

DW07-37

September 14, 2007

Weekly Dairy Update

Cheese Price Plummet

Butter Exports Strong

Whey Still Weak

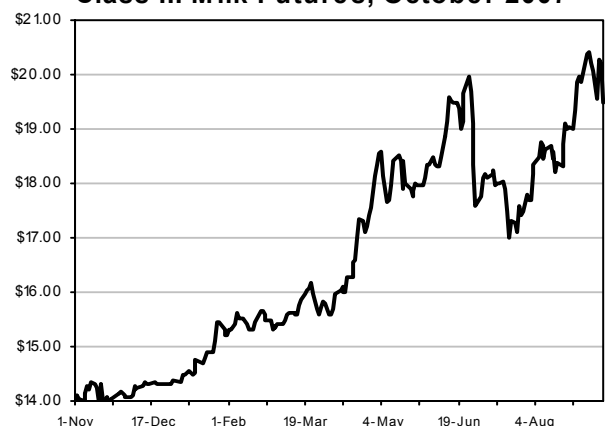
Markets In Brief

	Price (\$)	Weekly Change
CME AA Butter	1.3725	↓ (0.0450)
CME Cheese		
40# Block Cheese	1.9900	↓ (0.1500)
Cheese Barrels	1.9900	↓ (0.1100)
CME Futures: Close On 9/14/2007		
Class III (Oct)	18.75	↓ (1.32)
Cash Stl Butter (Oct)	1.4000	↓ (0.0450)
Dry Whey (Oct)	0.3975	↑ 0.0175
Cream/Class II, U.M.	1.9275	↓ (0.0102)
Cream/Class II, N.E.	1.9986	↓ (0.0321)
Condensed Skim, N.E.	2.1400	↔ 0.0000
NDM, West/LowMed	2.0300	↓ (0.0100)
Dry Buttermilk, Central	1.9350	↓ (0.0100)
Dried Whey, Central	0.4525	↓ (0.0250)
WPC Central/West	1.4650	↓ (0.0200)
Lactose, Central/West	0.7975	↔ 0.0000
Casein: Rennet	5.0500	↔ 0.0000

Market Highlights: Buyers apparently had their fill and stepped back from the spot cheese market this week, leading to sharply lower offer prices. Fall/fourth quarter buying activity usually doesn't wrap up until the end of September. There is likely a lot of cheese that still needs to be bought and \$2.16 blocks wouldn't be encouraging many of those bulk orders.

Futures Markets: Class III futures traded limit down Thursday and Friday. Futures hadn't bought fully into the spot cheese rally, with the October futures implied cheese price never getting above \$2.10. The October implied price closed at \$1.93 Friday, still at a discount to cash. Implied cheese prices for 2008 have been fairly steady with the first quarter averaging \$1.66 and second quarter at \$1.60.

Class III Milk Futures, October 2007



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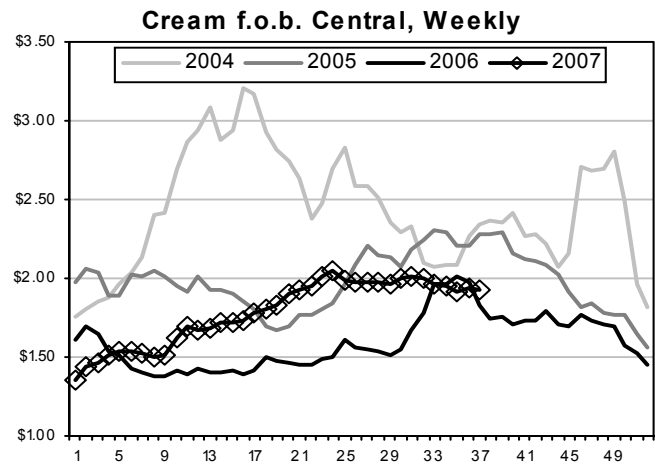
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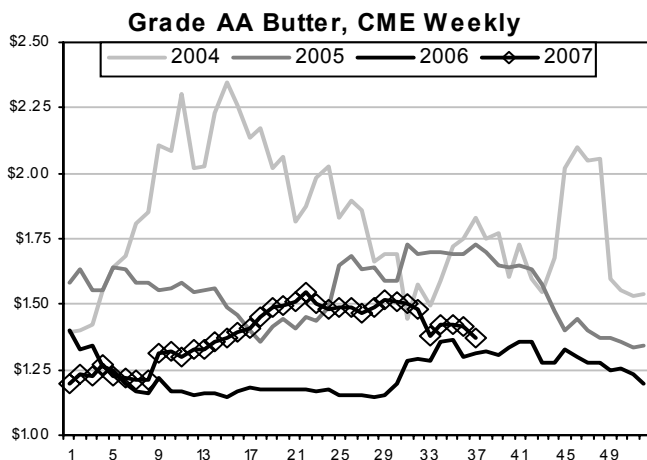
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Cheese Markets: Prices reached new annual highs this week, before buyers stepped back and sellers pressured the market lower. In the four weeks prior to this one, there were only 14 loads of blocks, total, traded with dozens of unfilled bids. This week alone, 14 loads of blocks were brought to the market, and the aggressive bidding disappeared. Production of block cheese has been a little higher as cheese makers shifted away from barrels and a little extra milk was available now that school pipelines are full. Sellers are a little surprised by the current demand given the high prices. Some cheese buyers are worried about securing adequate supplies for the fall/winter.



