

## CASH DAIRY PRODUCT MARKETS

### Week Ending Dates

For Week Ending:

CME Cheddar 40# Blocks  
 CME Cheddar Barrels  
 CME Grade "AA" Butter  
 USDA Western NFDM (Mostly)  
 USDA Western Whey (Mostly)  
 USDA Central Whey (Mostly)

The first three lines of prices are quoted from the Chicago Mercantile Exchange (CME), and are the major pricing guide for trading cheese in the United States. The CME prices influence regional cheese prices and the Agricultural Marketing Service (AMS) Midwest commodity prices.

The next three lines are quoted from the United States Department of Agriculture (USDA), and are regional prices for nonfat dry milk (NFDM) and whey. These products are used in manufacturing and are good indicators of the national and global markets because they are easily traded and exported. Ultimately, these prices provide direction for Federal Order prices, with cheese determining protein price, butter determining butterfat price, NFDM determining nonfat solids price, and whey determining the other solids price.

NASS Survey For Week Ending:

Cheddar 40# Blocks:  
 Cheddar Barrels (38% Moisture):  
 Butter  
 Nonfat Dry Milk  
 Whey  
 Class III Estimator  
 Class IV Estimator

These lines are prices from the National Agricultural Statistic Service (NASS). NASS conducts a weekly survey of dairy product manufacturing plants reporting prices paid for dairy products. These NASS price estimates are then used in the Federal Order price formulas. AMS is responsible for publishing the NASS prices in the weekly Dairy Market News and calculating Federal Order prices from the NASS product prices. The Class III and IV Estimator lines use each week's reported NASS survey prices to estimate the corresponding Class III and IV milk prices given that week's NASS prices.

## MONTHLY MILK AND MILK COMPONENT PRICES

For Month:

FMMO Fat Skim Prices, 3.5% Fat  
 FMMO Class I Base Price  
 FMMO Class II Price  
 FMMO Class III  
 FMMO Class IV  
 FMMO Producer Component Prices Per Pound  
 Milkfat  
 True Protein  
 Other Solids  
 California Overbase Fat  
 California Overbase SNF

Month Data

The Class and Component prices are released monthly by the USDA. The FMMO Class I Base Price, sometimes referred to as the Class I mover, is calculated based on the higher of Class III and IV advanced prices, plus an advanced butterfat price. Because it is an advanced price, the Class I base is announced on the Friday on or before the 23rd of the previous month. Therefore, November 2007 prices are released on Friday, October 19. The FMMO Class II, III and IV milk prices, along with the component prices, are announced on the Friday before the 5th of the following month. They are calculated using actual surveyed prices for the month completed. For example, October 2007 prices are announced on Friday, November 2. Following the Class price lines are the component prices for milkfat, true protein and other solids, on a per pound basis. These are the minimum prices that must be paid to producers participating in a federal order. Along with FMMO component prices for previous months, California Overbase fat and solids non-fat (SNF) prices are listed.

**Summary:** CME Prices influence Regional Prices, which become NASS Prices, which are surveyed and used to calculate Federal Order Prices.

## CHICAGO MERCANTILE EXCHANGE (CME) FUTURES MARKETS

Closing Prices

Cash Settle Butter (¢ / lb.):  
*Change from last Friday (¢ / lb.):*  
 Class III Milk Contract, 3.5% Fat  
*Change from last Friday:*  
 Open Interest (Thursday)  
*Change from last Friday:*

Month Data

This section includes Grade "AA" butter and Class III futures prices and the change from the previous week. In broadest terms, futures represent today's best estimate of what prices will be at specified points in the future. Futures contracts can be used to plan for the future and used as a risk management tool. Open interest is the total number of options or futures contracts that are not closed or delivered on the Thursday before the Weekly is released.

**\*\*For more on Futures and Open Interest please see the supplemental page.**

## DAIRY NEWS OF INTEREST

### *Frequent Highlights*

**Cold Storage Report**

The Cold Storage Report is important because it contains the regional and national end-of-month stocks of dairy products in public, private and semi-private refrigerated warehouses. More cheese and butter in stock results in lower, steady prices, while less in stocks results in higher, more volatile prices.

**Milk Production**

This report contains the number of milk cows, production per cow, and total milk production for major states and the entire U.S. It indicates the growth or decline in milk supply and cow numbers, and with an increase in supply there is usually a decline in prices.

**Agricultural Prices**

The Ag Prices report contains prices received by farmers for principal crops, livestock and livestock products, indexes of prices received by farmers, and feed-price ratios. For reference, if the milk-feed price ratio is above 3.0, the climate is considered positive for dairy expansion.

**Crop Production**

This report contains crop production data for the U.S., including acreage, area harvested, yield, etc. These prices are useful to anticipate future feed costs, and to hedge your feed costs for the months to come.

**World Agricultural Supply and Demand Estimates**

This report provides the most current USDA forecasts of U.S. and world supply-use balances of major grains, soybeans, soybean products, and cotton, as well as the U.S. supply and use of sugar and livestock products. Supply-use balances indicate the future prices. Large supply will lead to lower costs and tight supply will lead to higher costs.

**Livestock, Dairy, and Poultry Outlook**

Provides timely livestock, dairy and poultry information, focusing on current production, price, and trade statistics for each of the sectors. This report is useful for insight into the supply of dairy products.