

# Daily Dairy Report

Daily market information provided by Alan Levitt

Vol. 13, No. 167/ September 1, 2009

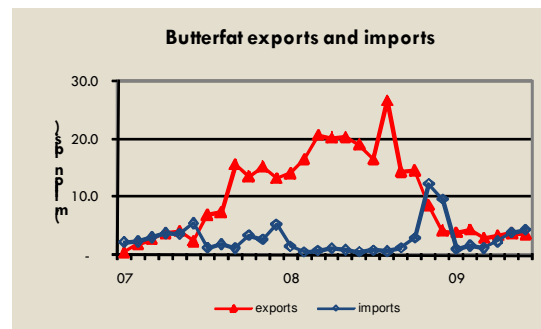
## Weak markets at start of September

September started where August left off: weakness on cheese, continued sell-offs on milk futures, and quiet markets for butter and NDM. Cheese fell for the fourth straight day, leaving prices a few cents above the temporary support levels of \$1.31 for blocks and \$1.28 for barrels. Prices declined on uncovered offers; no sales took place. Class III futures declined across the board, leaving DEC09 at a new low of \$13.00 and several other contract months (NOV09 and JAN, FEB and MAR10) near new lows as well.

Spot butter held at \$1.17. Butter stocks are declining more rapidly now, but inventories are still adequate for current and expected needs. In addition, availability of cream for churning remains good.

A reversal in the trade situation has increased the butterfat supply on the U.S. market. In the second quarter, butterfat exports were just 0.8 million lbs. per week, down from 4.6 million lbs. per week last year. Meanwhile, butterfat imports in the second quarter were 0.8 million lbs. per week, vs. 0.2 million lbs. per week last year (see chart). So on balance, there was 4.4 million lbs. per week more butterfat on the market in the second quarter this year – a volume that represents about 14% of total U.S. butter production.

The California 4b (cheese milk) price for August is \$11.29, up \$1.90 from July and the highest price of the year. The California 4a (milk for butter/powder) is \$10.21, up 19¢. **cme group**



For more information about real-time quotes, visit [www.cmegroup.com/dairyquotes](http://www.cmegroup.com/dairyquotes)

## FUTURES & OPTIONS VOLUME AND OPEN INTEREST →

### Futures Volume and Open Interest

|                                       | Volume | Open Interest |
|---------------------------------------|--------|---------------|
| Class III<br>[0 Pit, 1067 Electronic] | 1,067  | 26,395        |
| Class IV                              | 0      | 125           |
| NDM (cash settle)                     | 13     | 607           |
| NDM (deliverable)                     | 0      | 2             |
| Dry whey                              | 42     | 1,724         |
| Butter (cash settle)                  | 74     | 4,423         |

### Options Volume and Open Interest

|                      | Volume | Open Interest |
|----------------------|--------|---------------|
| Class III            | 918    | 45,554        |
| Class III midi       | 6      | 246           |
| Dry whey             | 0      | 413           |
| Butter (cash settle) | 0      | 87            |
| 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 \$1.3475 (-0.50) • Barrel cheese \$1.3150 (-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)

## September 1 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 | 11.20             | -2       | 29     | 4095          | 11.25 @ 0.00            | -1       | 11.00 @ 0.00           | NC       | 29.500           | NC       | 87.500      | NC       | 120.530                      | -0.730   |
| SEP    | 12.25             | -4       | 206    | 3712          | 12.25 @ 0.16            | -3       | 12.25 @ 0.16           | +1       | 30.000           | NC       | 92.000      | NC       | 118.000                      | +0.250   |
| OCT    | 12.32             | -14      | 155    | 3816          | 12.50 @ 0.28            | -7       | 12.25 @ 0.33           | +6       | 29.050           | NC       | 97.600      | NC       | 123.000                      | NC       |
| NOV    | 12.83             | -9       | 173    | 3692          | 13.00 @ 0.44            | -5       | 12.75 @ 0.48           | +4       | 30.020           | +0.025   | 97.600      | NC       | 124.000                      | NC       |
| DEC    | 13.00             | -9       | 245    | 3614          | 13.00 @ 0.60            | -5       | 13.00 @ 0.60           | +4       | 29.550           | NC       | 99.050      | NC       | 126.000                      | NC       |
| JAN 10 | 13.35             | -8       | 66     | 1434          | 13.50 @ 0.63            | -4       | 13.25 @ 0.64           | +3       | 29.500           | NC       | 103.900     | NC       | 129.500                      | NC       |
| FEB    | 13.45             | -12      | 37     | 1013          | 13.50 @ 0.74            | -6       | 13.25 @ 0.66           | +5       | 28.500           | NC       | 102.000     | NC       | 131.000                      | NC       |
| MAR    | 13.46             | -10      | 15     | 995           | 13.50 @ 0.80            | -5       | 13.25 @ 0.71           | +4       | 27.820           | +0.025   | 102.000     | NC       | 132.000                      | NC       |
| APR    | 13.98             | -9       | 23     | 746           | 14.00 @ 0.89            | -5       | 13.75 @ 0.78           | +3       | 27.520           | NC       | 103.000     | NC       | 133.000                      | NC       |
| MAY    | 14.11             | -10      | 13     | 623           | 14.25 @ 0.91            | -5       | 14.00 @ 0.91           | +4       | 28.020           | NC       | 103.000     | NC       | 134.000                      | NC       |
| JUN    | 14.53             | -6       | 41     | 595           | 14.75 @ 0.95            | -3       | 14.50 @ 1.03           | +2       | 28.070           | NC       | 104.000     | NC       | 138.000                      | NC       |
| JUL    | 14.75             | -17      | 28     | 447           | 15.00 @ 1.00            | -9       | 14.25 @ 0.86           | +6       | 29.000           | NC       | 110.000     | NC       | 142.250                      | NC       |

Disclaimer: The *Daily Dairy Report* is intended solely for information purposes and is not to be construed, under any circumstances, by implication or otherwise, as an offer to sell or a solicitation to buy or trade any commodities or securities whatsoever. Information is obtained from sources believed to be reliable, but is in no way guaranteed. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance.