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## June 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: June 23, 2009

### Economic Report

#### **JULY ADVANCED PRICES:**

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The July Federal Order Class I price mover @ 3.5% butterfat increased +.18 per cwt. This was the result of a combination of an increase in the advanced Class I skim of +.12 per cwt and an increase in the advanced Class I butterfat of + .0165 per pound.

Note that advanced Class IV skim is now driving Class I base skim.

The advanced Class II skim value increased another +\$.12 per cwt, from \$6.61 to 6.73.

[http://www.fmmone.com/Northeast\\_Order\\_Prices/Advance\\_prices/adv0907.pdf](http://www.fmmone.com/Northeast_Order_Prices/Advance_prices/adv0907.pdf)

#### **MAY MONTHLY CLASS PRICES:**

May monthly Class III skim decreased (1.19) per cwt. May monthly Class IV skim increased +.11 per cwt.

Monthly butterfat for  
May increased +.0599 per pound.

[http://www.fmmone.com/Northeast\\_Order\\_Prices/Class\\_prices/cp0905.pdf](http://www.fmmone.com/Northeast_Order_Prices/Class_prices/cp0905.pdf)

At the CME, both blocks and barrels cheese prices have moved below support levels.

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

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

CME butter prices have also turned down recently. This reversal follows several weeks of steady climb upward. Many believe butter will turn upward again as summer progresses.

CME Butter: [http://www.ams.usda.gov/mnreports/dywabutter\\_cme.pdf](http://www.ams.usda.gov/mnreports/dywabutter_cme.pdf)

Only whey and nonfat dry milk have shown any price improvement recently. Whey prices have about doubled since the beginning of the year.

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-06-19-2009.txt>

## **MILK PRODUCTION REPORT:**

USDA's latest Milk Production Report showed a very slight increase of 0.2 percent for May in the 23 major milk producing states. Production per cow averaged nine pounds above May of last year. The number of cows was 25,000 less than May 2008 and 10,000 less from April 2009. Western states are down more significantly than other regions.

May milk production in the major northeast states:

NY (0.8) % Again, NY was down in the number of head, but steady in production per cow.  
PA (0.8) % PA was down slightly in the number of head, and down in production per cow.  
VT (3.1) % Again, VT was down in both number of head and in production per cow.

<http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-06-18-2009.pdf>

## **OUTLOOK:**

USDA's MAY LIVESTOCK, DAIRY, and POULTRY OUTLOOK:

The June report continued to point out that low market price and high feed costs are contributing to herd contraction. This trend will continue into 2010.

Above average culling and the CWT program will result in the removal of an additional 10,000 cows by mid-summer. Production per cow is expected to be up only very slightly in 2009, but improve to near +2% again in 2010.

Total milk production is forecast at 187.5 billion pounds in 2009 and 186.4 billion in 2010.

Higher product prices will translate into improved farm milk prices later in 2009 and into 2010, but below the highs of 2007 and 2008. See report summary on pg. 9 and forecast pg. 18.

<http://www.ers.usda.gov/Publications/LDP/2009/06Jun/ldpm180.pdf>

CWT: (Cooperatives Working Together)

Last month, the Cooperatives Working Together (CWT) program announced the largest herd buyout ever, representing nearly 103,000 cows and 2 billion pounds of milk. This new phase of the buyout is underway. In addition, NMPF and CWT have created a special strategic task force to address issues and opportunities. The task force will explore working together as a marketing agency in common as well as supply-demand issues.

<http://www.cwt.coop/about/newsletters/CWTNewsMay2009.pdf>

## **ENERGY OUTLOOK:**

EIA ENERGY OUTLOOK:

Gas and diesel prices, while admittedly down significantly from last year, are continuing to slowly inch up in recent weeks. <http://tonto.eia.doe.gov/oog/info/gdu/gasdiesel.asp>

EIA's Short Term Energy Outlook: <http://www.eia.doe.gov/emeu/steo/pub/contents.html>

PLASTICS & RESINS: <http://www.ides.com/resinprice/resinpricingreport.asp>

<http://theplasticsexchange.com/default.aspx>

# **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 believes milk production must fall below year earlier levels before prices can move up again. The recovery is painfully slow. Bob seems to indicate now that it might be midyear 2010 before prices increase enough to generate favorable returns for producers.

[http://future.aae.wisc.edu/outlook/cropp\\_June\\_09.pdf](http://future.aae.wisc.edu/outlook/cropp_June_09.pdf)

Jim Dunn, Prof. Penn State- Professor Dunn has taken over Dr. Ken Bailey at Penn State.

He feels higher milk prices are still a couple of months off.

Forecasts on pg. 5-6. <http://dairyoutlook.aers.psu.edu/reports/Pub2009/DairyOutlookjun09.pdf>

Bloomberg: Some see \$4.00 butter, \$5.00 cheese, and +\$20 milk prices next year!

<http://www.bloomberg.com/apps/news?pid=20601087&sid=a9WBQ0UBiWCY>

## **News Update**

**Queensboro Farm Products Celebrates 100 Year Anniversary**

[http://blog.syracuse.com/east/2009/06/queensboro\\_milk\\_processing\\_fac.html](http://blog.syracuse.com/east/2009/06/queensboro_milk_processing_fac.html)

**MPC Marketplace Potential/Controversy – Watertown, NY Times Report**

<http://www.watertowndailytimes.com/article/20090621/NEWS02/306219996>

**Attend the Northeast Dairy Association Clambake** July 8, 1-7pm, Hinerwadel's, N. Syracuse, NY. Contact your dairy suppliers/vendor for tickets. Click here for list of supplier members:

<http://www.neastda.org/>

Check out our website and visit in the news for up to date dairy industry information, events listing and articles at <http://www.nedairyfoods.org>

Thank you!

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