

Daily Dairy Report

Daily market information provided by Alan Levitt

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Feed prices expected to decline

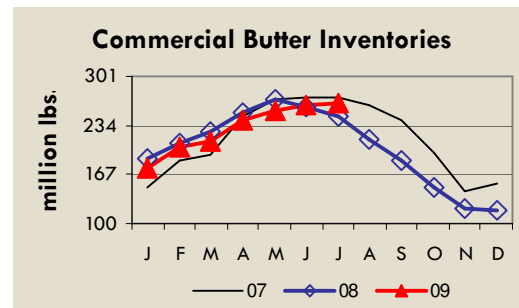
The spot market did not give traders much to go on. The only price movement that took place was in barrels with an unfilled bid pushing price up 1¢ to \$1.38. No one was interested in doing any business in blocks.

Butter showed trading activity with 2 loads changing hands at the steady price of \$1.17. There were 2 unfilled bids at \$1.17 and 2 uncovered offers of \$1.19 at the close of trading. An unfilled bid was posted for a load of Grade A nonfat dry milk 2.5¢ lower leaving the price unchanged.

Milk futures closed with single-digit gains in in the SEP-DEC 2009 contracts while 2010 contracts showed double-digit gains in 8 of the months.

July butter inventories totaled 264.0 million lbs. according to USDA's "Cold Storage" report released last week. Although commercial butter inventories increased from last year they still remained lower than the 2007 level (see chart). The '99-'08 average for July butter stocks is 207.3 million lbs.

"Prospects are for 09/10 feed prices to decline slightly from 08/09, helping boost the milk-feed ratio from this year's lows" said the USDA in their "Livestock, Dairy, and Poultry" report released last week. "The lower feed prices and continued herd contraction will likely continue to boost milk output per cow in 2010." The report projects the dairy herd to fall to 8.9 million head next year which would outweigh the projected increased output per cow of 1.9%. **cme group**



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FUTURES & OPTIONS VOLUME AND OPEN INTEREST

Futures Volume and Open Interest

	Volume	Open Interest
Class III [13 Pit, 1113 Electronic]	1,126	26,023
Class IV	0	125
NDM (cash settle)	0	596
NDM (deliverable)	0	2
Dry whey	39	1,635
Butter (cash settle)	11	4,420

Options Volume and Open Interest

	Volume	Open Interest
Class III	133	43,985
Class III midi	0	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 \$1.3900 (NC) • Barrel cheese \$1.3800 (+1.00) • AA Butter \$1.1700 (NC) • 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 24 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. (¢)
AUG 09	11.22	+1	73	4086	11.25 @ 0.02	NC	11.00 @ 0.00	NC	29.500	NC	88.000	NC	120.350	+0.100
SEP	13.02	+2	138	3991	13.25 @ 0.19	NC	13.00 @ 0.28	-2	30.000	NC	92.000	NC	119.000	NC
OCT	13.46	+1	158	3786	13.50 @ 0.43	NC	13.25 @ 0.35	-1	30.250	-0.250	97.600	NC	121.000	NC
NOV	13.49	+5	195	3743	13.50 @ 0.59	NC	13.25 @ 0.48	-4	30.520	+0.025	97.600	NC	124.000	NC
DEC	13.68	+4	139	3476	13.75 @ 0.65	NC	13.50 @ 0.59	-4	31.250	NC	99.050	NC	125.750	NC
JAN 10	13.92	+13	85	1261	14.00 @ 0.74	+4	13.75 @ 0.69	-9	30.520	+0.025	104.000	NC	129.500	NC
FEB	14.01	+3	60	925	14.25 @ 0.74	-1	14.00 @ 0.84	-4	29.000	+0.500	104.500	NC	131.000	NC
MAR	14.08	+13	65	909	14.25 @ 0.84	+4	14.00 @ 0.87	-9	29.250	+0.500	104.500	NC	132.000	-1.000
APR	14.45	+17	50	690	14.50 @ 0.97	+6	14.25 @ 0.89	-10	28.500	NC	103.000	NC	133.000	-1.000
MAY	14.53	+11	34	591	14.75 @ 0.97	+3	14.50 @ 1.05	-8	28.250	+0.225	103.000	NC	134.000	NC
JUN	14.99	+11	37	570	15.00 @ 1.15	+3	14.75 @ 1.03	-8	28.070	+0.025	103.000	NC	138.000	NC
JUL	15.26	+12	23	425	15.50 @ 1.12	+3	15.25 @ 1.22	-9	29.000	NC	107.000	NC	142.250	NC

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