

Daily Dairy Report

Dairy market information provided by Alan Levitt

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POWDER STOCKS BUILDING

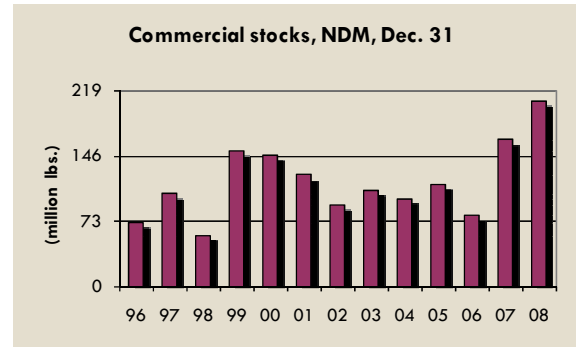
Milk futures traded higher this morning, but backed off when cheese failed to build on yesterday's modest increase. Blocks were unchanged on no bids or offers. Barrels dropped a quarter cent on a single sale. Milk futures for 2009 settled between 7¢ higher and 5¢ lower.

Dairy Market News reported its first increase in the Western region whey price range since last April. This week's Western price is pegged at mostly 14-16¢, up from 13.5-16¢ last week. "More contacts indicate that stock levels are in better balance due to better sales or less production," DMN says. In the Midwest, dry whey is trading for mostly 14-17¢, unchanged. Whey futures were steady, holding at an average of 21.2¢ for the third quarter and 24.8¢ for the fourth quarter

In the second half of 2008, U.S. whey production was 522.8 million lbs., down 6.4% from 2007 levels, according to USDA's "Dairy Products" report released yesterday. Year-end whey stocks were 65.6 million lbs., down 2.2 million lbs. (-3.3%) vs. year-end 2007.

NDM futures were mostly unchanged today in the face of heavy production and buildup of commercial and government inventory. Year-end commercial NDM stocks were 206.5 million lbs., up 26% from the end of 2007 and up 159% from the end of 2006 (see chart).

Western NDM is trading for mostly 78-82¢ this week, says DMN, unchanged from a week earlier. "Producers are attempting to keep their inventories under control," says DMN. "Production remains very heavy with a lot of milk still entering the churns and dryers. Demand is at steady levels, but few are interested in doing much stock building at this time." **cme**



FEBRUARY 5 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	9.29	-3	156 5007	10.00 @ 0.00	NC	10.00 @ 0.71	+3	16.000	NC	83.450	NC	108.750	NC
MAR	9.94	+7	196 4819	10.00 @ 0.29	+2	10.00 @ 0.35	-5	16.500	NC	83.000	NC	113.250	-0.750
APR	10.60	+7	313 4054	10.75 @ 0.41	+3	10.50 @ 0.43	-3	17.000	NC	83.500	NC	116.000	-0.500
MAY	11.09	+4	267 3912	11.25 @ 0.52	+1	11.00 @ 0.55	-2	17.750	NC	85.000	NC	119.500	-1.500
JUN	11.85	-1	153 3263	12.00 @ 0.62	-1	11.75 @ 0.64	NC	19.000	NC	87.000	+0.500	123.000	-0.250
JUL	12.71	-4	175 2767	12.75 @ 0.79	-2	12.50 @ 0.70	+2	20.750	NC	90.250	+0.250	126.000	+0.250
AUG	13.45	-4	127 2712	13.50 @ 0.91	-2	13.25 @ 0.83	+2	21.000	NC	90.500	NC	129.250	+0.250
SEP	13.93	-5	129 2662	14.00 @ 1.00	-2	13.75 @ 0.93	+2	21.750	NC	91.250	NC	131.500	NC
OCT	14.04	-2	135 2211	14.25 @ 1.00	-1	14.00 @ 1.07	+1	24.000	NC	93.000	NC	133.500	NC
NOV	14.26	-1	116 2157	14.50 @ 1.07	-1	14.25 @ 1.17	NC	25.500	NC	94.000	NC	134.500	-0.250
DEC	14.29	-3	125 2149	14.50 @ 1.14	-2	14.25 @ 1.21	+1	25.000	NC	95.000	NC	135.500	-0.500
JAN10	14.42	-3	44 204	15.50 @ 0.89	-1	NA	NA	22.000	NC	99.500	NC	137.500	NC

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

Block cheese	\$1.1550 (NC)
Barrel cheese	\$1.1350 (-0.25)
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	1,996	36,413
[*374 Pit, 1622 Electronic]		
Class IV	20	168
NDM	9	963
Dry whey	14	1,407
Butter (cash settle)	42	3,958

➤ Options Volume and Open Interest

	Volume	Open Interest
Class III	731	47,154
Class III Midi	0	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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