

Daily Dairy

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REPORT

CME Spot Cheese Sets New Highs

Traders looking to buy Cheddar block and barrel cheese bid CME spot cheese prices to their highest levels in history. Cheddar block and barrel cheese prices closed 2.5¢ and 1.5¢ higher, respectively, at \$2.295 and \$2.2575/lb., exceeding the previous highs set in May 2008. Meanwhile, CME butter and nonfat dry milk (NDM) markets turned lower in active trading. After eight trades, the Grade A NDM price settled 1.5¢ lower at \$2.07/lb., and butter fell by 4¢ to \$1.90 after four trades. The MAR-JUN Class III futures

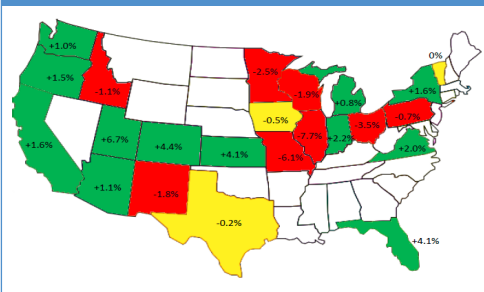
NDPSR Prices Week Ending Jan. 18

| | Price USD/lb. | Chg. Vs. Last Week |
|-----------------|---------------|--------------------|
| Butter | \$1.6244 | \$0.0541 |
| Cheddar Block | \$2.0722 | \$0.0676 |
| Cheddar Barrel | \$2.0424 | \$0.0932 |
| Nonfat Dry Milk | \$2.0362 | \$0.0202 |
| Dry Whey | \$0.5950 | \$0.0024 |

In the 23 selected states, 12 states posted year-over-year (YOY) production gains, 10 reported YOY declines, and output in one state, Vermont, was unchanged vs. the previous year. In general, milk production compared to last December was greater in the West and Southwest and lower in the Midwest.

National Dairy Products Sales Report (NDPSR) prices for the week ending Jan. 18 were all higher. The February Class I mover climbed 54¢ to \$22.02/cwt. vs. last month and was \$3.81 greater than a year ago.

YOY Change in Milk Production



closed double-digits lower. FEB-OCT Class IV futures also posted double-digit declines following today's spot session and ahead of this afternoon's release of USDA's Milk Production report.

U.S. milk production in December totaled 16.8 billion pounds, up 1.6% vs. the prior month but down a scant 8 million pounds vs. December 2012. USDA reports that the dairy herd increased by 2,000 head in December to 9.206 million cows, which is 12,000 cows less than last year. USDA also revised its July - November milk cow estimates higher.

CME Spot Prices

| CME Spot Prices (\$/lb.) | Close | Chg. ¢ | Trades |
|----------------------------|-----------|--------|--------|
| Butter | \$1.9000 | -4.00 | 4 |
| Cheddar Block | \$2.2950 | +2.50 | 0 |
| Cheddar Barrel | \$2.2575 | +1.50 | 0 |
| NDM Grade A | \$2.0700 | -1.50 | 5 |
| NDM Extra Grade | \$2.0900 | NC | 0 |
| Corn Futures (MAR) | \$4.2900 | +2.75 | NA |
| Soybean Meal Futures (JAN) | \$418.700 | -0.700 | NA |
| Live Cattle Futures (FEB) | \$143.925 | +25.00 | NA |

January 23 Trading Activity

| | Class III Futures | chg. ¢ | Class III Call Options | chg. ¢ | Class III Put Options | chg. ¢ | Class IV Futures | chg. ¢ | Butter Futures | chg. ¢ | NDM Futures | chg. ¢ | Cheese Futures | chg. ¢ | Whey Futures | chg. ¢ |
|--------|-------------------|--------|------------------------|--------|-----------------------|--------|------------------|--------|----------------|--------|-------------|--------|----------------|--------|--------------|--------|
| JAN 14 | 20.92 | -1 | 21.00 @ 0.02 | -1 | 20.75 @ 0.02 | -1 | 22.19 | NC | 162.675 | -0.925 | 202.725 | NC | 206.000 | NC | 60.375 | NC |
| FEB | 22.35 | +28 | 22.50 @ 0.31 | +2 | 22.25 @ 0.32 | -24 | 23.05 | -28 | 185.200 | -3.825 | 202.500 | -0.500 | 217.500 | +3.000 | 63.000 | NC |
| MAR | 20.45 | -15 | 20.50 @ 0.67 | -13 | 20.25 @ 0.58 | -2 | 23.02 | -33 | 184.025 | -4.975 | 202.500 | -0.450 | 198.500 | -2.400 | 63.150 | -0.550 |
| APR | 19.50 | -23 | 19.75 @ 0.65 | -17 | 19.50 @ 0.76 | +3 | 22.25 | -38 | 182.000 | -5.000 | 194.975 | -0.975 | 189.200 | -3.100 | 63.000 | NC |
| MAY | 19.21 | -13 | 19.25 @ 0.88 | -11 | 19.00 @ 0.80 | +1 | 21.59 | -39 | 179.000 | -3.500 | 187.000 | -2.900 | 186.000 | -1.800 | 62.000 | -1.000 |
| JUN | 18.85 | -16 | 19.25 @ 0.77 | -10 | 19.00 @ 1.02 | +5 | 21.00 | -30 | 177.350 | -2.900 | 180.300 | -3.675 | 183.500 | -1.200 | 61.250 | -1.725 |
| JUL | 18.60 | -5 | 18.75 @ 0.89 | -2 | 18.50 @ 0.90 | +1 | 20.40 | -30 | 177.000 | -4.000 | 176.000 | -1.500 | 182.500 | +0.500 | 60.150 | -0.850 |
| AUG | 18.43 | -2 | 18.50 @ 0.91 | -4 | 18.25 @ 0.86 | -2 | 20.00 | -22 | 177.200 | -3.800 | 171.025 | -1.975 | 180.000 | -0.500 | 59.000 | -1.000 |
| SEP | 18.32 | +2 | 18.50 @ 0.91 | +1 | 18.25 @ 0.95 | -2 | 20.00 | -20 | 176.975 | -3.025 | 170.025 | -1.975 | 180.000 | -1.000 | 58.000 | -0.500 |
| OCT | 18.10 | -2 | 18.25 @ 0.92 | -1 | 18.00 @ 0.93 | +1 | 19.50 | -15 | 177.500 | -1.300 | 167.000 | NC | 178.200 | -0.800 | 57.500 | -1.000 |
| NOV | 17.84 | -6 | 18.00 @ 0.91 | -2 | 17.75 @ 0.94 | +4 | 19.20 | NC | 173.000 | -1.000 | 163.500 | NC | 176.500 | -0.500 | 57.000 | -0.500 |
| DEC | 17.62 | -6 | 17.75 @ 0.92 | -3 | 17.50 @ 0.92 | +3 | 18.98 | NC | 172.000 | NC | 160.900 | NC | 175.000 | -0.400 | 57.125 | NC |

Dec. Milk Prices (with chg. vs. prior month): Class III \$18.95 (+\$0.12); Class IV \$21.54 (+\$1.02); California 4a \$21.16 (+\$0.53); 4b \$18.03 (+\$0.73)

The Daily Dairy Report is written by Mary Ledman, Sara Dorland, Sarina Sharp and Karen Endres. To subscribe visit www.dailydairyreport.com.

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