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February 2010 Dairy Economic Report & News Update

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

Date: March 3, 2010

FEBRUARY ADVANCED PRICES:

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Class I price mover @ 3.5% butterfat decreased (\$.50) per cwt.

Advanced Class I skim decreased (\$.67) per cwt.

Advanced Class I butterfat increased +.0425 per pound.

Advanced Class II skim value decreased (\$1.58) per cwt.

http://www.fmmone.com/Northeast_Order_Prices/Advance_prices/adv1003.pdf

JANUARY MONTHLY CLASS PRICES:

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Monthly Class III skim decreased (\$.13) per cwt.

Monthly Class IV skim decreased (\$.83) per cwt.

Monthly butterfat decreased (\$.1028) per pound.

http://www.fmmone.com/Northeast_Order_Prices/Class_prices/cp1001.pdf

Wholesale prices have weakened further in recent weeks, although butter is again picking up steam and is rising. Experts point to post-holiday demand, ample inventories of product, and resilient milk production figures as the reasons why. Many farmers have responded to higher prices in previous months by increasing production. The indications of ample herd replacement heifers are troubling to those that expected the availability of supply to weaken faster than it has. The question is will the decline in cow numbers be enough to offset increases in production per cow? Most are still expecting prices to increase substantially later in 2010.

December cheese production was still heavy, but down just a tad from '08...

http://www.nass.usda.gov/Charts_and_Maps/Dairy_Products/cheese_e.asp

CME Cheese Blocks: http://www.ams.usda.gov/mnreports/dywacheese_cmebl.pdf

BUTTER & POWDER:

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

NASS CHEESE: Block prices that were running high have eventually with barrels.

http://www.nass.usda.gov/Charts_and_Maps/Cheddar_Cheese_Prices/index.asp

LATEST CME WEEKLY RECAP: (Butter and nonfat dry milk weaken.)

http://www.ams.usda.gov/mnreports/md_da999.txt

LATEST NASS SUMMARY: (Released Feb. 26th)

<http://usda.mannlib.cornell.edu/usda/current/DairProdPr/DairProdPr-02-26-2010.pdf>

DECEMBER MILK PRODUCTION REPORT:

JANUARY MILK PRODUCTION REPORT: (Released Feb. 19th)

Note, there are several good year end and annual summaries with graphs in this monthly issue.

January milk production was down 0.6% from December in the 23 major milk producing states. Production per cow averaged 30 pounds above January of last year. There were 191,000 fewer cows than January of '09, **but 4,000 head more than the previous month of December '09.** The western states are still down, but the size of their declines is slowing. The Midwest states of MN and WI are still increasing and seem to be on a roll.

For the major northeast states, January:

NY down (1.3) % NY is down in cow numbers but up again in production per cow.

PA down (1.7) % PA is down in cow numbers and no change in production per cow.

VT down (1.4) % VT is down in cow numbers but up again in production per cow.

<http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-02-19-2010.pdf>

OUTLOOK:

USDA LIVESTOCK, DAIRY, and POULTRY OUTLOOK: (Released Feb. 24th)

The report makes note of the higher-than-expected January 1 dairy heifer replacement estimate. USDA now admits that the decline in herd size may be more gradual than earlier forecasts. Feed prices are expected to decline which will raise the milk-feed price ratio in 2010. USDA believes the improved dairy producer outlook, while not expected to stimulate herd expansion, could limit the rate of decline during the year. Higher product inventories and stock levels will somewhat limit price increases until drawn down in the second half of the year. USDA expects exports to improve substantially from '09's depressed levels. Milk prices in all classes are expected to rise.

'09 Class III=\$11.36 '10 Class III=\$14.90-15.60

'09 Class IV=\$10.89 '10 Class IV=\$13.95-14.75

'09 All Milk =\$12.79 '10 All Milk=\$16.20-16.90

<http://www.ers.usda.gov/Publications/LDP/2010/02Feb/ldpm188.pdf>

(Latest USDA price & supply forecast is on pg. 16)

CWT UPDATE: Nothing new to report from CWT's websites this month.

In lieu of a CWT report this month, we present for your review a special dairy report entitled **Dairy Pricing Issues, released Nov. '09,** prepared for members of Congress by the Congressional Research Service (CRS).

<http://www.nationalaglawcenter.org/assets/crs/R40903.pdf>

WHAT THE "PROFESSORS" ARE SAYING:

ACADEMIA COMMENTS and MARKET OUTLOOK:

Bob Cropp, Prof. U of WI-Madison: Professor Cropp makes note of the fact that prices have weakened recently. He feels ample stocks has much to do with this soft price environment. Cheese and nonfat dry milk have weakened. Pizza sales are improving and helping to sell more mozzarella. Exports are expected to improve. New Zealand and Australia are not expected to recover as much in milk production as was earlier predicted. This will dampen their export opportunities and may improve ours Cropp says. These exports will be a key part of how much prices improve for producers. Higher milk prices in recent months along with cheaper feed have added the incentive to increase production. http://future.aae.wisc.edu/outlook/cropp_feb_10.pdf

Jim Dunn, Prof. Penn State: Professor Dunn points out that heifer numbers in the January cattle report had a lot to do with the softening of dairy prices in recent weeks. Dunn says the fact that milk per cow grows faster than the human population and consumer demand means that we need fewer cows not more. To view Professor Dunn's current price forecast see page 4 of his latest report below. Also, there is a special section on pages 6-8 **A Longer Run View on Cheese Markets** that reveals the growth of this category. It's worth a look.....

