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Dairy Page (NOTE: This report is a SAMPLE -- NOT CURRENT)

Stewart-Peterson Daily Dairy Report

Daily Dairy Report

Snapshot of the markets

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Marketing Toolbox

Daily Dairy Report

MILK UPDATE: (NOTE: This report is a SAMPLE -- NOT CURRENT) No change in cash cheese blocks and a drop in barrels of 2-1/4 cents set the tone for the milk trading. A narrow range of 3 cents up to 6 cents lower developed after butter gained 1-1/2 cents and remained there through the close. The block-barrel spread is at 6 cents.

OUTLOOK: (NOTE: This report is a SAMPLE -- NOT CURRENT) The "USDA Milk Production" report reaction was just what we expected - a 5 minute trade and then on to cheese and butter action. We believe the market will be cautious and avoid getting too short before the CWT announcement. OCT closed at \$14.47 today. Technically, the market looks strong, with the market close over all the moving averages. Resistance for OCT is now at \$14.50, the 62% retracement and then at \$14.65, the high Bollinger band with support at \$14.39, the 9-day moving average.

RECOMMENDATIONS: (NOTE: This report is a SAMPLE -- NOT CURRENT)

January:

Futures settlement: \$14.21.

Dairy report average cash minus costs plus gains: \$14.15

February:

Futures settlement: \$14.70.

Dairy report average cash minus costs plus gains: \$14.80-1/2

March:

Futures settlement: \$14.05.

Dairy report average cash minus costs plus gains: \$14.14-3/4

April:

Futures settlement \$14.61.

Dairy report average cash minus put cost is \$14.60

May:

Futures settlement \$13.75.

Dairy report average minus put cost is \$13.95-1/4.

June:

Futures expired at \$13.92.

Dairy report average minus put cost is \$13.83-1/3

July:

Futures expired at \$14.38.

Dairy report average minus put call cost is \$14.41-1/2

August:

Futures expired at \$13.59.

Dairy report average minus put cost is \$14.31

September:

Current Position:

Cash FC: - 10% -\$14.75 20% -\$14.62, 10% at \$14.85,

Sell 10% - \$15.10, 10% @ \$14.25, 10% @\$14.25

Futures/Options:

New: None

October:

Current Position:

Cash FC: - 10% average \$13.65; 10% @ \$14.10, 20% @ \$14.15,
20% @ \$14.50

Futures/Options:

New: Sell 20% - \$14.70

November:

Current Position:

Cash FC: - 10% average \$13.60, 10% @ \$13.75, 10% @ 13.50,
10% @\$13.50

Futures/Options:

New: None

December:

Current Position:

Cash FC: - 10% average \$13.55

Futures/Options:

New: Sell 10% @ \$13.50, Sell 10% - December 14.00 call @ 0.45

First Quarter 06:

Current Position:

Cash FC: -

Futures/Options: 10% buying a \$13.00 put and selling
a \$14.00 call for for Jan - March @ spread of 30

New: Sell 10% in cash when futures average is \$13.15.

GRAIN RECOMMENDATIONS: (NOTE: This report is a SAMPLE -- NOT CURRENT)

UPDATE: (NOTE: This report is a SAMPLE -- NOT CURRENT) Corn had a very quiet day, as the market tries to figure out what is more important - Hurricane Rita and the potential for another hit in New Orleans, the higher than expected yields or the value of corn where it is currently priced. DEC corn closed unchanged at \$2.06-1/4.

OUTLOOK: (NOTE: This report is a SAMPLE -- NOT CURRENT) We expect that at some time in the next 2-4 weeks, the market will try to test \$1.95 left behind as a target from September's last trading day. Resistance for DEC is at \$2.11-3/4, the bottom of the gap left on Monday with support at the low of \$2.05-3/4.

