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December 2009 Dairy Economic Report & News Update

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

Date: December 26, 2009

JANUARY ADVANCED PRICES:

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Class I price mover @ 3.5% butterfat increased +\$1.04 per cwt.

Advanced Class I skim increased +.51 per cwt.

Advanced Class I butterfat increased +.1564 per pound.

Advanced Class II skim value increased +1.38 per cwt.

http://www.fmmone.com/Northeast_Order_Prices/Advance_prices/adv1001.pdf

<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRD3111216>

NOVEMBER MONTHLY CLASS PRICES:

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Monthly Class III skim increased +.61 per cwt.

Monthly Class IV skim increased +.75 per cwt.

Monthly butterfat increased +.1904 per pound.

http://www.fmmone.com/Northeast_Order_Prices/Class_prices/cp0911.pdf

Wholesale prices have been on the move up throughout most of the month, but slipped back a bit during the holiday week. Everyone is puzzled over the continual large spread between barrels and blocks.

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

LATEST CME WEEKLY RECAP: (Note the large spread between barrels and blocks.)

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

LATEST NASS SUMMARY:

<http://usda.mannlib.cornell.edu/usda/current/DairProdPr/DairProdPr-12-24-2009.pdf>

NOVEMBER MILK PRODUCTION REPORT:

NOVEMBER MILK PRODUCTION REPORT: (Released Dec. 18th)

The November milk production report was released on December 18th. Production was down 1.0% from November of '08 in the 23 major milk producing states. Production per cow averaged 25 pounds above November of last year. There were 209,000 fewer cows than November of last year and 6,000 less than October '09. The western states again showed the biggest decline while the Midwest, particularly WI, increased. For the major northeast states in November:

NY down (2.1) % NY is down in cow numbers and even in production per cow.

PA up + 1.3 % PA is down in cow numbers but up in production per cow.

VT down (2.5) % VT is down in cow numbers but up slightly in production per cow.

<http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-12-18-2009.pdf>

OUTLOOK:

USDA LIVESTOCK, DAIRY, and POULTRY OUTLOOK: (Released Dec. 17th)

Lower milk production and firming global demand are combining to elevate 2010's price forecast.

Feed costs have fallen, and are forecast lower for 2010. The dairy herd will continue to contract.

Most of 2010's herd contraction will take place early in the year. USDA is expecting a 2.5% year-over-year herd decline in 2010. However, lower feed costs and rising milk prices will generate a positive response in output per cow. USDA expects gains in output per cow will take place before growth in herd size which requires livestock \$ investment. World markets are firming and export opportunities are possible, particularly for nonfat dry milk. Price projections are being revised upward. Class III and Class IV prices are forecast to increase. The all milk price is expected to average \$12.70-\$12.80 in 2009 and then rise to an average of \$16.35-\$17.50 in 2010.

There is a special dairy section in this month's issue on page 7. The dairy report is on page 12 and the latest USDA price estimates can be seen on page 20 of the report.

<http://www.ers.usda.gov/Publications/LDP/2009/12Dec/ldpm186.pdf>

CWT UPDATE:

There has been little news from Cooperatives Working Together since this report last month. CWT officials however did release a good deal of information in November, including reports from the University of Missouri. If you have not yet reviewed these reports but wish to, we are repeating them here again below. There has been a good deal of discussion lately regarding a national program for supply management.

CWT news release:

http://www.cwt.coop/sites/default/files/news_releases/CWT-impacts-release-111709.pdf

Ten slides from Scott Brown: <http://www.cwt.coop/sites/default/files/pdf/ScottBrownCWTNovember2009.pdf>

CWT November Newsletter: <http://www.cwt.coop/sites/default/files/newsletters/CWTNewsNovember2009.pdf>

ENERGY OUTLOOK:

EIA ENERGY OUTLOOK:

Gasoline and diesel prices have eased just a little from last month. Overall, prices are up significantly from December of last year. <http://tonto.eia.doe.gov/oog/info/gdu/gasdiesel.asp>

The U.S. Energy Information Administration released its 2010 Outlook Report on December 14th. The report has several sections and stretches some projections to 2035.

<http://www.eia.doe.gov/oiaf/aeo/index.html?featureclicked=1&>

DOE homepage.... <http://www.eia.doe.gov/>

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

(Move your mouse over the resin types to see trend.)

News Article: Resin Buying Strategies.... <http://www.ptonline.com/pricing/>

WHAT THE “PROFESSORS” ARE SAYING:

ACADEMIA COMMENTS and MARKET OUTLOOK:

Bob Cropp, Prof. U of WI-Madison: Professor Cropp notes that this is the 4th consecutive month that milk production was below last year. Much of his report this month echoes that of the USDA.

He feels much higher milk prices are to be expected in 2010, but does not offer a forecast this month.

http://future.aae.wisc.edu/outlook/cropp_dec_09.pdf

Jim Dunn, Prof. Penn State: Professor Dunn believes the PA average all milk price will rise to \$18.41 for 2010. Producers are weaker financially. Dunn therefore believes growth in cow numbers and per cow output will be slow. U.S. dairy product prices are now low enough to be attractive on the world market. Dairy income over feed costs measurements are improving as a result of higher market prices. Professor Dunn offers a forecast on page 4 of his latest report.

<http://dairyoutlook.aers.psu.edu//reports/DairyOutlookdec09.pdf>

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>

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

Thank you and Happy New Year!

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