

NEWSNOTES

2004 Northeast Dairy Convention June 6-9 You Are Invited!

There is still plenty of time to register to attend this year's annual convention, The Northeast Dairy Convention to be held at the beautiful and historic Gettysburg Hotel, in Gettysburg, PA.



Camelia Patey
M.S. R.D National Dairy Council

The convention will start on Sunday evening June 6, and conclude Tuesday evening, June 8.

There is a great line up of professional and dairy industry speakers scheduled to make presentations during the general business sessions Monday morning June 7 and Tuesday morning June 8. Some of the speakers include:



Leon Graves, Dir. Of Industry Affairs, Dairy Marketing

Dr. John Lord, Professor of Marketing, St. Joseph's University; Camellia Patey, M.S. R.D, National Dairy Council; Dick Groves, Editor/Publisher, The Cheese Reporter; Dr. Ken Bailey, Penn State University; Leon Graves, Dir. Of Industry Affairs for Dairy Marketing Services and John Kaneb, CEO, H.P. Hood, Inc.



John Kaneb, CEO, H.P. Hood, Inc.



Dr. Ken Bailey, Penn State University



Abe Lincoln, 16th President

There is a fantastic social program lined up for attendees and guests including cocktail parties, tours, golf outing, banquet and MORE! You can obtain registration forms and more information by

visiting our website at www.nysdfi.org. See you there!

Record Milk Price Set for May 2004 - NY City Retail Threshold Goes Over Four Dollars For the First Time, See Page 5 for Amounts!

On Friday, April 23, the United States Department of Agriculture, Agricultural Marketing Service/Dairy Programs Federal Milk Order Number 1, Northeast Marketing Area announced the May 2004 Class I prices.

The price announced for Class I milk for the New York City area \$22.80, May 2004 is an **all time record high**. The previous record for the NY City area of \$20.68/cwt. was set in February 1999.

In the past five months prices paid for raw milk to dairy farmers have been increasing. The recent month's prices compared to the past 24 months are much above average and in fact for May 2004 is a record high. There are many reasons for the price swings, some major some minor. The bottom line is that the stars have lined up and all of the issues are working in tandem so to speak which are contributing to the record high prices.

The major reason for the higher milk prices is because of supply. (Continued on Page 5.....)

Pride of New York Grants Announced - NYS Dairy Foods to Receive Grant to Promote Milk!

Governor George E. Pataki celebrated National Agriculture Week in New York State by announcing nearly \$325,000 in grants to help farmers and agricultural based businesses promote the abundance of food and agriculture products that are grown or processed in New York State. The latest round of "Pride of New York" grants will help pay for 30 projects throughout the state that link individual advertising and promotional efforts of food and agricultural businesses with the Governor's "Pride of New York" program.

Governor Pataki made the announcement on March 16th at F. Capiello Dairy Products, Inc. in Schenectady. Under the program F. Capiello Dairy Products will receive a \$15,000 grant to expand their marketing of Capiello Mozzarella and Ricotta Cheeses in New York and select out-of-state markets.

The "Pride of New York" Cooperative Promotion grants provide up to \$15,000 in matching funds to members of the "Pride of New York" Program for costs directly associated with the development of cooperative advertising or promotion. Proposed marketing activities must promote the quality, value, or availability of New York food or agricultural products and increase the demand for such products through ...continued Pg. 6



Executive Vice President Report by Bruce W. Krupke

There is a lot to talk about in this report. So I'll get right to the main topics.

First, our annual membership convention is going to be on June 6-9 in Gettysburg. This is a meeting for all members and Dairy Booster Suppliers. I highly encourage all of you to try to attend for all or some of the convention. It truly is a good time, you'll learn a lot and make some new contacts. I guarantee that you will recharge your batteries so to speak which we can all use at times. You should have already received your registration packets in the mail. If you need more information please call our office or you can also download the forms from our website at www.nysdfi.org.

Now on to the really big news. It was going to happen sooner or later and it happened sooner than anyone expected. What is it that happened you ask? A record high Class I price for raw milk. It is the talk of the industry, the press and the town fence posts.

The fact is that for the past 20 months, on average dairy farmer milk prices have been low. During those 20 months, influences which help determine their prices have been forming. What subsequently has happened is what we might call an unprecedented lining up of the stars to give us the record prices for May 2004.

