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Dairy Economic & News Update

To: All Northeast Dairy Foods Association, and NDA, Inc. Members

From: Gary Latta, Dairy Economist, Bruce W. Krupke Exec. VP

Date: Wednesday, January 28, 2009

Subj: January Economic Update

Hello from the great white north, Syracuse, NY that is. That iceberg we think was spotted on Lake Ontario! ☺

JANUARY ADVANCED PRICES:

The February Federal Order Class I price mover @ 3.5% butterfat decreased (\$5.02) per cwt. This was the result of a decrease in advanced Class I skim of (\$4.17) per cwt and a drop in the advanced Class I butterfat of (\$0.2843) per pound. The advanced Class II skim value decreased (\$0.11) per hundredweight.

http://www.fmmone.com/Northeast_Order_Prices/Advance_prices/adv0902.pdf

DECEMBER MONTHLY CLASS PRICES:

December's monthly Class III skim increased +\$1.48 per cwt. December's monthly Class IV skim decreased (\$0.25) per cwt. Monthly butterfat for December decreased (0.4732) per pound.

http://www.fmmone.com/Northeast_Order_Prices/Class_prices/cp0812.pdf

The decrease in February's Class I value was the result of lower NASS cheese prices used in USDA formulas.

Cheese prices at the CME have been sharply lower as a result of excess supply and lower demand.

http://www.ams.usda.gov/mnreports/dywacheese_cmebl.pdf

BUTTER & POWDER:

Butter prices at the CME have continued downward and appear to have about leveled off.

http://www.ams.usda.gov/mnreports/dywabutter_cme.pdf

Nonfat dry milk prices have been steady at \$0.8500 per pound.

CME WEEKLY RECAP: http://www.ams.usda.gov/mnreports/md_da999.txt

MILK PRODUCTION:

USDA MILK PRODUCTION REPORT:

USDA's December Milk Production report showed an increase of 1.5% for the 23 major milk producing states. Production per cow was up 8 pounds, and the number of cows was up 90,000 head from December of last year. Cow numbers were up 7,000 head from November '08.

<http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-01-16-2009.pdf>

Milk production in the major northeast states were down again however.

NY (0.1) %

PA (2.8) %

VT (1.9) %

OUTLOOK:

USDA's JANUARY LIVESTOCK DAIRY and POULTRY REPORT:

The January Livestock, Dairy and Poultry report stated that despite lower feed costs, lower demand will continue to depress prices and farm profitability in 2009. The U.S. dairy herd is forecast to decline modestly and output per cow is expected to inch up only slightly. Domestic demand, restaurant sales, and exports have all weakened. Product production levels and inventories remain high. Some price recovery is not expected until after mid-year, and only after lower production comes into line with lower demand. Sales are being made to the C.C.C., and the government is supporting prices for the first time since 2006. Forecast is on page 19.

<http://usda.mannlib.cornell.edu/usda/current/LDP-M/LDP-M-01-22-2009.pdf>

There has been talk of using some government economic stimulus money to fund a national dairy herd buyout, but so far this has gained little traction in Washington. The beef cattle industry has expressed opposition to a taxpayer bailout of dairy via a herd buyout.....

http://www.magicvalley.com/articles/2009/01/25/news/local_state/153581.txt

ENERGY OUTLOOK:

The eia reports mixed trends over the past few weeks, with gas prices inching up a bit in the northeast, while diesel is down just a little more...but appearing to be leveling off.

<http://tonto.eia.doe.gov/oog/info/gdu/gasdiesel.asp>

<http://tonto.eia.doe.gov/oog/info/twip/twip.asp>

WHAT THE PROFESSORS ARE SAYING:

ACADEMIA MARKET OUTLOOKS:

A Market Outlook by Penn State Prof. Ken Bailey (Forecast on page 6.):

<http://dairyoutlook.aers.psu.edu/reports/Pub2009/DairyOutlookJan09.pdf>

A Market Outlook by Univ. of Wisconsin Prof. Bob Cropp:

http://future.aae.wisc.edu/outlook/cropp_jan_09.pdf

An Update on Milk Prices

Mark Stephenson, Ph.D.

Cornell Program on Dairy Markets and Policy

http://www.nedairyfoods.org/pdfs/ForecastUpdate_0109.pdf

Please let us know if there is other information you would like to see in these reports. This information can be passed on to other employees at your company.

Thank you!

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