

Daily Dairy Report

Daily market information provided by Alan Levitt

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Butter drops to 5-month low

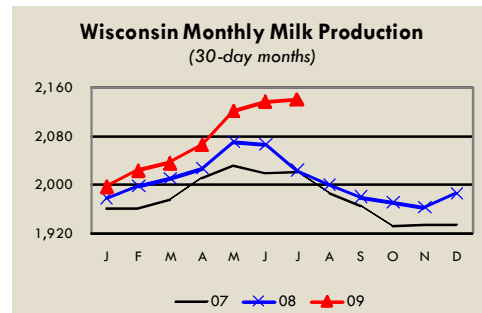
Class III futures opened lower in response to yesterday's bearish "Milk Production" report that showed output essentially flat for June and July, but rebounded to finish in positive territory after a gain in spot cheese prices. Blocks traded at \$1.40 for the first time since Dec. 17. Milk futures for SEP-DEC09 settled 17¢ higher. First-half 2010 gained 8¢.

Spot butter dropped to \$1.1725, the lowest price since March 9. Butter futures continued to erode across the board. Contracts covering the fourth quarter have declined 3.7¢ this week, while contracts covering the first half of 2010 are down 4.2¢.

"[Butter] production is heavier than anticipated and cream offerings are becoming heavier," explains USDA's *Dairy Market News*. "Many contacts are commenting that they have started their holiday build-up early this year, which may impact interest in the usually strong demand fall months."

Dairymen in the Upper Midwest posted large increases in milk production in July, offsetting declines in the West and Southwest, according to USDA's production report released yesterday. Production in Wisconsin (*see chart*), Minnesota and Michigan was up 5.6% (+196 million lbs. vs. a year ago). Meanwhile production in California, Idaho and Washington was down 4.4% (-218 million lbs.) and output in Texas, New Mexico was down 2.1% (-37 million lbs.). Production was up 1.0% (+21 million lbs.) in the Northeast states (New York, Pennsylvania and Vermont).

No NDM was sold to CCC Monday or Tuesday this week. Since USDA raised the support price on NDM to 92¢ on August 1, manufacturers have sold just 3.2 million lbs. of powder to CCC while cancelling prior sales of 2.8 million lbs. **cme group**



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FUTURES & OPTIONS VOLUME AND OPEN INTEREST

Futures Volume and Open Interest

	Volume	Open Interest
Class III [3 Pit, 794 Electronic]	797	25,418
Class IV	0	125
NDM (cash settle)	0	576
NDM (deliverable)	0	2
Dry whey	36	1,555
Butter (cash settle)	52	4,424

Options Volume and Open Interest

	Volume	Open Interest
Class III	572	43,748
Class III midi	3	236
Dry whey	0	361
Butter (cash settle)	0	79
NDM (cash settle)	0	46

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

SPOT PRICES (with change, in cents, from previous day): Block cheese \$1.4000 (+1.75) • Barrel cheese \$1.3675 (+0.75) • AA Butter \$1.1725 (-2.75) • NDM Extra Grade \$0.9500 (NC) • NDM Grade A \$0.9950 (NC) **MILK PRICES** (with change, in dollars, from previous month): July Class III milk (USDA) \$9.97 (NC) • July Class IV milk (USDA) \$10.15 (-0.07)

August 19 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. (¢)	
AUG 09	11.21	+1	11 4024	11.25 @ 0.03	NC	11.00 @ 0.00	NC	29.500	NC	88.000	NC	120.750	-0.500	
SEP	12.81	+23	75 4114	13.00 @ 0.22	+6	12.75 @ 0.27	-15	30.000	-0.525	92.000	NC	120.000	NC	
OCT	13.05	+14	119 3743	13.25 @ 0.36	+1	13.00 @ 0.42	-12	29.520	-0.475	97.600	NC	121.000	-2.000	
NOV	13.00	+15	97 3605	13.00 @ 0.60	+7	13.00 @ 0.60	-8	30.000	NC	97.600	NC	124.500	-0.500	
DEC	13.25	+15	109 3324	13.25 @ 0.69	+8	13.25 @ 0.69	-7	30.000	NC	99.050	NC	127.000	-1.500	
JAN 10	13.32	+6	85 1172	13.50 @ 0.69	+2	13.25 @ 0.74	-3	28.000	NC	104.500	+1.500	130.000	-1.000	
FEB	13.40	+9	73 890	13.50 @ 0.80	+5	13.25 @ 0.76	-5	27.250	-0.750	104.500	+1.500	132.000	-1.000	
MAR	13.45	+4	60 845	13.50 @ 0.88	+2	13.25 @ 0.80	-2	27.500	-0.500	104.500	+1.500	133.000	-2.000	
APR	13.70	+11	54 674	13.75 @ 0.95	+5	13.50 @ 0.87	-5	27.750	NC	103.000	NC	136.000	-1.000	
MAY	13.95	+13	16 568	14.00 @ 1.03	+6	13.75 @ 0.95	-6	28.000	NC	103.000	NC	136.000	-2.000	
JUN	14.55	+6	25 554	14.75 @ 1.06	+2	14.50 @ 1.13	-2	28.250	NC	103.000	NC	140.000	-2.000	
JUL	14.99	+7	11 403	15.00 @ 1.23	+3	14.25 @ 0.88	-2	29.000	NC	107.000	NC	144.000	-4.500	

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