



201 S. Main St., Suite 302, N. Syracuse, NY, 13212 – 2166
Ph.315-452-6455 Fx.315-452-1643 - www.nedairyfoods.org

September 2009 Dairy Economic Report & News Update

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

Date: October 5, 2009

OCTOBER ADVANCED PRICES:

Class I price mover @ 3.5% butterfat increased +\$1.42 per cwt.

Advanced Class I skim increased +1.69 per cwt.

Advanced Class I butterfat decreased (.0605) per pound.

Advanced Class II skim value increased +.76 per cwt.

http://www.fmmone.com/Northeast_Order_Prices/Advance_prices/adv0910.pdf

SEPTEMBER MONTHLY CLASS PRICES:

Monthly Class III skim increased + 1.04 per cwt.

Monthly Class IV skim increased +.89 per cwt.

Monthly butterfat decreased (.0265) per pound.

http://www.fmmone.com/Northeast_Order_Prices/Class_prices/cp0909.pdf

CME cheese prices have climbed slow and steady, up about 15 cents a pound, since mid-September. Butter also climbed. Up 10 cents a pound since mid-September, but has backed off about 4 cents in the last two weeks.

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: 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 then quite rapidly since the middle of the year.

LATEST CME WEEKLY RECAP:

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

LATEST NASS SUMMARY:

<http://usda.mannlib.cornell.edu/usda/current/DairProdPr/DairProdPr-10-02-2009.pdf>

SEPTEMBER MILK PRODUCTION REPORT:

USDA's latest Milk Production Report showed a small decrease of (0.2) percent for August in the 23 major milk producing states. Production per cow once again averaged 25 pounds above August of last year. The number of cows was 143,000 less than August 2008, and 28,000 less from July 2009. Once again, the western states are down significantly more than other regions.

Arizona, California, Colorado, Washington, and Idaho were all down notably.

August milk production reported in the major northeast states was as follows:

NY +0.2 % NY was down in the number of head, but up in production per cow.

PA +0.7 % PA was down slightly in the number of head but up in production per cow.

VT (4.7) % Again, VT was down in both number of head and in production per cow.

<http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-09-18-2009.pdf>

OUTLOOK:

USDA LIVESTOCK, DAIRY, and POULTRY OUTLOOK:

The September 17th report once again stated that despite a continued shrinking of the national herd, increases in output per cow have slowed the expected reductions of milk supply. The contraction in milk production is happening slowly as rising output per cow partly offsets herd contraction. USDA again claims it will be 2010 before we see significant price recovery. Lower prices for feed ingredients, particularly corn and alfalfa hay, is providing an incentive to feed for greater milk production despite herd culling. Despite the low market prices, 2009 milk production is expected to be down just less than 1 percent from 2008. The export market does not look optimistic. Domestic commercial use cheese sales for the second half of 2009 are exceeding that of 2008. Domestic commercial use of butter, nonfat dry milk, and whey have trailed year ago levels. The strength of the cheese market is evident in USDA's updated price projections found at the very end of their report.

<http://www.ers.usda.gov/Publications/LDP/2009/09Sep/ldpm183.pdf>

CWT UPDATE:

The Cooperatives Working Together (CWT) program released an announcement of their third herd retirement this year, effective October 1. Bids must be postmarked no later than October 15th. This is the fourth herd retirement in the past 12 months. The previous three rounds have removed 226,000 cows from the nation's herds. This is CWT's **ninth round** of buyouts overall.

http://www.cwt.coop/sites/default/files/news_releases/Herd-retirement-announcement-100109.pdf

ENERGY OUTLOOK:

EIA ENERGY OUTLOOK: Winter fuel inventories appear to be high due to the recession.

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

Gasoline and diesel fuel are trending down slightly in all regions.

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

RESINS & PLASTICS: <http://theplasticsexchange.com/default.aspx>

(Move mouse over resin type to see trend.)

The pressure appears to be up... <http://www.plasticsnews.com/headlines2.html?id=16758>

http://www.purchasing.com/article/340121-Plastic_resins_prices_continue_up.php?q=resin+plastic

(This opens very slowly but is worth the wait.)

WHAT THE “PROFESSORS” ARE SAYING:

ACADEMIA COMMENTS and MARKET OUTLOOK:

Bob Cropp, Prof. U of WI-Madison: Production continues to decline in the west and expand in the Midwest as well as some areas of the northeast. Expects some price recovery as demand picks up and supplies come into better balance. Cheese sales are improving and now ahead of last year. He expects Class III to be above \$14.00 by December, near \$16.00 by July 2010, and in the high \$16.00's by December 2010. A little tightness in the market can send prices up quickly.

http://future.aae.wisc.edu/outlook/cropp_Sep_09.pdf

<http://www.wisconsinagconnection.com/story-state.php?id=1149&yr=2009>

Jim Dunn, Prof. Penn State: Like Dr. Cropp, Dunn believes we will see above \$14.00 Class III prices by December. The U.S. dollar is falling and is making U.S. exports more attractive. Crop yields appear to be large and will help with feed expenses. Lower feed costs and higher milk prices are helping the “income over feed costs” measure. Professor Dunn provides some forecasts in his report. Be sure to read the bottom of page 6 and see the accompanying graph that appears on page 7. <http://dairyoutlook.aers.psu.edu/reports/DairyOutlooksep09.pdf>

LATE DAIRY INDUSTRY NEWS WORTH NOTING:

1. Congressional negotiators have agreed to the \$350 million additional funding to help support dairy producers. Many Congressmen are celebrating and taking credit. However there appears to be some unexpected bickering between large and small size farms over the manner of payout.
<http://www.timesunion.com/AspStories/story.asp?storyID=848509&category=BUSINESS>
2. Wait; hold up on that \$350 million payout. California Senator Barbara Boxer places a hold on the \$350 million.
<http://www.agweb.com/DairyToday/Article.aspx?id=153547>
3. Northeast Dairy Foods Association, Inc. Board of Directors at their annual meeting voted to support two nominations to USDA Tom Vilsack's proposed dairy advisory committee. Nominated on behalf of our association were John Kaneb, CEO of HP Hood, LLC Lynnfield, MA; and Gary Warren, Vice President of Stewart's Processing, Saratoga Springs, NY.

Thank you,

Gary Latta, Dir. of Industry Relations - gl@nedairyfoods.org

Bruce W. Krupke, Executive Vice President - bk@nedairyfoods.org

Phone (315) 452-6455 Fax (315) 452-1643