

Daily Dairy Report

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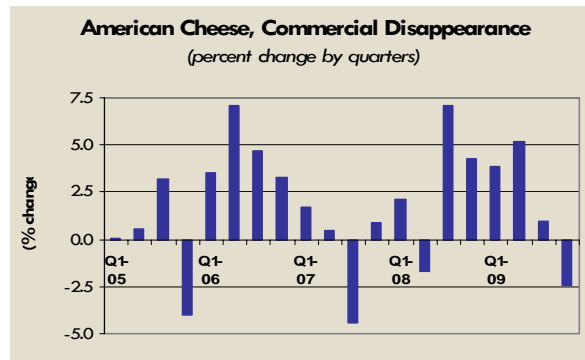
American cheese use weaker in Q4

Milk futures fell to new lows today following another decline in spot block cheese prices. Blocks fell for the 12th time in 15 days. Class III futures for MAR-AUG10 dropped 16¢.

Commercial American cheese use in the fourth quarter 2009 was down 2.5% from the prior year, based on USDA figures. This ends a streak of five straight quarters of growth (see chart). However, declines in American use were partially offset with stronger use of other-than-American cheese (+4.0% in Q4), bringing total cheese use in the last quarter of 2009 to +1.5%.

Spot butter, on the other hand, continues marching higher, attributed to seasonal Easter demand. The price increased for the sixth straight day, settling at \$1.47, the highest level since mid-January. Butter futures are pricing in cost-of-carry premiums, with fourth-quarter futures averaging \$1.60. Butter disappearance in the fourth quarter was down 8.2% from the year before, with stronger exports but nearly a 10% slippage in domestic usage.

Dry whey futures remain discounted to current prices. MAY, JUN and JUL contracts are all below 31¢. [cme group](http://cme.com)



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 [145 Pit, 626 Electronic] | 771 | 30,557 |
| Class IV | 0 | 215 |
| NDM (cash settle) | 5 | 988 |
| NDM (deliverable) | 0 | 1 |
| Dry whey | 28 | 2,272 |
| Butter (cash settle) | 20 | 3,523 |

Options Volume and Open Interest

| | Volume | Open Interest |
|----------------------|--------|---------------|
| Class III | 347 | 47,091 |
| Class III midi | 4 | 400 |
| Dry whey | 0 | 549 |
| Butter (cash settle) | 0 | 54 |

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

SPOT PRICES (with change, in cents, from previous day): Block cheese \$1.2875 (-1.00) • Barrel cheese \$1.2500 (NC) • AA Butter \$1.4700 (+2.00) • NDM Extra Grade \$1.1200 (NC) • NDM Grade A \$1.1100 (NC) **MILK PRICES** (with change, in dollars, from previous month): February Class III milk (USDA) \$14.28 (-\$0.22) • February Class IV milk (USDA) \$12.90 (-\$0.95)

March 8 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. (¢) |
| MAR10 | 12.78 | -11 | 52 3915 | 13.00 @ 0.02 | -5 | 12.75 @ 0.08 | +2 | 37.750 | NC | 106.500 | NC | 145.000 | NC |
| APR | 12.68 | -21 | 194 4447 | 12.75 @ 0.22 | NC | 12.50 @ 0.17 | +5 | 32.950 | NC | 108.000 | NC | 148.000 | +1.000 |
| MAY | 13.00 | -14 | 122 3729 | 13.00 @ 0.41 | -11 | 13.00 @ 0.41 | +3 | 30.000 | NC | 109.500 | NC | 150.000 | NC |
| JUN | 13.76 | -19 | 71 2985 | 14.00 @ 0.48 | -10 | 13.75 @ 0.58 | +8 | 30.500 | +0.750 | 112.500 | NC | 151.750 | +0.750 |
| JUL | 14.40 | -15 | 52 2337 | 14.50 @ 0.65 | -7 | 14.25 @ 0.62 | +7 | 30.750 | +0.750 | 114.000 | NC | 153.750 | -0.250 |
| AUG | 14.95 | -15 | 84 2224 | 15.00 @ 0.77 | -8 | 14.75 @ 0.69 | +6 | 31.000 | NC | 116.750 | NC | 155.500 | NC |
| SEP | 15.15 | -8 | 69 2128 | 15.25 @ 0.81 | -5 | 15.00 @ 0.78 | +3 | 31.000 | NC | 117.500 | NC | 157.500 | -0.750 |
| OCT | 15.15 | -5 | 44 1977 | 15.25 @ 0.79 | -3 | 15.00 @ 0.75 | +1 | 31.500 | NC | 118.500 | NC | 159.000 | NC |
| NOV | 14.92 | -6 | 36 1925 | 15.00 @ 0.83 | -3 | 14.75 @ 0.78 | +2 | 32.270 | +0.025 | 119.500 | NC | 161.000 | NC |
| DEC | 14.89 | -5 | 34 1843 | 15.00 @ 0.85 | -3 | 14.75 @ 0.83 | +2 | 30.750 | NC | 117.000 | NC | 160.500 | -0.250 |
| JAN11 | 14.50 | -5 | 8 95 | 15.50 @ 0.60 | -2 | 14.50 @ 0.99 | +2 | 29.000 | NC | 111.000 | NC | 159.000 | NC |
| FEB | 14.20 | -10 | 5 46 | 14.50 @ 0.87 | -6 | 14.00 @ 0.90 | +4 | 28.500 | NC | 111.000 | NC | 160.000 | NC |

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