

Daily Dairy Report

Daily market information provided by Alan Levitt

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Why prices march higher

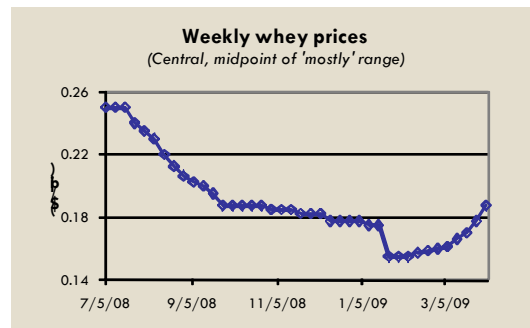
Milk futures posted double-digit declines for the fourth straight day, dropping 11-26¢ from APR09 out to JAN10. Market sentiment wasn't helped by declines in the cheese market, where barrels fell below blocks for the first time in more than a month.

Why prices have been on the mend for two months. Midwestern dry whey is trading for mostly 18-19.5¢, up about 3¢ since late January and the highest price since late October, according to USDA's *Dairy Market News* (see chart). Dry whey from the Western region is trading for mostly 20-22¢, *DMN* says, a gain of more than 6¢ in the last nine weeks.

"It is increasingly more challenging to find whey for sale on spot markets," *DMN* says. "This is both because a substantial portion of the volume produced is committed to contracts, as well as due to some manufacturers desiring to hold some uncommitted whey as inventory. A number of Western producers are shipping the majority of their current production overseas."

Why futures for the second half of the year average 27.7¢, up 3.5¢ since the end of February.

The California 4b (cheese-milk) price for March is \$10.45, up 34¢ from February but still \$6.49 lower than a year ago. The Federal Order Class III price, announced tomorrow, will be about the same; MAR Class III futures went off the board today at \$10.46. The California 4a (butter/powder milk) price for March is \$9.67, up 27¢ from February and down \$4.69 from last year. **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 [*135 Pit, 1411 Electronic]	1,546	34,008
Class IV	0	233
NDM	0	1,041
Dry whey	28	1,543
Butter (cash settle)	93	4,838

Options Volume and Open Interest

	Volume	Open Interest
Class III	821	50,082
Class III midi	0	175
Dry whey	5	162
Butter (cash settle)	0	65

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

SPOT PRICES (with change, in cents, from previous day): Block cheese \$1.2800 (-1.00) • Barrel cheese \$1.2750 (-1.50) • AA Butter \$1.1800 (NC) • NDM Extra Grade \$0.8500 (NC) • NDM Grade A \$0.8450 (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)

April 2 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	10.46	NC	12 4787	10.50 @ 0.00	NC	10.25 @ 0.00	NC	16.000	+0.200	82.000	NC	113.500	NC
APR	11.01	-11	128 4347	11.25 @ 0.06	-4	11.00 @ 0.15	+4	18.750	+0.025	83.000	NC	118.250	NC
MAY	11.40	-17	374 4457	11.50 @ 0.37	-12	11.25 @ 0.34	+3	20.500	+0.500	85.750	-0.250	125.000	+0.500
JUN	12.24	-24	315 4001	12.25 @ 0.59	-14	12.00 @ 0.48	+9	22.500	NC	87.000	NC	128.000	+2.000
JUL	13.37	-26	189 2907	13.50 @ 0.69	-14	13.25 @ 0.68	+10	25.000	NC	89.500	+0.500	129.000	NC
AUG	14.46	-20	142 2754	14.50 @ 0.90	-11	14.25 @ 0.81	+8	27.500	NC	90.250	NC	130.500	-0.500
SEP	15.00	-14	114 2593	15.00 @ 1.03	-8	15.00 @ 1.03	+6	28.000	NC	92.500	NC	134.500	-1.250
OCT	15.22	-13	85 2391	15.25 @ 1.11	-7	15.00 @ 1.01	+5	28.250	NC	94.000	NC	137.000	-0.750
NOV	15.23	-20	60 2274	15.25 @ 1.20	-12	15.00 @ 1.09	+8	28.475	NC	95.000	NC	139.500	-0.250
DEC	15.15	-13	71 2292	15.25 @ 1.23	-7	15.00 @ 1.19	+5	29.000	NC	95.250	NC	139.750	NC
JAN 10	15.20	-15	2 267	15.50 @ 1.17	-8	15.00 @ 1.19	+6	28.000	+0.500	99.500	NC	140.500	-0.500
FEB	15.21	-6	18 214	15.50 @ 1.23	-3	14.00 @ 0.79	+2	28.000	+0.750	115.000	NC	140.500	-0.500

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