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## August 2009 Dairy Economic Report & News Update

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

Date: Sept. 1, 2009

### **SEPTEMBER ADVANCED PRICES:**

Class I price mover @ 3.5% butterfat increased +\$.8900 per cwt.

Advanced Class I skim increased +.7400 per cwt.

Advanced Class I butterfat increased +.04970 per pound.

Advanced Class II skim value increased +.2500 per cwt.

[http://www.fmmone.com/Northeast\\_Order\\_Prices/Advance\\_prices/adv0909.pdf](http://www.fmmone.com/Northeast_Order_Prices/Advance_prices/adv0909.pdf)

### **JULY MONTHLY CLASS PRICES:**

Monthly Class III skim increased + .04 per cwt.

Monthly Class IV skim decreased (.0300) per cwt.

Monthly butterfat decreased (.0106) per pound.

[http://www.fmmone.com/Northeast\\_Order\\_Prices/Class\\_prices/cp0907.pdf](http://www.fmmone.com/Northeast_Order_Prices/Class_prices/cp0907.pdf)

CME cheese prices have recently climbed from \$1.10 to the mid \$1.30's. Butter remains weaker.

CME Cheese Blocks: [http://www.ams.usda.gov/mnreports/dywacheese\\_cmebl.pdf](http://www.ams.usda.gov/mnreports/dywacheese_cmebl.pdf)

### **BUTTER & POWDER:**

CME Butter: [http://www.ams.usda.gov/mnreports/dywabutter\\_cme.pdf](http://www.ams.usda.gov/mnreports/dywabutter_cme.pdf)

NASS: [http://www.nass.usda.gov/Charts\\_and\\_Maps/Cheddar\\_Cheese\\_Prices/index.asp](http://www.nass.usda.gov/Charts_and_Maps/Cheddar_Cheese_Prices/index.asp)

NASS nonfat dry milk and whey prices have been steadily climbing since late March and early April.

LATEST CME WEEKLY RECAP:

[http://www.ams.usda.gov/mnreports/md\\_da999.txt](http://www.ams.usda.gov/mnreports/md_da999.txt)

LATEST NASS SUMMARY:

<http://usda.mannlib.cornell.edu/usda/current/DairProdPr/DairProdPr-08-28-2009.pdf>

# JULY MILK PRODUCTION REPORT:

USDA's latest Milk Production Report showed a small increase of 0.1 percent for July in the 23 major milk producing states. Production per cow averaged 25 pounds above July of last year. The number of cows however was 115,000 less than July 2008, and 34,000 less from June 2009. Once again, the western states are down more significantly than other regions.

Cooler than normal weather has contributed to milk production in New York and Pennsylvania.

June milk production reported in the major northeast states:

NY +2.6 % NY was down in the number of head, but up in production per cow.

PA +0.4 % PA was down slightly in the number of head but up in production per cow.

VT (4.5) % Again, VT was down in both number of head and in production per cow.

<http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-08-18-2009.pdf>

One important note, California, the # 1 raw milk production state has seen a 5% drop in production while Wisconsin, the nation's #2 production state has seen a 5.% increase for July 2009!

## OUTLOOK:

USDA LIVESTOCK, DAIRY, and POULTRY OUTLOOK:

The August 19th report stated that despite a continued shrinking of the national herd, increases in output per cow have slowed the expected reductions of milk supply. USDA now claims it may be 2010 before continued reductions push milk supplies below year earlier levels. Some economists believe it may be sooner however. Domestic demand remains slow, and is likely to remain so into next year.

USDA believes lower feed prices have helped support additional feeding, and have contributed to sustaining supply growth despite contraction signals from the marketplace. Lower feed ratios are expected in 2010, but this is far from a turnaround for producers. Herd contraction will eventually overcome increases in per cow output, and production will slip to below year earlier levels by next year.

USDA believes higher domestic prices and increased availability of product in world markets will reduce the competitiveness of U.S. exports. Cheese and nonfat dry milk prices should improve in 2009, reflecting the recent increases in support price for these products. Economic recovery and lower milk production should contribute to higher prices in 2010. Despite this recovery, milk prices are expected to remain well below the highs of 2007 and 2008. Details of USDA's latest forecast can be found on page 29 of their report. There is a special section in this report, "Risk Management Tools Available to Dairy Farmers" that is worth looking over. See pages 24-26.