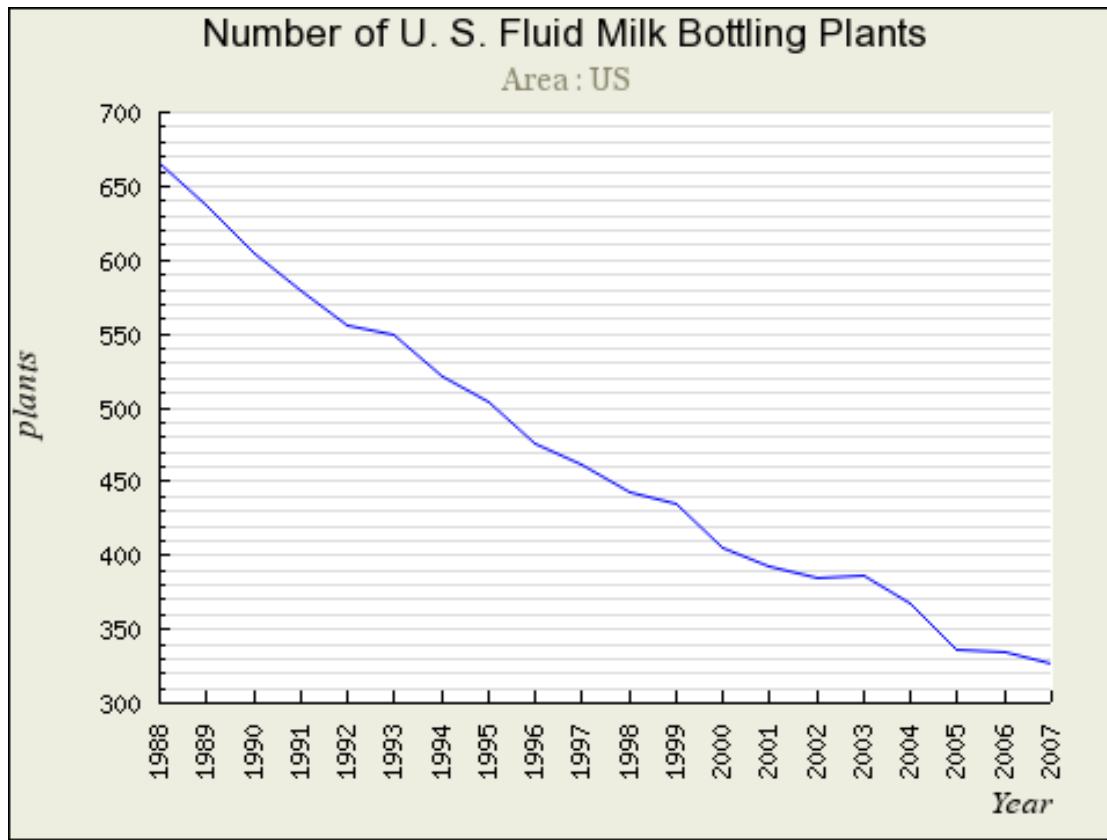
<http://dairyoutlook.aers.psu.edu/reports/DairyOutlookjan10.pdf>

Energy & Fuel: Weekly gas and diesel rising. The EIA Report

<http://tonto.eia.doe.gov/oog/info/gdu/gasdiesel.asp?featureclicked=2&>

U.S. Dairy Producers - Number of Operations

Year	Total	1-29 Head	30-49 Head	50-99 Head	100-199 Head	200+ Head	200-499 Head	500+ Head	500-999 Head	1000-1999 Head	2000+ Head
1993	157150	58630	34810	42110	14630	6970	0	0	0	0	0
1994	148140	53500	32640	40640	14450	6910	0	0	0	0	0
1995	139670	48150	31030	39280	14290	6920	0	0	0	0	0
1996	130980	43050	29230	37560	14090	7050	0	0	0	0	0
1997	123700	39070	27285	35850	14040	0	5119	2336	0	0	0
1998	117145	36130	25485	34105	13880	0	5155	2390	1500	670	220
1999	110855	32955	24025	32835	13220	0	5285	2535	1600	690	245
2000	105055	30820	22210	31190	12835	0	5340	2660	1700	690	270
2001	97460	28320	19910	29005	12255	0	5175	2795	1700	770	325
2002	91240	26355	18035	27395	11555	0	4990	2910	1700	810	400
2003	86360	25045	16805	25800	10980	0	4765	2965	1700	815	450
2004	81520	23810	15500	24055	10445	0	4700	3010	1700	815	495
2005	78300	22490	14835	23185	10055	0	4662	3073	1700	850	523
2006	74880	21210	14095	22115	9760	0	4567	3133	1700	860	573
2007	69995	21705	12270	19330	9011	0	4359	3320	1720	920	680
2008	67000	21300	11900	17800	8700	0	3950	0	1720	900	730



IN OTHER NEWS....

LEGISLATION UPDATE: Take a look at legislation we are monitoring and introduced into your state that could affect your industry, click here then choose your state and fill in the required fields.

<http://www.nedairyfoods.org/legupdate.html>

EVENTS UPDATE: Dairy Events for the new year are scheduled, click here and make sure to put them on your calendar! <http://www.nedairyfoods.org/pdfs/2010Calendar.pdf> Industry Clambake, Wed. July 14th, N. Syr. NY

As Always Visit our association's website everyday at www.nedairyfoods.org for news and info in the industry!

If you or your company have news you would like to share with the dairy industry email it to our office.

Thank you,

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