Corn

(NOTE: This report is a SAMPLE -- NOT CURRENT) Current Position:

Cash FC: - 50% cash at \$1.91 - 20% cash at \$2.10 30% cash at \$1.99

Futures/Options: Puts expired 4-3/4 on 25%. Calls 7-3/4 on 25%, exited at 8, 25% July 220 call @9

New: None

PROTEIN RECOMMENDATIONS: (NOTE: This report is a SAMPLE -- NOT CURRENT)

UPDATE: (NOTE: This report is a SAMPLE -- NOT CURRENT) Beans traded higher today on the expectation that a government ruling is close as far as what can be put into animal feed. The ban of all animal by-products would support beans. OCT meal remained even for the day at \$173.50, with the balance of the contracts down slightly.

OUTLOOK: (NOTE: This report is a SAMPLE -- NOT CURRENT) Beans gained slightly today, and we expect to see this type of action until Hurricane Rita's path is better defined. We expect to see an attempt to fill the gap in NOV between \$5.47 and \$5.50. November support is at \$5.68, with resistance at \$5.78-1/2. December meal support is at \$175.80, with resistance at \$183.60, the 9-day moving average.

Soy Meal

(NOTE: This report is a SAMPLE -- NOT CURRENT) Current Position:

Cash FC: 100% at \$165.00 + \$6.00 on 25% (155 may put) - \$32.00 + 8.50 on 100% (165 may call) + \$5.50 on 25% (155 may put) + \$6.00 on 25% (155 may put) = \$150.38 on 100%

Futures/Options: Aug \$210.00 call @7.00 for those not covered 100% in cash

New: Buy a DEC 175 meal put at \$6.00 or better to cover every 100 ton advance cash purchase.

Cottonseed

(NOTE: This report is a SAMPLE -- NOT CURRENT) Current Position:

Cash FC: 50% Jan - Dec cottonseed at \$112.00 basis 10% in cash Jan - Dec cottonseed \$100.00 basis

New:

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SNAPSHOT OF THE MARKETS:

(NOTE: This report is a SAMPLE -- NOT CURRENT)

Milk

Symbol	Month	Close	Change	High	Low	Contract High	Contract Low	Contract 10 Year Average
DAU5	Sep	14.30	0.01	14.30	14.28	15.50	12.75	13.72
DAV5	Oct	14.47	0.03	14.48	14.36	15.05	12.00	13.10
DAX5	Nov	13.70	-0.05	13.72	13.63	14.05	11.80	12.22
DAZ5	Dec	13.38	-0.02	13.40	13.35	13.60	11.70	12.34
DAF6	Jan	12.83	-0.06	12.85	12.80	13.30	11.92	12.17
DAG6	Feb	12.52	-0.03	12.52	12.45	13.20	11.80	11.63
DAH6	Mar	12.58	-0.03	12.58	12.51	13.15	11.80	11.89
DAJ6	Apr	12.50	-0.05	12.52	12.45	13.20	11.80	12.44
DAK6	May	12.59	-0.10	12.60	12.59	13.20	11.85	12.47
DAM6	Jun	12.82	-0.08	12.90	12.82	13.40	11.90	12.51
DAN6	Jul	13.19	-0.04	13.19	13.17	13.35	12.00	12.70
DAU6	Aug	13.35	-0.03	13.35	13.28	13.50	12.30	13.72
DAV6	Oct	13.75	0.00	13.75	13.75	13.75	13.00	13.10

Cheese and Butter

Symbol	Cash	Close	Change	High	Low	Contract High	Contract Low
CZ\$Y	Blocks	1.5950	0.0000	1.5950	1.5950	2.2000	1.1400
RB\$Y	Barrels	1.5350	-0.0225	1.5525	1.5350	2.1700	1.1030
AA\$Y	Butter	1.7400	0.0150	1.7400	1.7200	2.3725	1.0975

Corn

Symbol	Month	Close	Change	High	Low	Contract High	Contract Low
CZ5	Nov	206.25	0.00	207.50	205.75	288.50	205.50
CH6	Mar	219.00	0.25	220.25	218.50	276.00	218.00
CK6	May	226.25	0.25	227.25	225.50	276.00	225.25
CN6	Jul	232.50	0.50	233.25	231.50	279.00	230.75
CU6	Sep	239.25	0.75	239.25	238.50	266.00	237.50
CZ6	Dec	248.00	0.50	248.50	247.00	269.00	240.50

