



DAIRY MARKET MONITOR

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Make it three days in a row: cheddar cheese prices continued their methodical ascent today, with blocks closing at \$1.3625/lb, up \$0.0125/lb, and barrels settling at \$1.3400/lb, up \$0.0200/lb. Blocks have not been as high since December 17; barrels have not seen these levels since March 19. Volumes were light in a session that was disjointed for a time. Two cars of blocks and three cars of barrels changed hands. The block trade was straightforward enough, with the market moving higher on bids before selling emerged. Barrels went in reverse before going forward, with offers taking the market down to \$1.3125/lb before a buyer appeared; from that point, however, the market turned bid and crossed back in to positive territory.

Class III milk futures market participants were not persuaded by the spot market strength. Only three months managed to stay out of the red, with August closing at \$11.15/cwt (up \$0.07/cwt) while September was unchanged at \$12.63/cwt; June 2011 gained a penny. Losses elsewhere ranged from mild (November 2010 at \$15.69/cwt, down \$0.01/cwt) to modest (November 2009 at \$13.07/cwt, down \$0.22/cwt). An interesting bit of unevenness has developed between October and November – not coincidentally the time frame over which presumably temporary support price increases are due to expire. For the second consecutive day October closed at premium to November. Yesterday it was a \$0.11/cwt margin; today the October edge moved to \$0.18/cwt. Prior to the government’s announcement of higher supports, October was trading at a \$0.85/cwt discount to November. The inversion more or less ends there, though, with prices flat to higher from November forward. Volume remained on the light side, with only two months breaking into triple digits according to FutureSource (September and October at 115 and 110 contracts, respectively). There appeared to be some pack trade in the 2010 strip. And, contacts on the trading floor did suggest a bit of an upswing in options activity. Among the trades noted: the March 1275/1475 risk reversal traded at even money about 30 times and the November 1250/1450 and December 1250/1450 strangles traded more than 50 times each.

Spot butter went wire-to-wire at \$1.2200/lb this week, closing there each and every day. There were no trades in today’s session. Things were a bit more active – and prices were depressed – on the futures side. November (\$1.2800/lb) and February (\$1.3400/lb) each gave up \$0.0250/lb. October and December gave up two cents. Volume was decent on the front of the board, with more than 60 contracts traded in August and another 30 or so between September and October.

When futures prices were steady to higher in light trade.



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CLASS III MILK FUTURES								
Month	Last	Change	High	Low	15-Day Avg	30-Day Avg	60-Day Avg	Open Interest
Aug-09	11.15	↑ 0.07	11.15	11.07	10.99	10.78	11.08	4,029
Sep-09	12.63	→ 0.00	12.69	12.55	12.42	11.98	12.23	4,163
Oct-09	13.25	↓ -0.15	13.50	13.21	13.02	12.73	13.01	3,780
Nov-09	13.07	↓ -0.22	13.35	13.07	13.41	13.38	13.65	3,654
Dec-09	13.52	↓ -0.16	13.65	13.47	13.77	13.79	14.00	3,306
Jan-10	13.67	↓ -0.13	13.75	13.59	13.99	14.05	14.20	1,174
Feb-10	13.76	↓ -0.04	13.76	13.70	14.06	14.19	14.25	871
Mar-10	13.60	↓ -0.14	13.75	13.53	14.27	14.53	14.67	849
Apr-10	13.95	↓ -0.11	14.05	13.80	14.61	14.84	14.93	661
May-10	14.30	↓ -0.10	14.38	14.28	14.73	14.93	15.03	548
Jun-10	14.90	↓ -0.10	14.05	13.80	15.33	15.47	15.50	541
Jul-10	15.25	↓ -0.14	15.37	15.25	15.62	15.64	15.64	382
Aug-10	15.43	↓ -0.02	15.43	15.43	15.65	15.69	15.67	339
Sep-10	15.49	→ 0.00	15.49	15.47	15.68	15.71	15.70	309
Oct-10	15.57	↓ -0.03	15.52	15.52	15.73	15.67	15.59	275
Nov-10	15.69	↓ -0.01	15.70	15.69	15.76	15.66	15.65	261
Dec-10	15.80	→ 0.00			15.88	15.74	15.67	248
Jan-11	16.27	→ 0.00			16.27	16.02	15.74	18
Feb-11	16.08	→ 0.00	16.08	16.08	16.11	15.92	15.63	6

WHEY FUTURES					
Month	Last	Change	High	Low	Open Int
Aug-09	0.2950	↓ -0.0002	0.2950	0.2950	243
Sep-09	0.3055	→ 0.0000	0.3055	0.3055	222
Oct-09	0.3025	→ 0.0000	0.3025	0.3025	250
Nov-09	0.3025	→ 0.0000	0.3025	0.3025	250
Dec-09	0.3025	→ 0.0000	0.3025	0.3025	243
Jan-10	0.2800	→ 0.0000	0.2800	0.2800	95

CLASS III PACKS			
Start	Stop	Months	Average
Aug-09	Oct-09	3	12.34
Aug-09	Jan-10	6	12.88
Aug-09	Jul-10	12	13.59
Jan-10	Jun-10	6	14.03
Jul-10	Dec-10	6	15.54

PHYSICAL-DELIVERY BUTTER FUTURES					
Month	Last	Change	High	Low	Open Int
Sep-09	1.2300	↓ -0.0400	1.2300	1.2300	27
Oct-09	1.2700	→ 0.0000	1.2700	1.2700	1

SPOT MARKETS			
	Blocks	Barrels	Butter
Settle	1.3625	1.3400	1.2200
Change	0.0125	0.0200	0.0000
High	1.3625	1.3400	1.2200
Low	1.3550	1.3125	1.2200
Volume	2	3	0
Unfilled Bids	1	0	1
Uncovered Offers	0	0	1
15-Day Average	1.2827	1.2580	1.2357
30-Day Average	1.2065	1.1883	1.2358
60-Day Average	1.1707	1.1391	1.2315
90-Day Average	1.1663	1.1233	1.2310

CASH-SETTLED BUTTER FUTURES					
Month	Last	Change	High	Low	Open Int
Aug-09	1.2178	↓ -0.0032	1.2208	1.2178	690
Sep-09	1.2350	↓ -0.0150	1.2400	1.2375	849
Oct-09	1.2450	↓ -0.0200	1.2600	1.2450	986
Nov-09	1.2800	↓ -0.0250	1.2800	1.2700	891
Dec-09	1.3100	↓ -0.0200	1.3100	1.3050	697
Jan-10	1.3400	↓ -0.0250	1.3400	1.3300	101
Feb-10	1.3650	→ 0.0000	1.3650	1.3650	45
Mar-10	1.3800	→ 0.0000	1.3800	1.3800	25
Apr-10	1.3825	↓ -0.0075	1.3825	1.3825	21
May-10	1.4125	↓ -0.0075	1.4125	1.4125	19
Jun-10	1.4400	→ 0.0000	1.4400	1.4400	19
Jul-10	1.4850	→ 0.0000	1.4850	1.4850	12