The root cause of the record prices is supply and demand, as it should be. The problem is that we all do not like to see the price spike up (or eventually down) in such dramatic fashion. It is hard to explain to milk and dairy product customers everything which is at play. It is hard for families consuming milk to understand the reasons behind the increases. Nonetheless, we have the record price and now have to deal with it as best as possible.

In my mind the best way to deal with it is to clearly understand the causes and facts so we can communicate clearly to wholesale customers an ultimately the final consumer the circumstances. The main fact is there is a reduction in the milk supply across the nation. This decrease sends strong signals to milk buyers such as cheese and butter manufacturers, those very companies which report inventories to USDA. USDA then in turn will set the Class prices based on what those companies are buying or selling on the open market. The situation is that there are more buyers than sellers, thus we have the higher prices.

High prices are good for the dairy farmers. They have been getting by with those low prices for a long time now. Historically, when the price goes up, especially really high, higher milk production usually follows. Although from what I'm observing, hearing and reading, this might not be the case this year, or at least not very soon. So hold on, we might see these prices hanging around for a tad bit longer than we normally are used to.

This leads me to the next bit of news surrounding these prices. The retail milk price threshold for a gallon of milk in the Metro NY City area went over four dollars for the first time ever, actually settling at \$4.18/gallon. Will we actually see that high of a price, it is hard to say. What we will be watching is if they do, what will happen to milk sales and consumption? At the very least we'll find out if consumers will really reduce purchases because of the price spike. Lets all hope not.

Marketing That Makes a difference!

June is Dairy Month!

Don't forget, that June is Dairy Month. You should be planning your promotions with retailers and for consumers now. There are many ideas other than price promotions you should consider. This is your one chance to tout your products using a natural concept. Consumers expect to hear from you. Help increase your sales by heavily promoting your products and company in June. Could you use June Dairy Month Clip for ads? Our office has a collection of sheets you can order, simply call our office and we'll mail you a set. If you need idea starters, we suggest you visit the following websites: www.milkpep.org, or www.whymilk.com.

Contact the American Dairy Association to see if a local County Dairy Princess can assist you, call 315-472-9143. Also, try doing a search on the internet using June Dairy Month, we found hundreds of sites and ideas you can use. You can also call Promotion Products Company at (315) 455-1165 in Syracuse, they have a full line of authorized dairy product promotion materials you can order. Their email is promo@dreamscape.com, they can fax you product information as well! By the way, the first June Dairy Month celebration was held by National Dairy Council in 1939. So lets start planning and increase sales of milk in June!

School Milk Increase Sales Workshop!

There is a powerful new movement involving many school systems, and their processor suppliers to improve school milk by giving kids better and more varied products in appealing packaging, served cold and well merchandised. Basically offering a competitive beverage that kid's will CHOOSE. The IDFA marketing team has put together new business development tools for your company. The new campaign "The New Look of School Milk" is designed to make school milk a better consumer experience and a better business opportunity for both processors and their school customers.

The processor tools and account development best practices will be rolled out through regional workshops. The workshops will showcase the newly developed school milk business case, school account development process and tools, and more than a dozen success stories across the country. Local Dairy Council representatives will be leading part of the workshop and providing valuable insights into the needs and expectations of School Food Service Directors.

The workshops will include time to discuss different approaches to address current challenges you are facing. The material covered and the workshop leaders, Prime Consulting Group, will be the same at each session. Each session will begin at 8 AM and run until 5 PM.

The 2004/2005 school selling season is starting now. Don't let your company miss out on the opportunity to turn your school business from "a necessary evil" to a powerful opportunity to increase brand loyalty, sales and profits. You can register your company by filling out the registration form at www.milkpep.org

Syracuse session is on May 12th at the Sheraton Syracuse University, 801 University Ave., Syracuse (315) 475-3000.

Workshop Agenda

- | | |
|---------------|--|
| 8:00 - 9:30 | The Big Picture |
| 9:30 - 10:30 | What Have Processors Done? |
| 10:45 - 11:15 | Key Learnings & Best Practices |
| 11:15 - 12:15 | How Do I Capture the Opportunity? |
| 12:15 - 1:30 | Working Lunch |
| | School Food Service Dir Goal/Objective |
| 1:30 - 3:00 | School Account Development Process |
| | Part I - Conduct School Profiles |
| 3:15 - 4:30 | School Account Development Process |
| | Part II - Develop Sales Plan |
| 4:30 - 5:00 | Wrap Up/Workshop Evaluation |

Court Panel Rules Against Dairy Producer Checkoff, Appeal Expected

On February 24, a three-judge panel of the Third Circuit Court of Appeals in Philadelphia ruled that the dairy producer checkoff violates the free speech rights of farmers who help pay for but don't agree with the program's marketing message. This ruling reverses a lower court's judgment last year in favor of the checkoff. The decision is likely to be appealed, either to the full Third Circuit Court or to the U.S. Supreme Court.