Soybeans

Symbol	Month	Close	Change	High	Low	Contract High	Contract Low
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SX5	Nov	576.00	4.75	578.50	573.00	770.00	519.50
SF6	Jan	585.25	5.25	587.25	581.50	770.00	526.00
SH6	Mar	592.25	5.00	594.50	589.00	760.00	529.00
SK6	May	596.50	5.25	599.00	594.00	741.00	530.25
SN6	Jul	601.25	5.00	603.00	598.00	736.00	535.00
SQ6	Aug	599.00	5.00	600.00	599.00	707.00	594.00

Soymeal				Contract			
Symbol	Month	Close	Change	High	Low	High	Low
SMV5	Oct	173.50	0.00	174.80	173.10	239.00	156.10
SMZ5	Dec	176.20	-0.40	178.00	175.90	243.00	159.20
SMF6	Jan	177.70	-0.60	179.00	177.40	241.00	161.00
SMH6	Mar	177.70	-0.60	179.00	177.40	241.00	161.00
SMK6	May	181.20	-0.90	182.50	181.10	230.50	164.50
SMN6	Jul	183.40	-0.70	185.00	183.20	222.00	166.00

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ROUNDING OUT THE WEEK INTO PERSPECTIVE

(NOTE: This report is a SAMPLE -- NOT CURRENT) Before the announcement of accepted bids for CWT, coming out between October 10 and the 27th, the trade as well as producers will have many different scenarios to consider.

Will the CWT be successful at removing 70,000 cows from the market? Will they have a 18,000# RHA like the last round or a 21,000# RHA like the first round? The difference in production is 10# per day. If 70% of the cows are milkers, that would mean a half million less pounds removed from the market. How many dairy producers will take part in CWT? Using the calculator supplied by CWT, we ran numbers for many of our clients. Anyone who recently expanded or was carrying a higher debt load for what ever reason couldn't afford to even offer a bid unless it was a really wild one. Even then, the fact that all the income has to be taken either 50% this year and 50% next year or all this year was a big deterrent.

How long will CWT be able to get producers to participate is a question only producers know. Will there be a Round 4? That will depend on Round 3 results.

Will CWT save milk prices again? Continued demand increases are helping but support from CWT could set the stage for another better than average year.

Keep a close watch on the markets and never hesitate to call us with questions.

If you don't want to take the time to learn more about the markets, we offer a managed dairy program called Dairy Matrix. Please call Jacquie at 1-877-334-4410 or 1-800-334-9779 Ext. 118 for more information.

Have a great weekend. Questions - call Jacquie Voeks at 1-877-334-4410.

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DAIRY ACROSS THE COUNTRY (WEEKLY)

(NOTE: This report is a SAMPLE -- NOT CURRENT)

According to the "USDA Fluid Milk and Cream Review"

East

**FLUID CREAM AND CONDENSED SKIM PRICES IN TANKLOT QUANTITIES:
SPOT PRICES OF CLASS II CREAM, DOLLARS PER LB. BUTTERFAT:**

F.O.B. producing plants: Northeast - 2.2308-2.3998

Delivered Equivalent: Atlanta - 2.2477-2.4336 M 2.2815-2.3322

PRICES OF CONDENSED SKIM, DOLLARS PER LB. SOLIDS, F.O.B. PRODUCING PLANTS:
 Northeast - Class II - includes monthly formula prices - 1.0000-1.0700
 Northeast - Class III - spot prices - 1.0800-1.1400

