

Daily Dairy Report

Daily market information provided by Alan Levitt

Vol. 13, No. 53/ March 20, 2009

Milk futures dive after drop on cheese

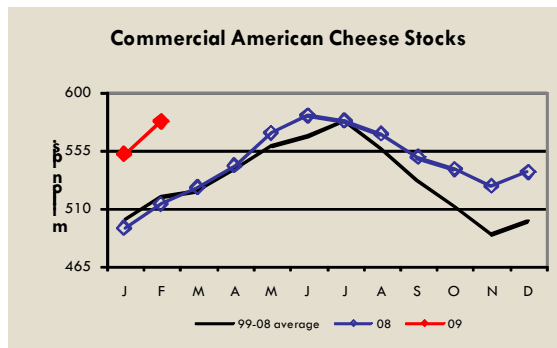
Milk futures opened higher this morning, a continuation of the heavy short-covering that characterized the market yesterday. But they did a dramatic about-face after a decline in cheese prices. Sellers returned to the cheese pits, offering prices lower. Once again, barrels led the way and blocks followed. Barrels fell 7.25¢ to \$1.2975 and blocks dropped 1.25¢ to \$1.2925.

The swing on the APR and MAY contracts were most dramatic, each falling nearly a dollar after hitting their intra-day high. Prices recovered some, and at the close, APR through AUG settled 16¢ down from where they started.

Commercial American cheese inventories ballooned to 577.4 million lbs. at the end of February, a level that hasn't been reached in prior years until April. Stocks increased 25.8 million lbs. for the month (and January was revised up 13.5 million lbs.) and now sit 64.4 million lbs. (12.5%) more than last year (see chart), according to USDA's "Cold Storage" report released this afternoon.

Dairymen continued to cull aggressively in February, sending 243,500 cows to slaughter last month. This figure is up 29,200 head (+17.7%) from a year ago, according to USDA's "Livestock Slaughter" report released this morning.

The Class I base price for April is \$10.36, up 93¢ from March. This price will yield an MILC payment of \$1.50, plus any feed-cost adjustor. **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 [*120 Pit, 1345 Electronic]	1,465	34,578
Class IV	0	233
NDM	6	1,029
Dry whey	9	1,507
Butter (cash settle)	38	4,569

Options Volume and Open Interest

	Volume	Open Interest
Class III	1,211	47,609
Class III midi	1	154
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 \$1.2925 (-1.25) • Barrel cheese \$1.2975 (-7.25) • AA Butter \$1.1825 (NC) • 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 20 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. (¢)
MAR 09	10.51	-4	124 4813	10.75 @ 0.00	NC	10.50 @ 0.05	+2	NA	NA	82.000	NC	113.025	NC
APR	11.50	-13	211 4535	11.50 @ 0.27	-11	11.50 @ 0.36	+11	NA	NA	83.000	NC	120.000	NC
MAY	11.96	-17	182 4467	12.00 @ 0.52	-9	11.75 @ 0.44	+7	NA	NA	85.900	NC	124.500	NC
JUN	12.68	-11	201 4177	12.75 @ 0.64	-5	12.50 @ 0.58	+5	NA	NA	86.500	NC	125.500	NC
JUL	13.78	-17	146 2906	14.00 @ 0.72	-8	13.75 @ 0.80	+8	NA	NA	89.500	NC	131.000	NC
AUG	14.91	-21	74 2813	15.00 @ 0.95	-11	14.75 @ 0.91	+9	NA	NA	90.250	NC	134.250	NC
SEP	15.47	-10	120 2717	15.50 @ 1.09	-6	15.25 @ 0.99	+4	NA	NA	92.500	+0.250	137.000	+0.250
OCT	15.94	-6	101 2467	16.00 @ NA	NA	15.75 @ NA	NA	NA	NA	93.500	+0.250	138.500	NC
NOV	16.10	-9	82 2279	16.25 @ NA	NA	16.00 @ NA	NA	NA	NA	94.750	NC	140.500	NC
DEC	16.05	-4	95 2326	16.25 @ NA	NA	16.00 @ NA	NA	NA	NA	95.250	+0.250	140.500	NC
JAN 10	15.90	-12	11 254	16.00 @ NA	NA	15.50 @ NA	NA	NA	NA	99.500	NC	140.500	-0.500
FEB	15.50	-5	9 197	16.00 @ NA	NA	14.00 @ NA	NA	NA	NA	115.000	NC	140.500	-0.500

Disclaimer: The *Daily Dairy Report* is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance.

CME Group is the trademark of CME Group, Inc. The Globe logo, Globex® and CME® are trademarks of Chicago Mercantile Exchange, Inc. CBOT® is the trademark of the Board of Trade of the City of Chicago. NYMEX, New York Mercantile Exchange, and ClearPort are trademarks of New York Mercantile Exchange, Inc. COMEX is a trademark of Commodity Exchange, Inc. Copyright © 2009 CME Group. All rights reserved.