

Daily Dairy Report

Daily market information provided by Alan Levitt

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February milk production: +0.6%

Buying pressure eased on the cheese market this morning. No bids or offers came to the pit. In addition, butter dropped back a quarter-cent, the first decline in almost two weeks. Milk futures in the front months sold off after the spot trade, with APR-JUL falling 26¢.

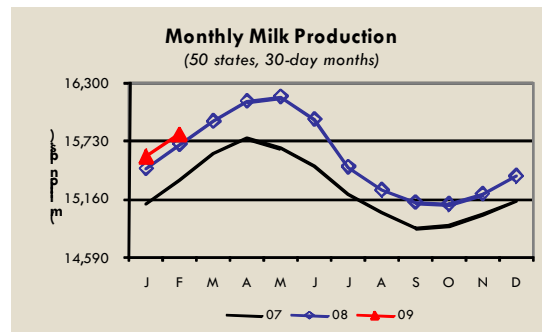
Milk production in the 23 selected states in February was 13.65 billion lbs., up 0.9% from a year ago (adjusted for leap day). Extrapolated 50-state output was 14.75 billion lbs., up 0.6%, according to USDA's "Milk Production" report released this afternoon (see chart). This is the smallest year-over-year gain since February 2007. Additional note: USDA dropped Kentucky from the 23 selected states and replaced it with Utah.

The dairy herd continues to shrink. Cow numbers fell 18,000 head in February following an 18,000-head decline in January. In the first two months of the year, California shed 16,000 head.

Total U.S. production per cow was 56.6 lbs. per day last month, up just 0.3 lbs. (+0.5%) from the prior year.

Retail milk prices plunged 5.7% in February, the largest one-month drop ever, according to Consumer Price Index data released this morning. The milk CPI was 134.8, down from 142.9 in January. That puts retail milk prices just above the level they were back in May 2007.

Retail butter prices also dropped significantly last month, falling 6.0% to a CPI of 170.9. However, retail cheese prices haven't fallen nearly as much as milk or butter. The Cheese CPI dropped 1.9% in February to a CPI of 213.5. Retail cheese prices are down just 5.0% from their August 2008 peak. **cme group**



For more information about real-time quotes, visit www.cmegroup.com/dairyquotes

FUTURES & OPTIONS VOLUME AND OPEN INTEREST →

Futures Volume and Open Interest

	Volume	Open Interest
Class III	1,268	34,082
[*107 Pit, 1161 Electronic]		
Class IV	0	233
NDM	6	1,013
Dry whey	16	1,500
Butter (cash settle)	112	4,524

Options Volume and Open Interest

	Volume	Open Interest
Class III	445	47,196
Class III midi	2	152
Dry whey	0	162
Butter (cash settle)	0	45

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

SPOT PRICES (with change, in cents, from previous day): Block cheese \$1.2675 (NC) • Barrel cheese \$1.3400 (NC) • AA Butter \$1.1825 (-0.25) • NDM Extra Grade \$0.8500 (NC) • NDM Grade A \$0.8325 (NC) **MILK PRICES** (with change, in cents, from previous month): Feb. Class III milk (USDA) \$9.31 (-\$1.47) • Feb. Class IV milk (USDA) \$9.45 (-\$0.14)

March 18 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	Settle (\$)	chg. (¢)	Settle (\$)	chg. (¢)	Settle (¢)	chg. (¢)	Settle (¢)	chg. (¢)	Settle (¢)	chg. (¢)
MAR 09	10.40	-2	47	4825	10.50 @ 0.01	-2	10.25 @ 0.01	NC	15.750	NC	82.000	NC	113.000	NC
APR	10.88	-34	148	4510	11.00 @ 0.22	-19	10.75 @ 0.22	+11	18.750	NC	83.000	NC	120.000	NC
MAY	11.38	-21	225	4373	11.50 @ 0.44	-11	11.25 @ 0.43	+8	20.000	NC	85.900	NC	125.000	-1.250
JUN	12.04	-29	158	4024	12.25 @ 0.52	-15	12.00 @ 0.59	+12	22.000	NC	87.500	NC	128.000	-2.250
JUL	13.27	-18	167	2872	13.50 @ 0.63	-10	13.25 @ 0.73	+8	24.250	NC	89.250	NC	133.000	-0.750
AUG	14.37	-6	89	2784	14.50 @ 0.84	-3	14.25 @ 0.83	+2	26.500	NC	91.000	NC	134.250	NC
SEP	14.87	-4	140	2700	15.00 @ 0.94	-2	14.75 @ 0.94	+2	27.500	+0.250	92.000	NC	136.750	NC
OCT	15.25	NC	73	2430	15.25 @ 1.09	-1	15.25 @ 1.09	-1	27.750	NC	93.000	NC	138.470	-0.030
NOV	15.45	NC	67	2275	15.50 @ 1.17	NC	15.25 @ 1.09	NC	27.500	NC	94.750	NC	140.500	+0.500
DEC	15.43	-2	84	2318	15.50 @ 1.22	-1	15.25 @ 1.15	NC	27.500	NC	95.000	NC	140.000	NC
JAN 10	15.44	-5	9	247	15.50 @ 1.30	-2	14.00 @ 0.67	+1	26.750	+0.750	99.500	NC	141.000	NC
FEB	15.35	+5	15	191	16.00 @ 1.10	+2	14.00 @ 0.75	-1	26.000	NC	115.000	NC	141.000	NC

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