SPOT SHIPMENTS OF GRADE A MILK INTO OR OUT OF FLORIDA
 AND OTHER SOUTHEASTERN STATES

	THIS WEEK		LAST WEEK		LAST YEAR	
	IN	OUT	IN	OUT	IN	OUT
FLORIDA	209	0	253	0	309	0
SOUTHEAST STATES	94	0	91	0	55	0

Regional Milk Market Administrators announced the following, August 2005 uniform prices: Northeast \$15.84, Mideast \$14.94, Appalachian \$16.65, Southeast \$16.44, Florida \$17.89, and Western New York (a state order) \$15.16 at the base city or county in the orders. Milk production is showing more signs of rebounding in most of the East. Output in Katrina's wake is still disrupted by fuel, power, and feed shortage, but reports indicate that as of early this week all farmers were having their milk picked up. Contacts report that milk quality issues have been minimal and that the amount of milk and number of animals lost are not yet known. Hurricane Ophelia is bringing heavy rains to the Carolinas, which is causing some issues with power losses and milk transportation. In the Northeast, milk output is steady to slightly heavier as cooler weather prevails. Some areas of Upstate NY have been and are very dry. School lunch milk needs have settled into typical patterns and bottlers are canceling some loads. This is a typical pattern at this time of year. Surplus milk volumes are a little heavier, but easily handled. Florida continues to import milk, but volumes are down slightly as bottled milk sales slowed this week. Contacts feel that retail features, typical for early September, have "run their course." Elsewhere in the Southeast, bottled milk needs are picking back up as schools and stores reopen. Also, Katrina's disruption to that areas' petro-chemical industry may impact the supply/availability of resins used to make the plastic used to make milk containers. About the only area still impacted by flooding and no power is New Orleans and surrounding communities. The government has issued Invitation 001 to Announcement MX1 to sell to USDA between 12 and 24 million pounds of UHT milk for delivery in the last quarter of the year. This purchase, if they get successful bidders, is to help with the disaster relief and will pull quite a bit of additional milk away from manufacturing. More balancing plants in the Southeast are operating to help ease milk disposition problems. The condensed skim market is improving at some locations; steady at others. Prices are unchanged and offerings more than adequate to meet needs. However, the slightly improved demand is lessening the need to dry at some locations. The fluid cream market is a little weaker this week. Offerings have increased and demand has slowed in scattered locations. Contacts report that they are getting more loads to move and the so-called last minute demand is lacking. Spot prices are often lower as both the multiples and CME cash butter average declined. Cream cheese production is starting to improve and some suppliers received several spot orders for cream this week. Ice cream production is slowing along seasonal patterns. Consumption patterns have slowed at soft serve and "hand dip" stores, particularly along the Eastern Shore and "hurricane areas." Sour cream and dip production is starting to show a little improvement, but the loss of sales along the Gulf Coast hasn't helped. Churning activity is about steady.

Central

SPOT PRICES OF CLASS II CREAM, \$ PER POUND BUTTERFAT
 F.O.B. producing plants: Upper Midwest - \$2.1970-2.3660

Class I demand is starting to close in on the regular volume needed for school and retail accounts. Milk supplies are noticeably tighter at midweek and handlers again need to do their normal fall milk scheduling to be able to cover their needs. Milk shipments into the Southeast from upper tier states continue. Some shippers are having more trouble in finding a tank truck and/or driver available to move product, typical for fall when larger volumes are often moving greater distances. Manufacturing interest is improved though supplies have tightened. The actual price paid by the milk buyer is generally higher, though net fob prices may be unchanged due to substantial fuel price increases/surcharges.

Reported net spot manufacturing prices range from around \$1.25 - 1.75, net fob over class. Resin supplies are an issue for some large users (bottlers) due to supply issues caused by Katrina, but others are not reporting a problem. Cottage cheese, dip, and sour cream production are all about steady at typical early fall levels. Ice cream production continues to wind down from summer levels. Cream demand and multiples are trending lower seasonally. Standardizing operations (bottlers) are also generating increased volumes. Milk intakes took a brief hit during the recent hot spell with temperatures again reaching well into the 90s for highs over the weekend. The fat and protein content did not seem as affected. Dry conditions continue to prevail over much of the upper Midwest. Continued producer concern over their hay/haylage inventories is causing many producers to continue to harvest alfalfa despite the increased likelihood of winterkill and/or chop additional corn acreage for silage.

WISCONSIN LIVESTOCK AUCTIONS (PER CWT.)

SEP 7 - 14 PREVIOUS YEAR

SLAUGHTER COWS \$ 48.00- 54.00 \$ 54.00- 58.00

REPLACEMENT HEIFER CALVES \$400.00-750.00 \$450.00-690.00

SOUTH ST. PAUL TERMINAL AUCTION MARKET (PER CWT.)

