

Daily Dairy Report

Dairy market information provided by Alan Levitt

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DECEMBER CHEDDAR CHEESE PRODUCTION: +6.7%

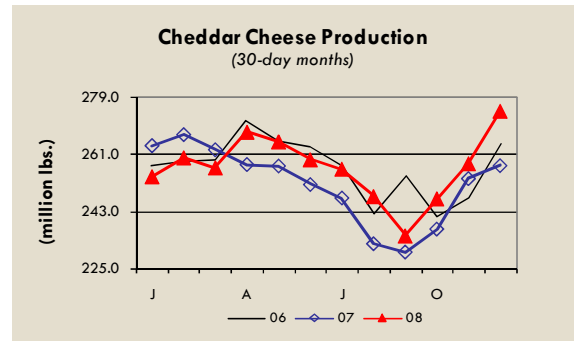
Buyers had the upper hand in the cheese pits today, but the small move higher wasn't enough to prevent a fourth straight day of milk futures declines. Blocks were bid half a cent higher without generating a sale. The bids ended at \$1.1550. Barrels were bid three-quarters of a cent higher, bringing out two trades. Class III futures covering the second half of the year declined to \$13.81, down 9¢ from yesterday and down 59¢ since last Thursday.

Cheese plants produced record volumes of cheddar in December, in part to offset slower orders for mozzarella and cream cheese, according to USDA's "Dairy Products" report released this afternoon. Butter and powder production remained very heavy and powder stocks were revised significantly higher.

Total cheese production in December was 856.9 million lbs., up 1.1% from prior year, says USDA. Cheddar output was 283.7 million lbs., up 6.7% (see chart), while production of other-than-cheddar was 573.2 million lbs., down 1.4%. Mozzarella output was down 3.7% and cream/neufchatel production was down 19.7% for the month.

Butter production was up 10.1%, to 155.8 million lbs. Total 2008 output of 1.65 billion lbs. was the most since 1943.

Production of NDM/SMP in December was 173.1 million lbs., up 18.7% from a year earlier. In addition, USDA published significant revisions to its monthly NDM inventory numbers, boosting stocks by 9-26 million lbs. for each month of 2008. Year-end commercial inventories are estimated at 206.5 million lbs., up 42.8 million lbs. (+26.2%) from the prior year, and the largest figure since July 2000, USDA says. **cme**



FEBRUARY 4 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	Settle (\$)	chg. (¢)	Settle (\$)	chg. (¢)	Settle (¢)	chg. (¢)	Settle (¢)	chg. (¢)	Settle (¢)	chg. (¢)
FEB09	9.32	+2	159	4991	10.00 @ 0.00	NC	10.00 @ 0.68	-2	16.000	NC	83.450	-0.050	108.750	NC
MAR	9.87	+2	248	4755	10.00 @ 0.27	-2	10.00 @ 0.40	-4	16.500	NC	83.000	NC	114.000	+1.000
APR	10.53	+3	298	3974	10.75 @ 0.38	+1	10.50 @ 0.46	-2	17.000	NC	83.500	NC	116.500	NC
MAY	11.05	NC	220	3790	11.25 @ 0.51	NC	11.00 @ 0.57	NC	17.750	NC	85.000	NC	121.000	+0.250
JUN	11.86	-4	146	3226	12.00 @ 0.63	-2	11.75 @ 0.64	+2	19.000	NC	86.500	NC	123.250	-0.750
JUL	12.75	-9	112	2688	12.75 @ 0.81	-5	12.75 @ 0.81	+4	20.750	NC	90.000	+0.500	125.750	-0.250
AUG	13.49	-11	108	2669	13.50 @ 0.93	-6	13.25 @ 0.81	+4	21.000	NC	90.500	+1.000	129.000	-1.250
SEP	13.98	-11	124	2635	14.00 @ 1.02	-7	13.75 @ 0.91	+4	21.750	NC	91.250	+0.500	131.500	NC
OCT	14.06	-9	117	2173	14.25 @ 1.01	-5	14.00 @ 1.06	+3	24.000	NC	93.000	+1.000	133.500	-0.500
NOV	14.27	-6	71	2124	14.50 @ 1.08	-3	14.25 @ 1.17	+2	25.500	NC	94.000	+0.750	134.750	-0.250
DEC	14.32	-7	74	2128	14.50 @ 1.16	-4	14.25 @ 1.20	+3	25.000	NC	95.000	+0.750	136.000	NC
JAN10	14.45	-1	29	193	15.50 @ 0.90	-1	NA	NA	22.000	NC	99.500	NC	137.500	-0.500

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

Block cheese	\$1.1550 (+0.50)
Barrel cheese	\$1.1375 (+0.75)
AA Butter	\$1.1000 (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	1,803	35,819
[* 172 Pit, 1631 Electronic]		
Class IV	0	168
NDM	36	1,084
Dry whey	31	1,394
Butter (cash settle)	185	3,933

➤ Options Volume and Open Interest

	Volume	Open Interest
Class III	296	46,544
Class III Midi	2	131
Dry whey	0	160
Butter (cash settle)	0	25

Futures and options volume and open interest from previous trading day

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