"The U.S. Department of Agriculture regards such programs, when properly administered, as effective tools for market enhancement," said Agriculture Secretary Ann Veneman, who is defendant in the case due to USDA's oversight of the program. "We are consulting with the U.S. Department of Justice to determine the next steps regarding this matter."

During the appeals process, producer assessment collections will continue. Paul Rovey, chairman of Dairy Management Inc. (DMI), stated that he is "confident that the dairy [producer] checkoff program will ultimately prevail in the litigation process."

While the case has been referred to as a "got milk?" ruling in the general media, DMI's efforts have shifted away from the "got milk?" program to the "3-a-Day of Dairy" campaign. Less than 5% of the producer program now involves marketing that uses the "got milk?" tagline. However, California milk companies have an active "got milk?" program, and the Milk Processor Education Program (MilkPEP) currently runs the successful National Milk Mustache "got milk?" Campaign. Neither of these programs is involved in generic marketing litigation.

IDFA Vice President of Communications Susan Ruland noted that "we'd like to stress that both the dairy producer (DMI) and processor (MilkPEP) programs are very important in increasing demand for dairy products, in handling tough public relations issues around dairy and in helping educate Americans about the benefits of dairy products."

According to the Cornell study on the processor and producer checkoff programs submitted to Congress last year, fluid milk consumption would have averaged 4.3% lower each year between 1998 and 2002 without the checkoff programs. Total consumption of milk in all dairy products would have averaged about 2% lower annually, or about 3.2 billion pounds a year.

The lawsuit against the dairy producer checkoff was first filed in April 2002 by Joseph and Brenda Cochran, who run a 200-cow dairy farm in Pennsylvania, and is supported by an activist law firm in Washington, D.C. The Cochrans disagree with the checkoff program's generic marketing of milk, believing that their farm's milk is superior to other milk due to their "traditional" on-farm management style, such as their decisions to allow their cattle to graze and to not supplement cows with recombinant bovine somatotropin (rBST). The couple had paid between \$3,500 to \$4,000 to the checkoff annually.

IDFA will continue to monitor this lawsuit and similar checkoff cases for any implications for the processor-funded MilkPEP, which has not been challenged. Separate cases questioning the constitutionality of the beef and pork check offs are currently

awaiting action by the U.S. Supreme Court. In fact, the court will announce on April 19th its decision on whether or not to hear the beef case. If the Supreme Court decides to hear the beef case, its ruling would not be made until 2005.

Each checkoff if governed by unique regulations, and different programs have been viewed differently by the courts. For instance, the Supreme Court ruled against the mushroom checkoff program in 2001, but in favor of a program involving the tree-fruit industry in 1997.

*www.idfa.org
March 1, 2004*

Fewer Milk Samples Tested Positive For Antibiotic Residues

During fiscal year 2003, a total of 2,945 samples out of 4,382,974 analyzed were positive for an animal drug residue, according to the Food and Drug Administration's "National Milk Drug Residue Data Base Fiscal Year 2003 Annual Report."

The Pasteurized Milk Ordinance (PMO) requires that all bulk milk tankers be sampled and analyzed for animal drug residues before the milk is processed. Any tanker found positive is rejected for human consumption. A sample is defined as representing a load or lot of milk sampled and analyzed, e.g., a bulk milk pick-up tanker, producer, or over-the-road tanker, a silo, etc.

Those sources, and results from the 2003 fiscal year report were as follows:

Bulk milk pick-up tanker:

.053 percent tested positive.

Pasteurized fluid milk and milk products:

.015 percent tested positive.

Producer:

.152 percent tested positive.

Other (milk from plant silos, over-the-road tankers, etc.):

.032 percent tested positive.

Altogether, 76.37 million pounds of milk was found to be positive and disposed of per the PMO. According to the report, .0449 percent of the total annual milk production was tested to be positive, which is down from last year's report that .052 percent of the milk production tested positive.

