

Daily Dairy Report

Dairy market information provided by Alan Levitt

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USDA PROJECTS MILK PRICES AT 30-YEAR LOW

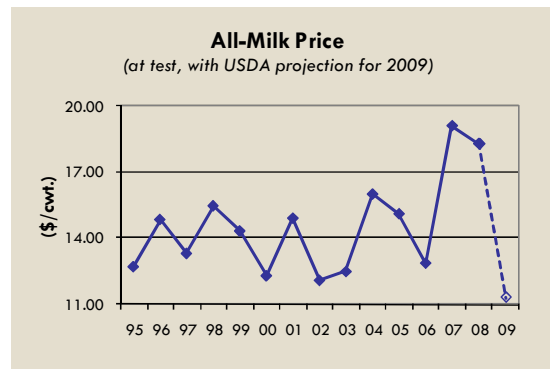
The All-Milk price will average \$10.95-\$11.65 this year, the lowest since 1978, according to USDA projections in this morning's "World Agricultural Supply & Demand Estimates" report. This represents a price decline of about \$7.00 from last year, and about \$3.50 from the average of this decade (see chart).

The department revised all its commodity price projections lower from last month. At the midpoint of the ranges, cheese is forecast to average just \$1.2150, butter \$1.13, NDM 83¢ and dry whey 17.5¢. Heavy surpluses will lead to significant government purchases, USDA says. The department expects to purchase 575 million lbs. of NDM, 55 million lbs. of cheese and 20 million lbs. of butter. NDM and butter purchases would be the most since 2003. Cheese would be the most since 1991.

The report projects commercial exports to decline 41% on a fat basis and 27% on a skim solids basis. Meanwhile, "lower international prices are expected to result in slightly higher U.S. imports of dairy products, primarily cheese," USDA says.

"Both domestic and export demand is forecast to remain weak due to economic uncertainty," the WASDE report concludes.

Buyers met little resistance in bidding up the cheese market again today, taking blocks up 2.75¢ to \$1.1925 and barrels up 1.25¢ to \$1.1825. However, traders resumed taking premium out of milk futures, resulting in declines of 23-37¢ in the APR-SEP09 contracts and 7-19¢ in the OCT09-MAR10 contracts. **cme**



FEBRUARY 10 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	9.30	NC	69	5075	10.00 @ 0.00	NC	10.00 @ 0.70	NC	16.000	NC	83.450	NC	107.500	NC
MAR	10.35	-4	179	4897	10.50 @ 0.24	-1	10.25 @ 0.25	+1	15.500	-0.500	83.000	NC	113.000	+0.100
APR	10.85	-29	189	4137	11.00 @ 0.41	-15	10.75 @ 0.42	+11	17.000	NC	83.500	NC	115.000	NC
MAY	11.35	-33	185	3919	11.50 @ 0.53	-17	11.25 @ 0.54	+13	17.750	NC	86.000	+0.250	119.500	NC
JUN	12.10	-37	84	3289	12.25 @ 0.62	-20	12.00 @ 0.64	+15	19.000	NC	87.500	NC	122.750	NC
JUL	12.95	-22	71	2746	13.00 @ 0.79	-12	13.00 @ 0.71	+9	20.750	NC	90.250	NC	126.000	+0.500
AUG	13.58	-26	57	2754	13.75 @ 0.85	-14	13.50 @ 0.89	+11	21.000	NC	91.250	+0.250	128.500	NC
SEP	14.08	-23	100	2666	14.25 @ 0.95	-12	14.00 @ 0.98	+9	21.750	NC	91.250	NC	131.000	NC
OCT	14.25	-19	74	2281	14.25 @ 1.10	-11	14.25 @ 1.10	+8	24.000	NC	93.000	NC	133.000	NC
NOV	14.63	-11	95	2163	14.75 @ 1.15	-6	14.50 @ 1.13	+4	25.500	NC	94.000	NC	134.500	NC
DEC	14.65	-10	65	2181	14.75 @ 1.21	-5	14.50 @ 1.17	+4	25.000	NC	95.000	NC	135.500	NC
JAN10	14.70	-7	8	207	15.50 @ 1.00	-3			22.000	NC	99.500	NC	137.000	NC

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

Block cheese	\$1.1925 (+2.75)
Barrel cheese	\$1.1825 (+1.25)
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	1,194	36,817
[*77 Pit, 1117 Electronic]		
Class IV	0	168
NDM	0	983
Dry whey	1	1,437
Butter (cash settle)	130	4,108

➤ **Options Volume and Open Interest**

	Volume	Open Interest
Class III	402	47,638
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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