Market Reports: July butter/anhydrous milkfat exports were up 53.5% compared to last year, and the highest tonnage exported since 1997. Year to date butter exports are up 72.7%. July cheese exports were up 29%, and 36% year to date. Imports of cheese are down 3.2% year to date. International prices for almost all dairy products are above US prices, encouraging export activity.

Dry Product Markets: NFDM production has eased a little, but prices are lower also. Milk is being shifted toward Class II and III. NFDM stocks are at least adequate and some sellers continue to lower offered prices to keep product moving. Dry whey prices weaken further. Sellers are competing with each other on price to keep their inventories in line. No one is sure where prices will bottom, but prices near 40 cents are generating export and feed interest. WPC sellers are not sure whether WPC34 will find support from a flat NFDM price, or if it will follow dry whey dramatically lower. With returns from other powders very strong, and casein production down, buyers continue to worry about securing forward supplies.



Butter, Fluid and Cream Markets: Butter prices have been soft. Domestic supplies are heavy with production and inventory well ahead of last year. Domestic demand is light and sellers are surprised by the lack of buying activity for fall needs. International demand is still present in the butter market, but exports are not yet large enough to clear burdensome supplies. Milk supplies are trending seasonally lower. Heat stress on the herd, overall, has been average to weaker than average this year and component levels may be hitting their seasonal low. After this week, bottlers think they will have a better feel for demand on their end, and some extra milk should flow to manufacturing.

Weekly storage stocks		8/13	8/20	8/27	9/3	9/10	Weekly change
U S D A	Butter ('000 lbs)	30,660	29,813	29,251	29,563	29,709	146
U S D A	Cheese ('000 lbs)	119,829	118,363	117,579	120,730	120,091	-639
C M E	Butter ('000 lbs)	147,550	144,813	141,797	139,143	136,344	-2,799
Fluid spot shipments into:		This Week		Last Week		Last Year	
S o u t h e a s t S t a t e s		300		350		124	
F l o r i d a		90		17		221	

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Weekly Cash Summary

Week Ending	24-Aug	31-Aug	7-Sep	14-Sep	Chg \$		Informa Forecast			
							Sep-07	Oct-07	Nov-07	Dec-07
CME Grade AA Butter	1.4225	1.4225	1.4175	1.3725	(0.0450)	↓	1.410	1.449	1.453	1.430
CME Block Cheese	1.9725	2.0750	2.1400	1.9900	(0.1500)	↓	2.080	1.850	1.700	1.650
CME Barrel Cheese	1.9325	2.0100	2.1000	1.9900	(0.1100)	↓	2.040	1.813	1.666	1.618
Nonfat Dry Milk (west)	2.0300	2.0350	2.0400	2.0300	(0.0100)	↓	2.020	2.018	2.007	1.990
Dried Whey (central)	0.5425	0.5025	0.4775	0.4525	(0.0250)	↓	0.480	0.498	0.481	0.507
Whey Protein Conc.	1.5850	1.5100	1.4850	1.4650	(0.0200)	↓	1.470	1.460	1.462	1.480

Weekly NASS Prices

For the week ending 9/8/2007

Region	Block Cheese	Barrel Cheese	Grade AA Butter	Nonfat Dry Milk	Dry Whey	Class II Milkfat	All Classes Milkfat
MN/WI	2.0830	2.0002					
Other	1.9679	1.9561					
U.S.	1.9758	1.9715	1.3912	2.0638	0.5052	N/A	N/A