<http://www.ers.usda.gov/Publications/LDP/2009/08Aug/ldpm182.pdf>

Cooperatives Working Together (CWT):

The CWT program has tentatively accepted 294 more bids in yet another herd retirement. This latest round (third this past year) represents nearly 87,000 cows and another 1.8 billion pounds of milk to come off the market. This is CWT's second largest herd retirement. The previous retirement concluded in June was the record. Details, additional statistics, and regional impacts can be seen in the following reports:

<http://kansasfarmer.com/story.aspx?s=25566&c=9>

<http://www.cwt.coop/sites/default/files/CWTNewsAugust2009.pdf>

## ENERGY OUTLOOK:

EIA ENERGY OUTLOOK:

Gasoline prices are mixed, up in some parts of the country and down in others. The East Coast, Central and lower Atlantic are down, while New England has been up. Diesel is much the same.

Gasoline and diesel fuel updates by region can be seen here:  
<http://tonto.eia.doe.gov/oog/info/gdu/gasdiesel.asp?featureclicked=2&>

RESINS: <http://theplasticsexchange.com/default.aspx>  
(Move mouse over resin type to see trend.)

Plastics news.....

[http://www.purchasing.com/article/327414-Plastic\\_resins\\_prices\\_continue\\_up.php](http://www.purchasing.com/article/327414-Plastic_resins_prices_continue_up.php)

[http://www.purchasing.com/article/327446-Resin\\_Prices\\_Could\\_Rise.php?rssid=20277](http://www.purchasing.com/article/327446-Resin_Prices_Could_Rise.php?rssid=20277)

[http://www.purchasing.com/article/print/338890-Raw\\_materials\\_prices\\_on\\_verge\\_of\\_new\\_increases.php](http://www.purchasing.com/article/print/338890-Raw_materials_prices_on_verge_of_new_increases.php)

## **WHAT THE “PROFESSORS” ARE SAYING:**

Bob Cropp, Prof. U of WI-Madison: In his latest outlook report, Dr. Cropp says cooler than normal weather helped keep milk production higher in the Northeast and Midwest. However the Western states and California were not so lucky. The increase in support prices has been helping push cheese and nonfat dry milk higher. Butter remains weaker. Herd reductions and lower milk production will push prices higher later in 2009 and into 2010.  
[http://future.aae.wisc.edu/outlook/cropp\\_Aug\\_09.pdf](http://future.aae.wisc.edu/outlook/cropp_Aug_09.pdf)

<http://www.wisconsinagconnection.com/story-state.php?id=1023&yr=2009>

Jim Dunn, Prof. Penn State: Prof. Dunn believes the recent increase in support prices will provide an important “psychological” boost. The cheese market is seasonally higher and the worst of the low milk prices may be behind us. Lower input costs will help improve income over feed prices. There are some forecasts and observations of the farm to retail spread worth noting near the end of his report.

<http://dairyoutlook.aers.psu.edu/reports/DairyOutlookaug09.pdf>

Cornell and others see MILC payments going to zero as crop prices decline and milk prices improve. Observations and forecasts from three respected universities here:

<http://www.agweb.com/Blogs/BlogPost.aspx?src=DairyTalk&PID=585fffd7-97bb-4bb2-b62a-0515cf3253f3>

USDA “Farm Income and Costs” Summary: Lots of recent farm income statistics and measures:  
[http://www.agweb.com/news\\_printer.aspx?articleID=152929](http://www.agweb.com/news_printer.aspx?articleID=152929)

## **Association News Update**

**You are invited to attend the Northeast Dairy Convention Sept. 20-22 at the Hilton Hotel, Saratoga Springs, NY. Registration forms now available at:**

<http://www.nedairyfoods.org/2009convention.html>

**Dairy Day at the NY State Fair was held on Monday, August 31.** Over three hundred dairy industry representatives including processors, producers, manufacturers, government and academia were in attendance at a brunch to present and receive awards. The day included a re-dedication of the Dairy Products Building celebrating it's Centennial; Big Cheese Auction; Celebrity Milk Shake Making Contest; Cow Milking Contest and Parade.

Thank you!

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