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## July 2009 Dairy Economic & News Update

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

From: Gary Latta, Dir. of Industry Relations/ Economist & Bruce W. Krupke Exec. VP

Date: July 28, 2009

### Economic Report

#### **AUGUST ADVANCED PRICES:**

Class I price mover @ 3.5% butterfat decreased (.22) per cwt.

Advanced Class I skim decreased (.03) per cwt.

Advanced Class I butterfat decreased (.0533) per pound.

Advanced Class II skim value decreased (.03) per cwt, from \$6.73 to 6.70.

[http://www.fmmone.com/Northeast\\_Order\\_Prices/Advance\\_prices/adv0908.pdf](http://www.fmmone.com/Northeast_Order_Prices/Advance_prices/adv0908.pdf)

#### **JUNE MONTHLY CLASS PRICES:**

Monthly Class III skim increased + .17 per cwt.

Monthly Class IV skim increased +.12 per cwt.

Monthly butterfat decreased (.01) per pound.

[http://www.fmmone.com/Northeast\\_Order\\_Prices/Class\\_prices/cp0906.pdf](http://www.fmmone.com/Northeast_Order_Prices/Class_prices/cp0906.pdf)

CME prices are starting to climb. Cheese up 12 cents in recent weeks and butter up 8 cents per pound.

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

#### **BUTTER & POWDER:**

Whey powder prices have shown considerable strength since the beginning of the year and are making a contribution to the Class III price. Nonfat dry milk prices have stabilized a bit after rising earlier in year. Inventories are still sizable.

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-07-24-2009.txt>

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)

# **MILK PRODUCTION REPORT:**

## **JUNE MILK PRODUCTION REPORT:**

USDA's latest Milk Production Report showed a decrease of (0.1) percent for June in the 23 major milk producing states. Production per cow averaged ten pounds above June of last year. The number of cows however was 56,000 less than June 2008 and 29,000 less from May 2009. Again, the western states are down more significantly in cow numbers than other regions.

May milk production in the major northeast states, June 08 vs. June 09:

NY +1.9 % NY was down in the number of head, but up in production per cow.

PA (0.2) % PA was down slightly in the number of head, and steady in production per cow.

VT (4.6) % Again, VT was down in both number of head and in production per cow.

<http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-07-17-2009.pdf>

California, the nation's leader in milk production, experienced a 4.1 percent decline in milk production in the June-to-June comparison, falling to 3.28 billion pounds. There were 1.81 million cows on farms in California in June, 37,000 head less than a year earlier and 5,000 head less than in May. June production per cow was down by an average of 40 pounds compared to the previous June, dropping to 1,810 pounds.

Wisconsin, the #2 producer followed with 2.12 billion pounds of milk produced in June, a 2.8 percent increase in its production from the previous year. There were 1.26 million cows on Wisconsin farms in June, 5,000 head more than a year earlier and 1,000 head more than a month earlier. Production per cow in June was up 40 pounds compared to a year earlier to 1,690 pounds.

## **OUTLOOK:**

### **JULY USDA LIVESTOCK, DAIRY, and POULTRY OUTLOOK:**

The July 17th report indicated that a further reduction in milk supplies is needed before market prices begin to rise. Feed prices appear to be moderating and crop reports, corn in particular, are looking more favorable. However, feed prices are expected to remain above the five year average for both corn and soybeans. Moderating feed prices alone are not expected to restore producer profitability USDA claims. Lower demand from the recession will continue to keep milk prices below year earlier levels throughout 2009. Pressure to remove cows will continue and CWT is expected to remain active with additional buyouts.

Recent milk production reports reveal some key states are still increasing production (NY, MN, and WI). Recession-hit domestic demand and lower exports are well below the totals of the last two years. The exception is the export demand for whey, particularly to Mexico and China. USDA now expects product prices to remain low for the remainder of 2009. Prices are expected to recover in 2010, but not to levels of previous years USDA believes. Butter is expected to make the largest recovery. The all-milk price is now expected to be on average \$11.85-\$12.15 for 2009, and improve to \$14.85-\$15.85 in 2010. See report summary on pg. 12 and forecast pg. 15.

<http://www.ers.usda.gov/Publications/LDP/2009/07Jul/ldpm181.pdf>

CWT's spring herd buyout of 103,000 cows from 367 farms was the largest in their seven year history. Almost immediately following, CWT announced another herd buyout that it claims will be a double-barreled attack on curtailing milk production. Such a large removal in such a short period of time is expected to provide some price recovery several months sooner than would be expected otherwise. CWT points out that buyouts are not always an option for some farm operations, and that not all bids submitted are accepted. CWT received 538 bids in this latest buyout and only 367 were accepted. NMPF has formed a new Strategic Planning Task Force that is taking a look at various options and concepts to better control milk production and economic volatility. Plans to manage supply growth and improved pricing are on the table.

<http://www.cwt.coop/about/newsletters/CWTNewsJuly2009.pdf>

[http://www.nmpf.org/latest\\_news/press\\_releases/strategic\\_planning072209](http://www.nmpf.org/latest_news/press_releases/strategic_planning072209)

# ENERGY OUTLOOK:

Gas and diesel prices, after climbing steadily, have moderated somewhat. U.S. prices are expected to stay near current levels, but will be strongly influenced by any changes in crude oil prices according to eia's short term energy outlook.  
<http://www.eia.doe.gov/emeu/steo/pub/contents.html>

Gas and diesel fuel update by region.

<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/307292-Polyethylene\\_prices\\_are\\_moving\\_up.php](http://www.purchasing.com/article/307292-Polyethylene_prices_are_moving_up.php)

[http://www.purchasing.com/article/316116-Plastic\\_resins\\_prices\\_could\\_rise.php](http://www.purchasing.com/article/316116-Plastic_resins_prices_could_rise.php)

# WHAT THE “PROFESSORS” ARE SAYING:

ACADEMIA COMMENTS and MARKET OUTLOOK:

Academia expects market prices to increase...in perhaps a few months. See below.

Bob Cropp, Prof. U of WI-Madison: Dr. Cropp says the softness in domestic sales and reduced exports means we still have plenty of cheese available. Cheese production, and therefore the building of cheese stocks have been up. However now that milk production appears to be finally on a downward trend and with seasonal increases in demand, prices will improve slowly.

[http://future.aae.wisc.edu/outlook/cropp\\_July\\_09.pdf](http://future.aae.wisc.edu/outlook/cropp_July_09.pdf)

Jim Dunn, Prof. Penn State: Prof. Dunn believes we still have too much milk supply given the lower exports of 2009. The milking herd is still too large he claims. California's production is falling, but cool weather has acted to keep milk production up in many other parts of the country.

He provides his thoughts for July and a forecast on page 4 of this report.

<http://dairyoutlook.aers.psu.edu/reports/DairyOutlookjul09.pdf>

# Association News Update

**2009 Northeast Dairy Association Clambake Pictures, Click here:**

[http://nedfainc.smugmug.com/gallery/8858895\\_8w8W5#587233817\\_JWihN](http://nedfainc.smugmug.com/gallery/8858895_8w8W5#587233817_JWihN)

**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: Monday, August 31.** Join us for the 100<sup>th</sup> Centennial Re-Dedication of the Dairy Products Building. Visit [www.nedairyfoods.org](http://www.nedairyfoods.org) for a copy of the entire day's program and festivities. Call our office for Ticket information.

Thank you!

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