

Daily Dairy Report

Daily market information provided by Alan Levitt

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Nonfat dry milk supplies tightening

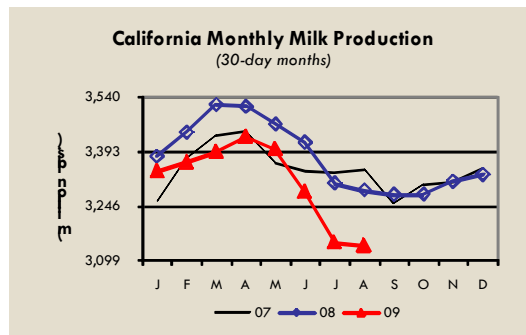
Milk future were higher at the opening bell as traders anticipated higher cash prices. Cheese prices remained steady with just 2 loads of blocks traded. This quickly undermined support with futures posting double-digit losses in nearby OCT as well as DEC-AUG contracts.

Spot butter followed with price remaining unchanged and no trades. The only interest was an uncovered offer a penny higher. August butter stocks were 23% higher than a year earlier, but the recent increase in demand is causing plants to dip into stocks to supplement fresh production according to the USDA's *Dairy Market News*.

Grade A nonfat dry milk increased 1.5¢ to \$1.08, the highest since October 3. Extra grade remained unchanged at \$1.01. Daily nonfat dry milk spot trading continues to reflect the current tightness in the market. Current nonfat production remains light and is being used to fill contracted needs says *DMN*.

The impact on milk production in California has been significant as a result of continued low milk prices. Milk production in the state has been below 2008 levels so far this year when converted to 30-day months (see chart). August cow numbers in California were 64,000 head lower with production per cow 20 lbs. lower than a year ago.

The USDA's "Ag Prices" report for September will be released tomorrow. **cme group**



For more information about real-time quotes, visit www.cmegroup.com/dairyquotes

FUTURES & OPTIONS VOLUME AND OPEN INTEREST

Futures Volume and Open Interest

	Volume	Open Interest
Class III [57 Pit, 1106 Electronic]	1165	24,538
Class IV	0	56
NDM (cash settle)	0	522
NDM (deliverable)	0	2
Dry whey	14	1,669
Butter (cash settle)	22	3,899

Options Volume and Open Interest

	Volume	Open Interest
Class III	592	43,512
Class III midi	0	240
Dry whey	0	499
Butter (cash settle)	0	70
NDM (cash settle)	0	29

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

SPOT PRICES (with change, in cents, from previous day): Block cheese \$1.4125 (NC) • Barrel cheese \$1.3775 (NC) • AA Butter \$1.2600 (NC) • NDM Extra Grade \$1.0100 (NC) • NDM Grade A \$1.0800 (+1.50) **MILK PRICES** (with change, in dollars, from previous month): August Class III milk (USDA) \$11.20 (+\$1.23) • August Class IV milk (USDA) \$10.38 (+\$0.23)

September 28 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. (¢)
SEP 09	12.07	NC	2 3645	12.25 @ 0.00	NC	12.00 @ 0.00	NC	29.980	NC	96.000	NC	117.750	NC
OCT	12.62	-18	139 3839	12.75 @ 0.09	-11	12.50 @ 0.09	+3	33.000	NC	98.500	NC	126.000	-0.500
NOV	13.50	-4	188 3907	13.50 @ 0.43	-3	13.50 @ 0.43	+1	35.000	NC	101.000	NC	128.500	NC
DEC	13.98	-22	316 3953	14.00 @ 0.55	-13	13.75 @ 0.45	+7	35.250	NC	102.500	NC	131.000	NC
JAN 10	14.02	-19	184 1766	14.25 @ 0.56	-10	14.00 @ 0.65	+7	35.000	NC	104.000	NC	134.500	NC
FEB	14.24	-17	173 1236	14.25 @ 0.74	-10	14.00 @ 0.62	+6	33.000	NC	105.500	NC	134.500	NC
MAR	14.27	-13	64 1167	14.50 @ 0.71	-7	14.25 @ 0.80	+5	33.000	NC	106.000	NC	136.500	+1.500
APR	14.16	-17	28 910	14.25 @ 0.82	-9	14.00 @ 0.78	+7	38.000	+2.000	105.750	+2.500	137.000	+2.000
MAY	14.35	-10	31 817	14.50 @ 0.87	-6	14.25 @ 0.89	+4	31.500	NC	105.750	+2.500	135.250	NC
JUN	14.65	-10	15 679	14.75 @ 0.96	-6	14.50 @ 0.93	+4	34.000	NC	106.500	+2.500	139.000	NC
JUL	14.90	-10	6 560	15.00 @ 1.03	-6	14.25 @ 0.76	+3	32.000	NC	109.000	NC	142.250	NC
AUG	15.20	-10	5 517	15.25 @ 1.14	-6	15.00 @ 1.06	+4	31.500	+0.475	112.000	NC	146.250	NC

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