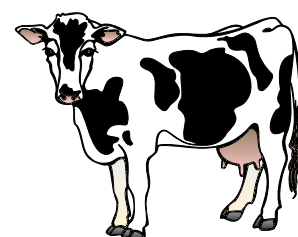
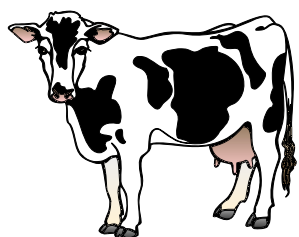


The Milk Market News



November 17, 2008

Price Outlook - The Southeast Uniform milk price for October was \$18.95, down \$1.68 from September, and \$4.41 lower than October 2007. October's Class III price was \$17.06, up 78 cents from September, and \$1.64 lower than October a year ago. The Class IV price was down \$1.83 from September to \$13.62, and \$7.69 under October 2007. Class I utilization was 73.62%, down 1% from September. The butterfat price was \$1.8230, up 2 cents from last month. The October Class I price was \$19.33. The November Class I price is \$21.13, up \$1.80 from October and \$3.42 lower than November 2007. USDA reported the 23-state milk production up 1.5% in October over October 2007. September production was revised to up 1.8%, -0.1% from the previous estimate. USDA has lowered its 2008 Class III milk price forecast by 90 cents from last month. The projection is now \$14.75 to \$15.65. Cheese is trading at the lowest prices in nine months. Blocks reached a 17 month low on October 30. Whey prices have reached 4½ year lows. The volume of option contracts traded for Class III milk has been at an all-time high. Class III futures prices for November through May 2009 are down \$5.00 since mid-June. Class III futures prices on November 17: November \$15.55, down 14 cents from a month ago; December \$14.92, down 20 cents; January 2009 \$14.39, down 39 cents; February \$14.39, down 37 cents; March \$14.36, down 42 cents; April \$14.46, down 55 cents; May \$14.74, down 38 cents; June \$15.19, down 26 cents; July \$15.44, down 6 cents; August \$15.74, up 6 cents; and September \$15.90, up 14 cents. September cheese production was 2.3% higher than September a year ago. Cheddar production was up 2.2%. Butter production was up 7.4% from a year ago while NDM/SMP production was up 19.5% and dry whey production was down 5.7%. June through August total cheese disappearance was down 1.1% from a year ago. U. S. disappearance was down 2.2%. Butter disappearance was up 15.6%, NDM/SMP up 27.7%, and dry whey up 9.6%. Fluid milk sales were down 1.4% from June through August, but up 1% for July through September. Retailers are taking advantage of weaker cheese prices to build holiday inventories. Exports slowed in September. Total exports were up 2% from a year ago, but the lowest since September 2007. September NDM/SMP exports were the lowest of the year, down 22% from the January-August numbers. Butter exports in September were 6% under a year ago and down 25% from the January-August average. Exports of whey proteins are down 21% from September a year ago. Cheese exports were up 34% over a year ago for September and up 48% for January-August. Oceania cheddar export prices are down. CWT has announced its sixth herd retirement since 2003 and the second this year. September dairy cow slaughter was up 12% from September a year ago and the most for September since 2003. Third quarter slaughter was up 11.3% from a year ago. The Consumer Confidence Index for September was the lowest ever. USDA reported feed prices for October: corn \$3.99 per bushel, down from \$5.17 in September; soybeans \$8.66 per bushel, down from \$11.70; and alfalfa hay \$172 per ton, down from \$176.

Southeast Federal Order Prices						
Month	Uniform Price	Class I Price	Class III Price	Class IV Price	Percent Class I	Butterfat (Pound)
May 08	19.60	20.42	18.18	15.26	64.74	1.5368
June 08	20.80	21.98	20.25	15.92	70.25	1.6095
July 08	22.68	24.58	18.24	16.60	67.73	1.6650
Aug 08	21.25	22.27	17.32	16.64	72.09	1.7316
Sep 08	20.63	21.45	16.28	15.45	74.55	1.8024
Oct 08	18.95	19.33	17.06	13.62	73.62	1.8230

What Is The Market Offering For Milk To Be Sold in February?

Example: It's Nov. 17 and Feb. Class III Milk Futures are trading at \$14.39. Local Feb. basis estimate is +\$2.00.