Daily Futures Summary

For the week ending:

9/14/2007

Change represents weekly change in contract price

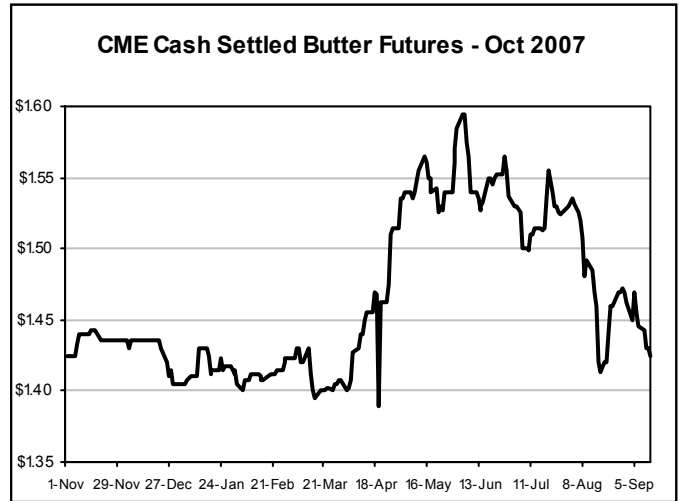
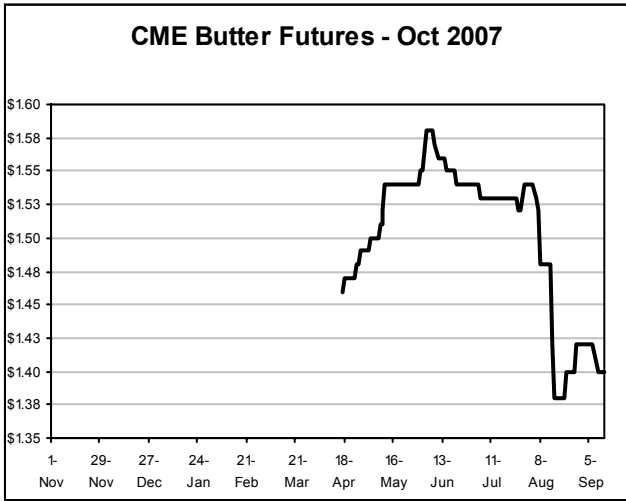
	Class III			Butter - Cash Settled			Dry Whey		
	Futures	Change	Open Int	Futures	Change	Open Int	Futures	Change	Open Int
September	20.10	-0.19	4890	139.00	-3.50	927	49.00	1.00	268
October	18.75	-1.32	4480	140.00	-4.50	1032	39.75	1.75	247
November	17.81	-0.92	3839	140.00	-5.00	767	41.50	0.50	307
December	17.46	-0.51	3933	142.00	-4.00	444	42.00	0.75	302
January	16.73	-0.17	2050	145.00	-3.00	192	42.00	1.00	105
February	15.98	-0.17	2002	146.50	-1.50	138	41.00	-2.25	106
March	15.88	-0.02	1809	147.00	-3.00	81	41.50	-0.48	90
April	15.70	0.00	1732	151.00	-2.00	27	41.00	-2.50	66
May	15.61	-0.04	1511	152.50	-1.50	13	43.00	0.00	34
June	15.70	0.05	1402	154.00	0.00	2	39.00	-3.00	27
July	15.81	0.11	1127				43.00	-1.00	8
August	15.87	0.14	1052				44.00	-0.75	11