*The Cheese Reporter
February 27, 2004*

House Bill Seeks Extension of MILC Payment Program to Farmers

On March 17th, Rep. Don Sherwood (R-PA) introduced a bill (H.R. 3990) that would extend the Milk Income Loss Contract (MILC) direct subsidy program for two more years. MILC was created as part of the 2002 farm bill and is set to expire on Sept. 30, 2005. IDFA Senior Vice President Chip Kunde noted that "the dairy industry would benefit from a more unified, market-oriented approach to dairy policy, rather than continuing another layer of government subsidies."

Enacted in May 2002, the program has cost about \$1.8 billion to date in federal payment to dairy farmers.

*Www.idfa.org
March 22, 2004*

State News

NY Farm Viability Institute Names Interim Director

R. David Smith to Initiate Operation of New Agricultural Institute

The Institute is a new initiative to deliver business assistance to farm enterprises in New York to help increase the value of farm products. The Institute is a collaboration among New York's academic and farming communities and state agricultural agencies.

"Dave Smith brings years of experience working with New York's broad agricultural industry to this new position," said John W. Lincoln, Chair of the Board of Directors of the Farm Viability Institute, when he announced the appointment. Smith is expected to serve for approximately one year. The Institute receives program direction and guidance from a board of directors. Under the leadership of Dr. Smith, the Farm Viability Institute will partner with the men and women who produce New York's agricultural bounty to help them prosper and grow.

In September 2003, the U.S. Department of Agriculture (USDA) provided New York with a \$993,000 grant to help initiate the Farm Viability Institute. Through the USDA's financial assistance and the collective administrative efforts of Cornell Cooperative Extension (CCE), the New York State Dept. of Agriculture and Markets and farm organization leaders, the NYFVI work began late last autumn with the first board of directors meeting held in Ithaca.

Agriculture in New York is a \$3 billion industry that encompasses 7.6 million acres of land and 37,000 farmers. The dairy industry is agriculture's largest sector, generating \$1.6 billion a year, followed by field crops, which generate \$1.2 billion. The horticultural industry, including nurseries, greenhouses and fruit and vegetable production, generate nearly \$1 billion annually.

*news release from NYS Dept of Ag & Mkts
April 9, 2004*

Dairy Farmers Ask For Spitzer's Help

Small operators tell attorney general that industry consolidation is hurting their ability to compete. "If competition is so good, why don't we have some?" said John Bunting, a dairy farmer from Delhi, NY, who was among more than 150 dairy farmers who gathered for the session with Attorney General, Elliot Spitzer, that was held on April 1st by the National Family Farm Coalition.

The dairy farmers, who came from throughout the Northeast and as far away as Wisconsin and California, called on Spitzer to take the national lead and begin investigating industry consolidation in New York for possible antitrust violations. Spitzer said it was clear the "small farms have an inadequate voice" in a dairy industry that is increasingly becoming dominated by corporations and giant cooperatives, such as Dairy Farmers of America, which controls about one-third of the nation's milk supply within its membership.

"We are in a final phase of the destruction of our domestic dairy industry. If government doesn't take our problems seriously, we won't have a domestic dairy supply in the near future," said Brenda Cochran of Westfield, PA, whose family milks 160 cows.

By William Kates

www.timesunion.com April 2, 2004

Industry News

Cappiello Dairy Prepares To Expand

F. Cappiello Dairy began shipping its gourmet Mozzarella to Costco Wholesale Corporation in Taiwan in February of this year. Targeting international markets is part of a marketing strategy for the expanding company said Julianne Cappiello, Vice President of sales and marketing. Additional markets being targeted include South Korea, Japan, Canada and Mexico. "Cappiello is thrilled and privileged to be able to export a high quality product to Taiwan," said Vincent J. Staiger, National Sales Manager.

The planned expansion is to include a physical expansion of the plant in Schenectady and the purchase of new equipment. The effort should double production capacity and is scheduled for Spring of 2004. The company will also be expanding its personnel by about 15 percent, over the next two years. Last fall Cappiello Dairy erected two new silos for milk and installed a new high speed Multivac packaging machine, additionally, they completed an electrical upgrade for energy conservation.

Today, Cappiello Dairy is owned and operated by Julio Cappiello, son of Italian immigrants Francesco and Lucia Cappiello. His daughter, Julianne runs the company's marketing and sales operations, while his son, Peter, directs plant operations.