Then in February: If February Futures	=	\$15.75	\$14.25	\$12.75
and actual blend price	=	17.75	16.25	14.75
Sample Strategies (Executed 11/17)		Realized Prices for February Milk		
1) Sold Futures	@	14.39	\$16.39	\$16.39
2) Bought Put	\$13.25 @	0.27	17.48	15.98
3) Bought Put	\$13.75 @	0.43	17.32	15.82
4) Bought Put	\$14.25 @	0.65	17.10	15.60
5) Synthetic Put:				
Sold Futures	@	14.39		
Bought Call	\$15.50 @	0.33	16.31	16.06

What Is The Market Offering For Milk To Be Sold in March?

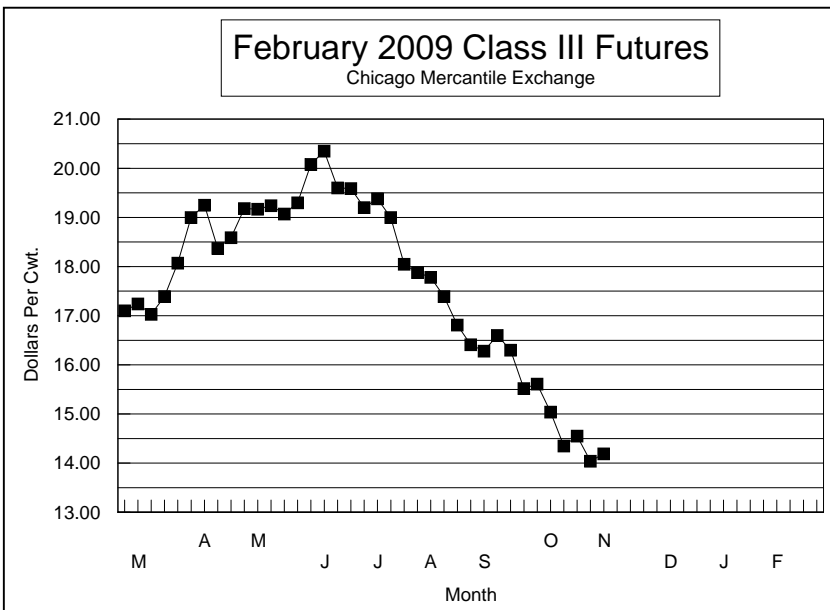
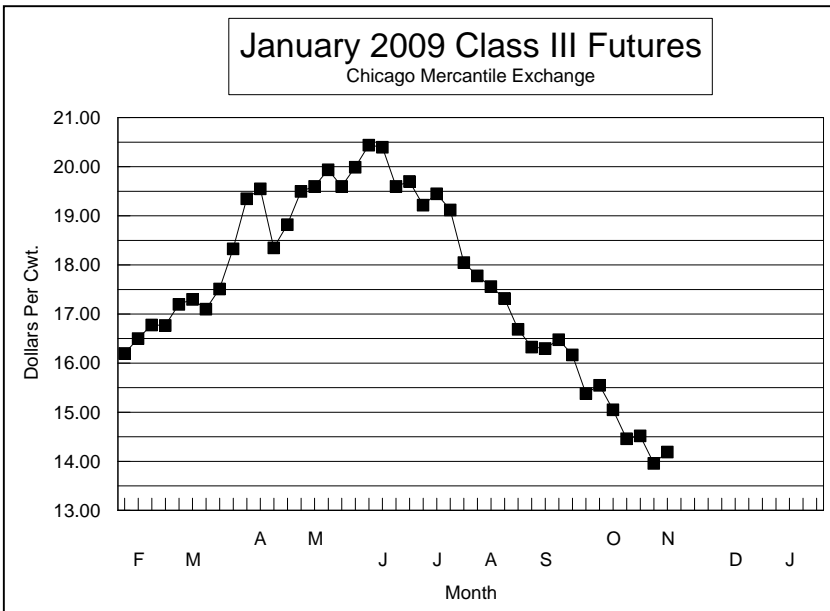
Example: It's Nov.17 and Mar. Class III Milk Futures are trading at \$14.36. Local Mar. basis estimate is +\$2.00.

