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January 2010 Dairy Economic Report & News Update

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

Date: January 31, 2010

FEBRUARY ADVANCED PRICES:

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Class I price mover @ 3.5% butterfat decreased (\$.19) per cwt.

Advanced Class I skim increased +.45 per cwt.

Advanced Class I butterfat decreased (.1784) per pound.

Advanced Class II skim value increased +.45 per cwt.

http://www.fmmone.com/Northeast_Order_Prices/Advance_prices/adv1002.pdf

DECEMBER MONTHLY CLASS PRICES:

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Monthly Class III skim increased +.66 per cwt.

Monthly Class IV skim increased +1.55 per cwt.

Monthly butterfat increased +.0777 per pound.

http://www.fmmone.com/Northeast_Order_Prices/Class_prices/cp0912.pdf

Wholesale prices have weakened a bit in recent weeks, particularly for nonfat dry milk and butter. Some experts point to what they consider to be a normal (weaker) post-holiday demand as the reason for the recent weakness. Most expect prices to increase significantly in later in 2010.

Note, November cheese production was heavy...

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: One can see here that high block prices eventually dropped to align 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:

<http://usda.mannlib.cornell.edu/usda/current/DairProdPr/DairProdPr-01-29-2010.pdf>

DECEMBER MILK PRODUCTION REPORT:

DECEMBER MILK PRODUCTION REPORT: (Released Jan. 19th)

Production was down 0.8% from December of '08 in the 23 major milk producing states. Production per cow averaged 29 pounds above December of last year. There were 206,000 fewer cows than December of last year and **no change in cow numbers** from November '09. The western states again showed the biggest decline while the Midwest, particularly MN and WI, increased. For the major northeast states in November:
NY down (0.3) % NY is down in cow numbers but up in production per cow.
PA up + 0.7 % PA is down in cow numbers but up in production per cow.
VT down (2.4) % VT is down in cow numbers but up in production per cow.
<http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-01-19-2010.pdf>

OUTLOOK:

USDA LIVESTOCK, DAIRY, and POULTRY OUTLOOK: (Released Jan. 20th)
Lower milk production in combination with increased demand, both domestically and internationally, will boost farm pay prices for 2010. USDA expects the moderation in feed prices to help improve the milk-feed price ratio and profits for U.S. producers in coming months. The size of the U.S. milking herd will continue to contract in 2010. Lower feed expenses are expected to boost production per cow. Many will not soon be in a financial position to borrow money for herd expansion. USDA expects 2010 milk production below that of 2009. As supplies tighten and demand increases, cheese and butter prices will strengthen. Lower milk production and increased demand will draw down stocks and inventories. Nonfat dry milk exports are expected to rise in 2010, but still below that of 2008. Continued improvement in nonfat dry milk sales domestically and internationally is a key factor to USDA's optimistic outlook.

'09 Class III=\$11.36 '10 Class III=\$14.75-15.55

'09 Class IV=\$10.89 '10 Class IV=\$14.75-15.60

'09 All Milk =\$12.79 '10 All Milk=\$16.20-17.00

<http://www.ers.usda.gov/Publications/LDP/2010/01Jan/ldpm187.pdf>
(Latest USDA supply and price forecasts are on pg. 17)

CWT UPDATE:

Cooperatives Working Together donates \$100,000 to Haiti earthquake victims.
http://www.cwt.coop/sites/default/files/news_releases/Haiti-CWT-donation-011910.pdf

Cooperatives Working Together action turns '09 prices around.
<http://www.cwt.coop/sites/default/files/newsletters/CWTNewsDecember2009.pdf>

WHAT THE "PROFESSORS" ARE SAYING:

ACADEMIA COMMENTS, MARKET OUTLOOK and INFORMATION

Bob Cropp, Prof. U of WI-Madison: Professor Cropp sees higher prices as a result of reduced surplus and increasing demand. Like others, he attributes the recent drop back in swiftly-rising prices as typical after the holidays. Cropp feels all signals are pointing to higher prices in 2010.
Read his report... http://future.aae.wisc.edu/outlook/cropp_jan_10.pdf

Jim Dunn, Prof. Penn State: Professor Dunn comments this month about the return to a more normal relationship between barrel and block cheese. Dunn also makes observations regarding lower milk production coupled with increasing demand in areas outside the U.S. and how opportunities may be developing for greater exports. He points to improving milk margins as income over feed costs grows. An interesting observation that others may make is commented on here by Dunn. That is even though cow numbers have been reduced and declining, output per cow continues to improve. His latest price forecast can be found on page 4 of the report.
<http://dairyoutlook.aers.psu.edu/reports/DairyOutlookjan10.pdf>

Jason R. Huck, M.S., General Manager, Dairy Operations, Cornell University: These two papers (published in the Journal of Dairy Science) are likely of significant interest to some of the fluid milk processors:

Ranieri, M. L., and K. J. Boor. 2009. Short communication: bacterial ecology of high-temperature, shot-time pasteurized milk processed in the United States. J. Dairy Sci. 92:4833-4840.

Ranieri, M. L., J. R. Huck, M. Sonnen, D. M. Barbano and K. J. Boor. 2009. High temperature, short time pasteurization temperatures inversely affect bacterial numbers during refrigerated storage of pasteurized fluid milk. J. Dairy Sci. 92:4823-4832.

For more information about these publications and the Department of Food Science and the Milk Quality Improvement Program, click here:

<http://foodscience.cornell.edu/cals/foodsci/extension/milk-quality-improvement-program.cfm#Publications>

LEGISLATION UPDATE: Take a look at legislation 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>

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

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

Thank you,

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