-2.000
NOV	15.29	+5	94 1559	15.50 @ 0.79	+2	15.25 @ 0.86	-3	33.000	+0.500	117.000	NC	154.000	NC
DEC	15.30	+4	124 1596	15.50 @ 0.83	+2	15.25 @ 0.90	-2	33.000	NC	117.000	NC	158.000	NC

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