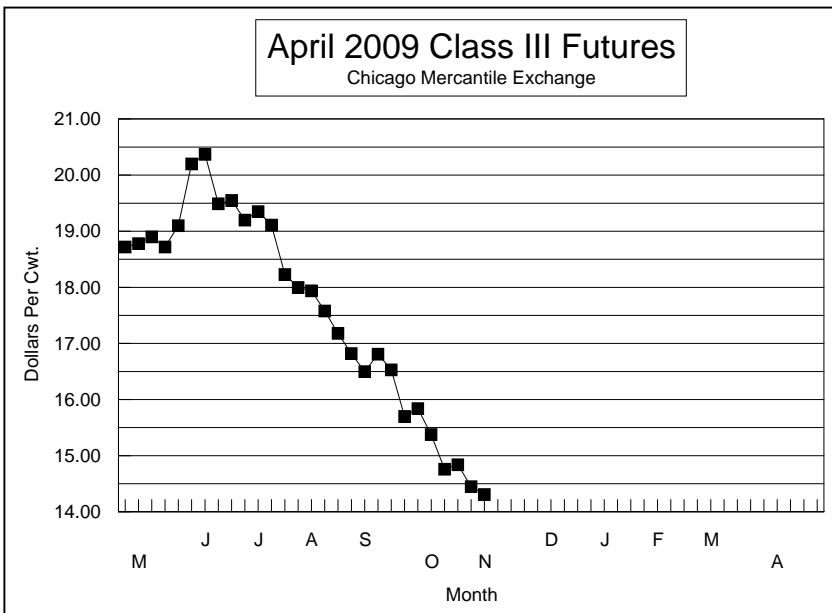
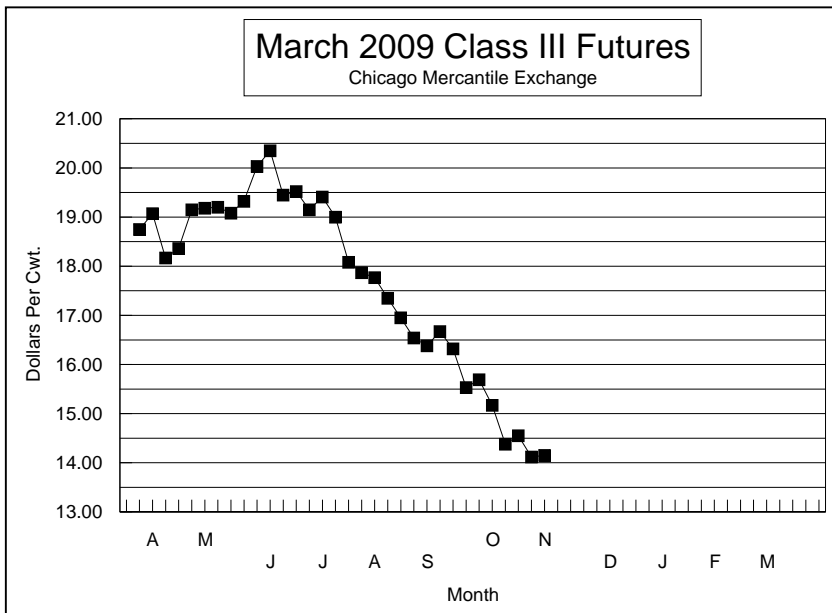
Then in March: If March Futures	=	\$15.75	\$14.25	\$12.75
and actual blend price	=	17.75	16.25	14.75
Sample Strategies (Executed 11/17)		Realized Prices for March Milk		
1) Sold Futures	@	14.36	\$16.36	\$16.36
2) Bought Put	\$13.25 @	0.37	17.38	15.88
3) Bought Put	\$13.75 @	0.55	17.20	15.70
4) Bought Put	\$14.25 @	0.78	16.97	15.47
5) Synthetic Put:				
Sold Futures	@	14.36		
Bought Call	\$15.50 @	0.42	16.19	15.94

What Is The Market Offering For Milk To Be Sold in April?

Example: It's Nov.17 and Apr. Class III Milk Futures are trading at \$14.46. Local Apr. basis estimate is +\$2.00.

Then in April: If April Futures	=	\$15.75	\$14.25	\$12.75
and actual blend price	=	17.75	16.25	14.75
Sample Strategies (Executed 11/17)		Realized Prices for April Milk		
1) Sold Futures	@	14.46	\$16.46	\$16.46
2) Bought Put	\$13.25 @	0.41	17.34	15.84
3) Bought Put	\$13.75 @	0.59	17.16	15.66
4) Bought Put	\$14.25 @	0.82	16.93	15.43
5) Synthetic Put:				
Sold Futures	@	14.46		
Bought Call	\$15.50 @	0.53	16.18	15.93





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