*The Cheese Reporter
February 27, 2004*

Philly Meat Processor Acquires Ownership In Yancey's Fancy: Management Stays Intact

In a sale effective January 1, 2004, Dietz & Watson, a processor of deli meats headquartered in Philadelphia, made a strategic investment in Yancey's Fancy, Inc. The company will add Yancey's Fancy artisan cheeses to its deli and condiment varieties. Yancey's Fancy President, John Yancey stated that all management will stay as is, "enabling us to carry on the rapid growth that we've been experiencing for the past seven years." He continued by saying, "we have a major building expansion planned; we have a lot of equipment updates and market expansion plans all ready to move forward."

Dietz and Watson was founded in 1939 by Gottlieb Dietz, a young German sausage maker. It is family-owned and operated with more than 750 employees and facilities in both Philadelphia and Baltimore. "We are looking forward to a working relationship with them. They are a family-owned company—kind of a rarity in today's world," Yancey said.

Yancey's Fancy history dates back to only 1996, it was preceded and intertwined with several businesses, including Kutter's Cheese Factory, Heluva Good Cheese, Darn Good Marketing and Darn Good Foods, which ultimately became Yancey's Fancy. Today they are creating New York artisan specialty cheeses. "We have chosen techniques and manufacturing, processing and curing cheese to give an enhanced flavor profile to target a consumer looking for a strong taste sensation and unmistakable flavor," said John Yancey. A good example is their new Buffalo Wing Cheese. Yancey's Fancy was officially founded in New York State by Yancey and Mike Wimble in 1996.

(continued on page 6)

Some Good Stuff to Know...

New York State Retail Milk Threshold Price Effective May 1, 2004

| | <u>Gallon</u> | <u>Half Gallon</u> | <u>Quart</u> |
|---|---------------|--------------------|--------------|
| Metro Region: (NYC & Counties Of Nassau, Suffolk, Rockland, Orange, Westchester, Putnam & Dutchess) | \$4.18 | \$2.14 | \$.111 |
| Upstate Region: (Remaining Counties) | \$3.96 | \$2.03 | \$1.05 |

A retailer who sells above the threshold price may be in violation of the law unless such selling price is justified as not being unconscionably excessive. Such justification includes net invoice price paid for the milk item plus actual costs incurred in handling and selling that milk item.

Compared to the previous month, the threshold prices increased \$1.03/gal., \$0.52/half gal. and \$0.26/qt. In Metro NY. They increased \$1.03/gal., \$0.51/half gal., and \$0.26/qt. in Upstate NY. This reflects a federal order Class 1 price increase of \$6.01 per hundred-weight or \$0.517 per gallon.

Insurance News & Legal Update *by Jeffrey Naness, Esq.*

It has come to our attention that some employers may believe they are obligated to continue to provide company-paid medical coverage for an indefinite period of time while an employee is out on Workers' Compensation or New York State Disability leave. Please be advised that, although it is unlawful to retaliate against an employee for making a workers' compensation or statutory disability claim, neither the Workers' Compensation Law nor the Disability Law mandate that employers continue to provide company-paid medical insurance indefinitely while an employee is out of work due to either work-related illness/injury.

With regard to employers that are large enough to be subject to the Family And Medical Leave Act ("FMLA") (or comparable state provisions), ordinarily worker's compensation or statutory disability leaves should run concurrently with FMLA leave if the employee is afflicted with a "serious health condition" (whether work or non-work related) covered by the FMLA.

The FMLA requires, among other things, that employers continue to cover an employee's medical insurance while he/she is out on FMLA leave (up to 12 weeks per year) to the same extent it had while the employee was actively working. In addition, the employee must be permitted to return to his/her position (or an "equivalent" one) upon the completion of his/her FMLA leave.

Ordinarily, and barring the provision of greater benefits under a contract or collective bargaining

agreement, if an employee is out of work on workers' compensation (or disability) leave and on FMLA leave at the same time (as would usually be the case), the employer is permitted to discontinue company-paid medical coverage when the FMLA period ends. At that point, the employee should be given the opportunity to elect continued medical coverage at his/her expense, pursuant to C.O.B.R.A. After the FMLA period ends, Workers' Compensation insurance may continue to cover the employee's medical care relating to his/her job related illness or injury, but that is done separate and apart from any company provided coverage, and is not paid for by the company.

If you would like to discuss this issue, or any other employment or labor relations matter, please do not hesitate to call. Please do not base any employment decisions upon this memorandum without obtaining prior advice from an attorney experience in employment law.

From Page 1, Milk Prices Hit Record High...