Class III Prices

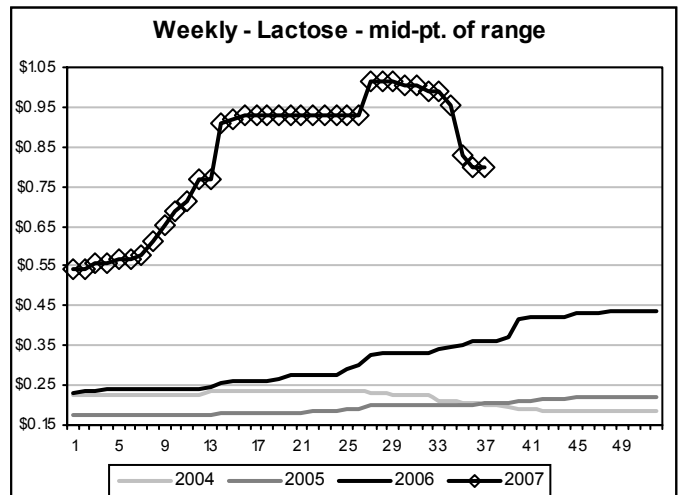
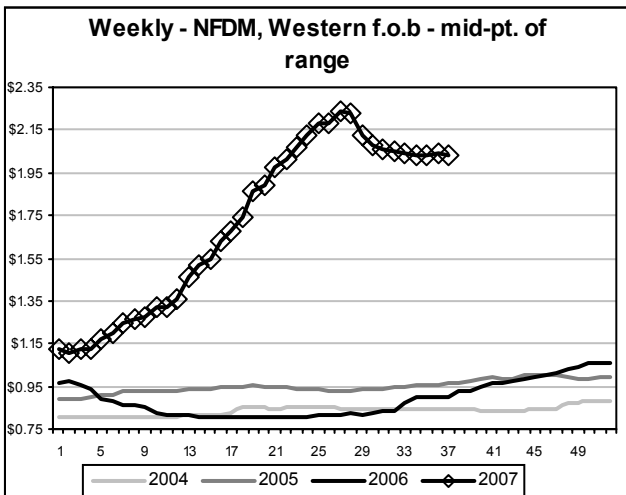
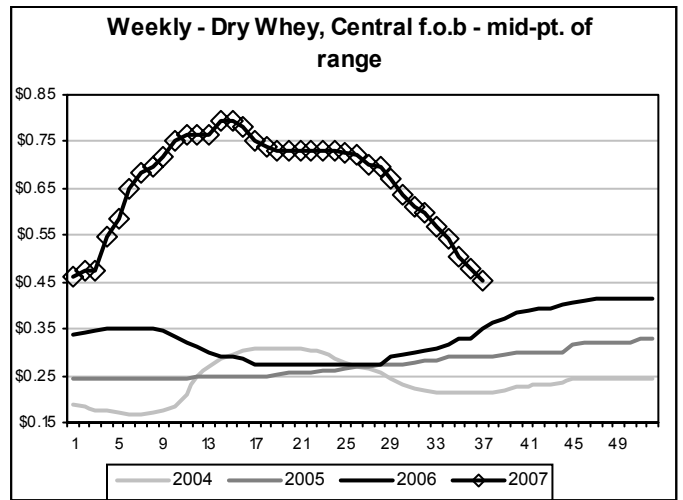
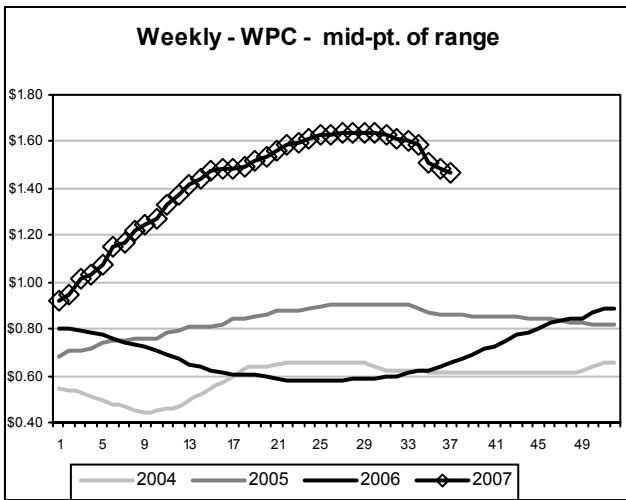
Monthly	Aug-07	Sep-07	Oct-07	Nov-07	Dec-07	Jan-08	Feb-08	Mar-08	Apr-08	May-08
Cash	19.83									
IEI Forecast		20.31	19.72	17.83	16.86	16.57	16.13	15.93	16.21	16.31
CME Futures		20.10	18.75	17.81	17.46	16.73	15.98	15.88	15.70	15.61
5 Yr Avg	12.41	13.11	13.19	12.88	12.92	12.50	12.53	12.78	14.14	14.50
5 Yr Hi	14.04	14.72	14.39	14.89	16.14	14.14	14.70	15.09	19.66	20.58
5 Yr Lo	9.54	9.92	10.72	9.84	9.74	9.78	9.66	9.11	9.41	9.71

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Futures Markets



Dry Product Markets



NASS vs. Cash Prices, \$/lb.
 Previous 52 weeks

