

Daily Dairy Report

Dairy market information provided by Alan Levitt

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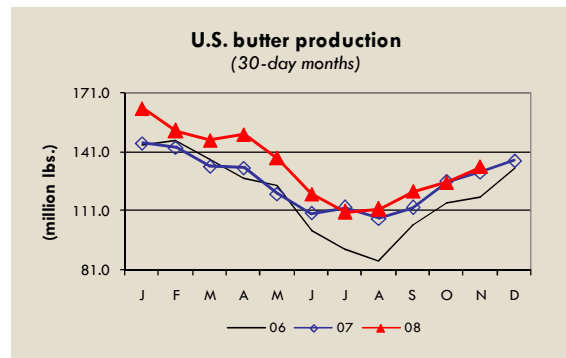
MILK FUTURES POST LIMIT-DOWN LOSSES

Another big drop in cheese prices – down 4¢ on blocks and 3¢ on barrels – sent milk futures limit down (-75¢) in the MAR-AUG09 contracts. Futures covering the 1st half of the year average just \$10.38, down nearly \$4 since Thanksgiving.

Lower prices are bringing more buyers back to the cheese market, but supply is still plentiful. 12 loads of blocks and 3 loads of barrels traded today. Though the block price is now 9¢ below the support level, no sales to CCC have taken place yet. Producing cheese specifically for CCC entails different packaging, grading and other conditions.

Butter production continues to increase seasonally. January is typically the highest-volume month of the year for butter. Over the last 10 years, manufacturers have added an average of 45.6 million lbs. of butter (+61%) to their warehouses during January. Output in November was up 2.2% from a year ago, according to USDA's latest "Dairy Products" report (see chart). For the year production is up 7.1%. In the January-October period, U.S. exports of butterfat represented nearly 14% of U.S. butter production, but exports slowed in the 4th quarter.

USDA implemented slight changes in the CCC purchase prices for cheese. New support rates are \$1.13 for blocks and \$1.10 for barrels. The purchase price for bulk butter remains \$1.05 and nonfortified NDM remains 80¢. The government will no longer buy processed cheese, 1-lb. prints of butter or fortified or instant NDM. **cme**



JANUARY 7 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. (¢)
JAN 09	10.83	-16	405 4450	11.00 @ 0.12	-7	10.75 @ 0.14	+4	16.000	+0.025	85.900	+0.900	115.000	+1.750
FEB	9.40	-64	395 4210	10.00 @ 0.12	NA	10.00 @ 0.72	+39	15.500	NC	86.750	+0.750	116.250	+0.250
MAR	9.70	-75	455 3748	10.00 @ 0.31	NA	10.00 @ 0.61	+33	15.750	NC	87.000	NC	117.500	NC
APR	10.17	-75	380 3127	10.25 @ 0.49	NA	10.00 @ 0.45	+24	14.000	NC	87.000	NC	118.250	+0.250
MAY	10.70	-75	341 2913	10.75 @ 0.61	NA	10.50 @ 0.54	+25	15.500	+0.250	92.000	NC	121.000	NC
JUN	11.49	-75	306 2737	11.50 @ 0.73	NA	11.25 @ 0.61	+25	15.500	NC	93.500	-0.500	123.500	+0.500
JUL	12.01	-75	173 2502	12.25 @ 0.71	NA	12.00 @ 0.82	+30	17.000	NC	94.250	-0.750	124.000	+0.500
AUG	12.82	-75	163 2431	13.00 @ 0.87	-43	12.75 @ 0.91	+29	19.000	NC	94.500	-0.500	127.500	+0.480
SEP	13.19	-71	135 2449	13.25 @ 1.00	-42	13.00 @ 0.93	+27	19.500	NC	94.750	-0.500	131.500	+0.250
OCT	13.24	-68	145 2103	13.25 @ 1.08	-40	13.00 @ 0.96	+25	22.020	NC	99.500	NC	134.000	+0.250
NOV	13.29	-61	118 1998	13.50 @ 1.06	-34	13.25 @ 1.13	+25	22.020	NC	99.500	-0.250	133.000	+0.500
DEC	13.15	-64	122 2004	13.25 @ 1.14	-37	13.00 @ 1.10	+24	22.130	NC	99.750	NC	135.000	+0.500

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

Block cheese	\$1.0400 (-4.00)
Barrel cheese	\$1.0300 (-3.00)
AA Butter	\$1.1300 (NC)
NDM Extra Grade	\$.8500 (NC)
NDM Grade A	\$.8300 (NC)

➤ Milk Prices (with change from previous month):

Dec. Class III milk (USDA)	\$15.28 (-\$0.23)
Dec. Class IV milk (USDA)	\$10.35 (-\$1.90)

➤ Futures Volume and Open Interest

	Volume	Open Interest
Class III.....	3,157	35,176
[*834 Pit, 2323 Electronic]		
Class IV.....	0	104
NDM.....	17	849
Dry whey.....	17	1,311
Butter (cash settle).....	79	3,198

➤ Options Volume and Open Interest

	Volume	Open Interest
Class III.....	1,361	49,088
Class III Midi.....	0	120
Dry whey.....	0	150
Butter (cash settle).....	0	30

Futures and options volume and open interest from previous trading day

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