

# Daily Dairy Report

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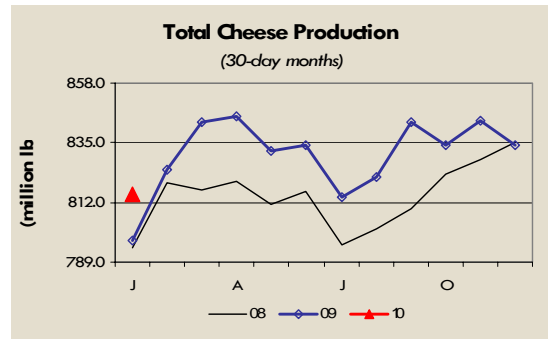
## Cheese production +2.2% in January

Cheese prices resumed their downward trajectory today, with blocks falling 2¢ and barrels dropping 0.75¢. Milk futures posted double-digit declines in most of the front months.

For nearly a year now, manufacturers have been directing the milk supply toward the cheese vat rather than into butter/powder production. Cheese output remained heavy in January, pulled by strong demand for mozzarella and a huge jump in manufacturing of cream/neufchatel. Overall cheese production was 842.3 million lbs., up 2.2% from the prior year, according to USDA's "Dairy Products" report released yesterday (see chart). Mozzarella production was +6.4% and cream/neufchatel production was +25.6%. Otherwise, cheese output was down 2.0%, including a 2.7% decline in cheddar.

Watch for total (and cheddar) production to rise toward their seasonal peaks over the next few weeks before beginning a decline into summer.

Meanwhile, butter production in January was 162.0 million lbs., down 7.2% from a year ago, and NDM/SMP production was 148.5 million lbs., down 13.9%. For the first time, USDA added milk protein concentrate production to the report. In January, U.S. MPC production was 7.5 million lbs., up 5.2% from prior year. Last year U.S. manufacturers produced 92.9 million lbs. of MPC, USDA says, while MPC imports were at a 5-year low. [cme group](#)



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## FUTURES & OPTIONS VOLUME AND OPEN INTEREST →

### Futures Volume and Open Interest

|                                      | Volume | Open Interest |
|--------------------------------------|--------|---------------|
| Class III<br>[4 Pit, 915 Electronic] | 919    | 30,391        |
| Class IV                             | 0      | 215           |
| NDM (cash settle)                    | 16     | 910           |
| NDM (deliverable)                    | 0      | 1             |
| Dry whey                             | 7      | 2,238         |
| Butter (cash settle)                 | 18     | 3,504         |

### Options Volume and Open Interest

|                      | Volume | Open Interest |
|----------------------|--------|---------------|
| Class III            | 1,256  | 55,063        |
| Class III midi       | 21     | 428           |
| Dry whey             | 0      | 624           |
| Butter (cash settle) | 0      | 93            |

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

**SPOT PRICES** (with change, in cents, from previous day): Block cheese \$1.3200 (-2.00) • Barrel cheese \$1.2825 (-0.75) • AA Butter \$1.4300 (+0.50) • NDM Extra Grade \$1.1200 (NC) • NDM Grade A \$1.1200 (NC) **MILK PRICES** (with change, in dollars, from previous month): January Class III milk (USDA) \$14.50 (-\$0.48) • January Class IV milk (USDA) \$13.85 (-\$1.16)

## March 3 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. (¢) |
| FEB 10 | 14.29             | +1       | 6 3548                                   | 14.50 @ 0.00            | NC       | 14.25 @ 0.00           | NC       | 39.000           | NC       | 109.500     | NC       | 135.250                      | NC       |
| MAR    | 13.00             | -14      | 199 3717                                 | 13.00 @ 0.12            | -8       | 13.00 @ 0.12           | +6       | 36.500           | +0.750   | 106.500     | NC       | 144.000                      | +0.500   |
| APR    | 13.01             | -17      | 244 4218                                 | 13.25 @ 0.19            | -7       | 13.00 @ 0.28           | +7       | 32.000           | NC       | 106.500     | +0.250   | 146.750                      | +0.250   |
| MAY    | 13.13             | -20      | 121 3553                                 | 13.25 @ 0.39            | -11      | 13.00 @ 0.38           | +7       | 29.500           | NC       | 108.000     | NC       | 149.250                      | +0.250   |
| JUN    | 13.90             | -14      | 102 2919                                 | 14.00 @ 0.56            | -7       | 13.75 @ 0.53           | +6       | 29.750           | NC       | 110.500     | NC       | 151.000                      | NC       |
| JUL    | 14.48             | -8       | 35 2310                                  | 14.50 @ 0.69            | -4       | 14.25 @ 0.58           | +3       | 29.250           | NC       | 113.500     | +0.750   | 154.500                      | +0.500   |
| AUG    | 15.00             | -11      | 47 2167                                  | 15.00 @ 0.80            | -6       | 15.00 @ 0.80           | +5       | 30.000           | +0.500   | 116.750     | NC       | 155.500                      | NC       |
| SEP    | 15.18             | -7       | 34 2088                                  | 15.25 @ 0.84            | -4       | 15.00 @ 0.78           | +3       | 30.000           | +0.500   | 117.500     | NC       | 158.030                      | +1.025   |
| OCT    | 15.19             | -6       | 42 1942                                  | 15.25 @ 0.81            | -4       | 15.00 @ 0.75           | +3       | 30.000           | +0.250   | 118.500     | +0.500   | 159.000                      | NC       |
| NOV    | 14.95             | -5       | 28 1899                                  | 15.00 @ 0.86            | -2       | 14.75 @ 0.77           | +2       | 31.750           | NC       | 119.500     | +1.000   | 161.000                      | NC       |
| DEC    | 14.99             | -5       | 48 1812                                  | 15.00 @ 0.91            | -3       | 14.75 @ 0.80           | +2       | 30.250           | NC       | 117.000     | NC       | 160.500                      | +0.780   |
| JAN11  | 14.59             | NC       | 4 90                                     | 15.50 @ 0.64            | NC       | 14.50 @ 0.95           | NC       | 28.480           | NC       | 111.000     | NC       | 159.000                      | NC       |

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