SEP 7 - 14 PREVIOUS YEAR

SLAUGHTER COWS \$ 48.00- 57.00 \$ 56.00- 58.00

West

The October 2005 Class 1 prices in CALIFORNIA range from \$15.56 in the north to \$15.83 in the south. The statewide average Class 1 price based on production is \$15.61. The average is \$0.34 higher than September 2005 but \$0.45 less than October 2004. CALIFORNIA milk output is mainly consistent with prior weeks with some areas seeing slight increases. Overall, bottled milk orders have steadied as demand has been more consistent on a week to week basis as buyers fine tune their needs. Conditions in the northern production areas are seasonally good and milk cows are not seeing much stress. Production is only slowly responding. In the Central Valley, milk supplies are steady and adequate for current plant demand. Some producers are buying additional milk to keep facilities full. Southern dairy plants are running as expected with additional milk available. There is not one processing area that is demanding more milk than others. The influence of better weather conditions is creating more milk supplies in some locations. Alfalfa hay harvest is reaching into the fourth cutting in the north and later cuttings continue in the south. Prices are higher and the quality is often lower than desired. Cooler temperatures are expected to bring improved quality. ARIZONA milk supplies are trending higher in response to better weather conditions that are near ideal for the season. Processing plants are in good balance. Bottled milk orders have stabilized with school orders steady and retail orders not changing much unless featured. NEW MEXICO milk production is holding mostly steady with recent weeks. Levels are less than expected and the effects of poor weather conditions linger in the herds. Cow numbers are increasing at existing locations and new facilities are being built in the state. Processing plants are active to process the backup of milk supplies that are not leaving the state. There are issues with tanker availability and shipping costs. Hay harvesting is between the fourth and fifth cuttings for most of the state. A majority of recently produced hay was rained on and the overall quality was not good. Prices are slightly lower and reflect quality. Western CREAM markets are steady to slightly weaker. Trading activity has increased for spot loads as more loads are appearing from bottling plants and less is being utilized in ice cream production. Cream is ending up at the butter churns and is welcomed as stocks are needed for later in the year needs. CME butter prices moved 3.5 cents higher over the past week and closed at \$1.7200 on Wednesday, September 14. Multiples are slightly lower and fall in the 120 to 133 range and vary depending on class usage and basing point. Milk output is slipping as some producers are reporting a September slump in the PACIFIC NORTHWEST. Falling grain prices may help to somewhat offset expensive and lower quality forage supplies. Corn silage harvesting in the region is just commencing. Quality looks good, but yields are not quite up to expectations. The fat and protein tests on milk receipts continue to climb slowly out of the summer trough. Some frost and snow in some of the passes may be signaling that summer has faded into fall in IDAHO and UTAH. Milk output is just beginning to respond with tests also improving. Some cheese plants in the region are finding that sales activity for their current production is aggressive enough that they need to purchase some additional outside milk supplies. Milk is available so that this situation is not a problem. Hay prices in the region, especially in Idaho, are firm and increasing.

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MARKETING EDUCATION "TOOLBOX"

(NOTE: This report is a SAMPLE)

- (6) Option Spread - Bearput
- (5) Option Spread - Bullcall
- (4) Futures Spreads
- (3) Looking at the Whole Picture
- (2) Options
- Marketer or Trader?

DISCLAIMER

*** Hypothetical performance results have many inherent limitations, some of which are described below. No representation is being made that any account will or is likely to achieve profits or losses similar to those shown. In fact, there are frequently sharp differences between hypothetical performance results and the actual results subsequently achieved by any particular trading program.

One of the limitations of hypothetical performance results is that they are generally prepared with the benefit of hindsight. In addition, hypothetical trading does not involve financial risk, and no hypothetical trading record can completely account for the impact of financial risk in actual trading. For example, the ability to withstand losses or to adhere to a particular trading program in spite of trading losses are material points which can also adversely affect actual trading results. There are numerous other factors related to the markets in general or to the implementation of any specific trading program which cannot be fully accounted for in the preparation of hypothetical performance results and all of which can adversely affect actual trading results.