Dairy farms nationally are producing less milk on a national basis. We have seen a dramatic turnaround from over production annually to less milk production both in New York State and the Northeast as well.

USDA keeps track of and reports on the top 20 milk producing states in the nation monthly. In their March production report, in these selected states, production was down 2% vs. March 2003. Additionally production per cow is down as is the number of cows producing milk. Historically (1980-2003), milk production per cow increased on average by 2.0% annually. Because of sheer volume, milk production only needs to change in these very small increments to affect a supply and demand imbalance.

Some of the states with the highest output per cow posted the largest percentage decline in milk per cow in March 2004 vs. the prior year. Production per cow was down 3.8% in New Mexico and 2.2% lower in California and Idaho. In order, the following states are the five largest milk producing states in the country: California; Wisconsin; New York; Pennsylvania; Minnesota; Idaho is a very close 6th place. When all of these states experience declines in production it is significant and will have a major impact on raw milk prices.

For March 2004, New York State dairy farmers have experienced a decline of 4.8% in milk production vs. a year ago. Milk production per cow is down 30 pounds for the same period.

QUESTION OF THE MONTH

Question: How much do companies generally reimburse their employees for business use of the employee's personal car?

Answer: According to a survey from The Bureau of National Affairs (BNA), 52% of employers reimburse business mileage on personal cars at \$.365 per mile, the rate currently allowed by the IRS. A rate of \$.345 to \$.36 per mile is allowed by 17% of employers while 15% of employers reimburse in the \$.30 to \$.34 per mile range.

Calendar of Events

- Sun. June 6 - Wed. June 9,** Northeast Dairy Convention to be held in Gettysburg, PA, for info call (315) 452-6455
- Tues. June 15,** June Dairy Month Celebration; Legislative Office Bldg., Albany, NY, call (315) 452-6455
- Tues. July 13,** Workshop by Carl Herbein, Managing those SKU's, call (315) 452-6455
- Wed. July 14,** Ice Cream Clambake Golf outing at Rogue's Roost, Route 31, Bridgeport, NY visit www.nysdfi.org

Dairy Market Watch

Sales Update - Fluid Milk

USDA reports that 2003 milk sales were down 0.5% compared to 2002. Lowfat and fat-free milk declined significantly in 2003 by 1.6% and 3.1%, respectively. The bright spot for the year was flavored reduced-fat milk, which increased 5.9%. In retail stores including Wal-Mart, volume sales through December 28 were down 0.7% compared with 2002 figures, but flavored sales were up 7.3%.

| <i>Product</i> | <i>December Sales vs. YAGO</i> | <i>Year to Date (thru December)</i> |
|---|--------------------------------|-------------------------------------|
| Whole Milk | 1.6 | -0.9 |
| 2% Reduced Fat Milk | 2.9 | 0.1 |
| 1% Low fat Milk | 1.5 | -1.6 |
| Fat Free Milk (Skim) | -1.7 | -3.1 |
| Flavored Whole Milk | 3.1 | -0.2 |
| Flavored Fat-Reduced Milk (includes 2%, 1% and fat-free milk) | 8.5 | 5.9 |
| Buttermilk | -0.6 | -4.1 |
| Total Fluid Milk Products | 0.0 | -0.5 |

| <i>Region</i> | <i>December Sales vs. YAGO</i> | <i>Year to Date (thru December)</i> |
|-------------------|--------------------------------|-------------------------------------|
| Northeast | 1.7 | -1.4 |
| Appalachian | 3.7 | 0.3 |
| Southeast | 0.7 | -1.7 |
| Florida | 4.6 | 0.7 |
| Mideast | 1.2 | -1.3 |
| Upper Midwest | 1.3 | -0.7 |
| Central | 2.4 | 0.4 |
| Southwest | 3.0 | 0.0 |
| Ariz.-Las Vegas | 2.1 | 2.2 |
| Western | 7.0 | -0.3 |
| Pacific Northwest | 0.4 | -0.7 |
| California | 2.1 | 0.1 |

YTD Supermarket Sales, ending 12/28/03 vs. same period last year. (Source IRI)

| | |
|-------------------|------|
| Total Fluid Milk | -0.7 |
| White | -0.9 |
| Whole White | 0.4 |
| Reduced-Fat White | -1.3 |
| Low fat White | -1.3 |
| Fat-Free White | -2.5 |
| Total Flavored | 7.3 |
| Chocolate | 7.2 |

*MilkSplash, March 2004
USDA Data*

Weekly Dairy Market Outlook

By Ken Bailey, Penn State University

As of April 2nd, April Class III futures reached \$19.04 per cwt. The five year average Class III price for April was \$10.71 per cwt. The market is clearly concerned that there will not be sufficient milk to meet all needs. At this point there is no single USDA report that can justify these high prices.

