

# Daily Dairy Report

Daily market information provided by Alan Levitt

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## Butter moves to new 2009 high

The block-barrel spread stretched to 7¢ as barrels dropped another half-cent and blocks held steady. Class III futures continued to drift lower; JUL09 hit a new low of \$11.92.

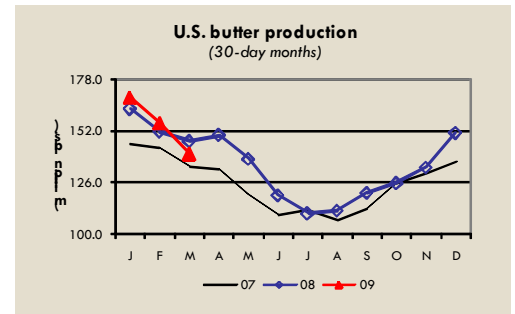
Spot butter traded at \$1.2350 after four days at \$1.23. Some of the premium has come out of butter futures over the last week and a half – AUG-DEC09 contracts have declined more than 3¢ since Apr. 24. Contracts covering the second half of the year average \$1.3511.

Butter production is declining seasonally (*see chart*), but “churning activity is fully sufficient to meet current needs with excess clearing to inventory for future use,” says USDA’s *Dairy Market News*. “Overall butter demand is steady and typical for the period following a holiday.”

U.S. butterfat exports have slowed dramatically in 2009. U.S. butter is no longer price-competitive vs. Oceania product, which is currently trading for 79-95¢, according to *DMN*. Last year U.S. butterfat exports averaged 16.4 million lbs. per month. In the first two months of 2009, exports averaged just 4.2 million lbs. per month.

Production of frozen desserts is increasing seasonally, which makes less cream available for the churn. However, volumes remain slightly below a year ago. In the first quarter, production of regular and lowfat ice cream was 282.4 million lbs., down 1.7% from last year (adjusted for leap day), according to USDA’s “Dairy Products” report released yesterday.

On May 12, CWT auditors and staff will begin selecting winning herd-retirement bids. Audits of selected dairies will begin May 19 and all bidders, whether successful or not, will be notified by June 12. Culling is expected to take place in June and July. **cme group**



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## FUTURES & OPTIONS VOLUME AND OPEN INTEREST

### Futures Volume and Open Interest

	Volume	Open Interest
Class III	641	27,024
[*3 Pit, 638 Electronic]		
Class IV	0	212
NDM (cash settle)	11	848
NDM (deliverable)	0	2
Dry whey	14	1,272
Butter (cash settle)	46	4,681

### Options Volume and Open Interest

	Volume	Open Interest
Class III	409	41,312
Class III midi	0	179
Dry whey	0	138
Butter (cash settle)	0	80

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

**SPOT PRICES** (with change, in cents, from previous day): Block cheese \$1.1500 (NC) • Barrel cheese \$1.0800 (-0.50) • AA Butter \$1.2350 (+0.50) • NDM Extra Grade \$0.8600 (NC) • NDM Grade A \$0.8800 (NC) **MILK PRICES** (with change, in cents, from previous month): April Class III milk (USDA) \$10.78 (+\$0.34) • April Class IV milk (USDA) \$9.82 (+\$0.18)

## May 5 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. (¢)
MAY 09	9.85	+2	131	4722	10.00 @ 0.07	NC	9.75 @ 0.09	-1	21.750	+0.250	83.000	NC	121.500	NC
JUN	10.58	+4	106	4653	10.75 @ 0.27	+2	10.50 @ 0.30	-3	24.500	+0.250	85.500	NC	127.000	+0.250
JUL	11.92	-5	120	3227	12.00 @ 0.55	-3	11.75 @ 0.51	+2	27.000	NC	85.500	-1.000	130.500	+0.750
AUG	13.08	-7	104	2961	13.25 @ 0.70	-3	13.00 @ 0.72	+2	28.000	-0.500	88.250	+0.500	131.600	+0.100
SEP	13.82	-8	37	2763	14.00 @ 0.82	-4	13.75 @ 0.86	+3	30.000	NC	90.750	-0.250	133.780	-0.980
OCT	14.45	-13	60	2567	14.50 @ 1.00	-7	14.25 @ 0.92	+5	30.000	NC	93.250	-1.750	136.000	-0.500
NOV	14.66	-6	30	2342	14.75 @ 1.09	-4	14.50 @ 1.05	+3	31.000	NC	95.000	NC	138.750	NC
DEC	14.70	-10	33	2356	14.75 @ 1.18	-6	14.50 @ 1.10	+4	30.500	NC	95.000	NC	140.000	NC
JAN 10	14.85	-7	2	342	15.00 @ 1.13	-4	14.50 @ 1.02	+3	31.250	+0.250	99.500	NC	142.000	NC
FEB	14.85	-7	4	268	15.50 @ 0.99	-3	14.50 @ 1.08	+3	31.500	+0.500	115.000	NC	143.000	NC
MAR	15.10	-5	2	234	15.50 @ 1.17	-2	14.50 @ 1.03	+1	31.500	+0.500	116.000	NC	150.000	NC
APR	15.27	-8	3	141	17.00 @ 0.78	-3	14.50 @ 1.02	+2	30.500	+0.500	117.000	NC	152.000	NC

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