Cash prices at the Chicago Mercantile Exchange for the week ending April 2, cheese prices averaged \$2.0465 per pound for barrels and \$2.0760 for blocks. Grade AA butter averaged \$2.0733 per pound. The February milk production report likely gave the market a scare. Adjusting for an extra day of leap year, the estimated U.S. milk production for February was 13.61 billion pounds. On a daily average basis, that represents a reduction of 2.2% from a year ago. Yet the number of cows in 20 select states grew for the second month in a row to 7.72 million head in February. Still, the market is perceiving a potential shortfall in the milk supply in the months ahead.

The cost of feed is likely to adversely affect the cash flows of dairy producer who did not lock in their feed costs. According to USDA's Ag Prices, soybean prices have risen from \$5.59 per bushel in March 2003 to \$9.56 per bushel in March 2004. That is a rise of 71%! Corn prices rose 19.7% during that same period. Alfalfa hay prices, however, dropped slightly.

I'm going to estimate that the number of cows on

farms in 20 select states will grow .5% from Jan. to Dec. 2004. I'm basing this on the current two-month growth in cow numbers and on the fact that milk prices will result in more cows. I'm, also going to very optimistically assume that milk per cow will grow 1% a month over a year ago. This is down from the traditional 2-2.5% growth rate. Given these assumptions, the U.S. milk supply will grow less than .5% this year relative to 2003. Looking at the Class III futures prices, it is obvious that the market does not believe such optimistic numbers. The market is betting that the combination of high feed costs, reduced sales of Monsanto's rBST, and reduced cow numbers will cause major disruptions in the milk supply.

Yancey's Fancy (continued from page 4)

Wimble was a 23-year equity partner, former president and vice president of sales and marketing of Heluva Good Cheese. Wimble was also the regional director of sales. In late 1996, collaborative efforts commenced with Brian Bailey of Kutter's Cheese to create the Yancey's Fancy brand of cheeses. As a result of the chemistry between the two parties, Yancey's Fancy Inc. purchased the Kutter's factory in 1998 and partnered with Bailey. *The Cheese Reporter*
March 5, 2004

Pride of New York grants (continued from page 1)

incorporation of a "Pride of New York" theme.

The "Pride of New York" program, created by Governor Pataki and administered by the State Dept. of Agriculture and Markets, is a voluntary, member-based initiative, developed for the promotion of food and agricultural products grown or processed within New York State. Currently, "Pride of New York" has nearly 1,000 members that use the program's emblem, which shows the Statue of Liberty standing majestically near a barn with rolling fields. Consumers can find the "Pride of New York" emblem on a variety of products including dairy products, fresh produce, syrup, salsas, jellies, beverages, meats, Christmas trees and more.

Some of the recipients of this round of "Pride of New York" grants are:

New York State Dairy Foods, Inc.: \$ 3,636.50

Promotion utilizing Pride of New York logo and message to heighten the awareness of the origin of New York produced and processed milk.

Agri-Mark/McCadam Cheese: \$15,000.00

Cooperative-cost sharing thirty-second radio advertisements to promote McCadam Cheese to consumers in metropolitan New York.

F. Capiello Dairy Products: \$15,000.00

Stewarts Shop, Inc.: \$15,000.00

Implement mass media campaign to promote awareness of the "Pride of New York" program and NYS dairies.

Upstate Farms Cooperative, Inc.: \$15,000.00

Utilize outdoor billboards in Western New York to advertise Upstate Farms as being a farmer-owned dairy cooperative and a supporter of the "Pride of New York" program.

Yancey's Fancy, Inc.: \$15,000.00

Implement mass media campaign to promote New York State within the State to increase sales and awareness and ultimately, benefit New York State dairy farmers.

Do you have comments regarding our newsletter, responses to our editorials or info you want to share? If so, send us your thoughts in writing to the address at the top right corner of page 1 or email us at: info@nysdfi.org. We would also encourage you to view our website weekly to stay up to date on important dairy news, industry events and other important information by visiting our website located at: www.nysdfi.org **Thank you!**