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November 2009 Dairy Economic Report & News Update

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

Date: November 30, 2009

DECEMBER ADVANCED PRICES:

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Class I price mover @ 3.5% butterfat increased +\$1.13 per cwt.

Advanced Class I skim increased +.61 per cwt.

Advanced Class I butterfat increased +.1558 per pound.

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

http://www.fmmone.com/Northeast_Order_Prices/Advance_prices/adv0912.pdf

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

OCTOBER MONTHLY CLASS PRICES:

Monthly Class III skim increased +.54 per cwt.

Monthly Class IV skim increased +.54 per cwt.

Monthly butterfat increased +.0526 per pound.

http://www.fmmone.com/Northeast_Order_Prices/Class_prices/cp0910.pdf

Wholesale dairy prices are on the move upward and are having a positive influence on Federal Order Class announcements.

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

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-11-27-2009.pdf>

OCTOBER MILK PRODUCTION REPORT:

The October milk production report was released on November 18th. Production was down 1.1% from October of '08 in the 23 major milk producing states. Production per cow averaged 21 pounds above October of last year. There were 196,000 fewer cows than October of last year and 22,000 less than September '09. Once again, the western states showed the biggest drop while the Midwest is increasing. For the major northeast states in October:

NY down (1.5) % NY is down in cow numbers and up slightly in production per cow.

PA no change PA is down in cow numbers but up in production per cow.

VT down (3.5) % VT is down in cow numbers and up slightly in production per cow.
<http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-11-18-2009.pdf>

OUTLOOK:

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

What a turn around. In this latest report, USDA makes note of some global changes. Lower than expected milk production and rising world demand for dairy products. International and U.S. dairy stocks are tightening. Prices will continue to rise for the remainder of 2009 and into 2010.

Dairy cow numbers are expected to continue their decline throughout 2010. Lower feed costs and higher market prices are expected to stimulate milk production per cow. There will be a gradually improving milk-feed price ratio. Income over feed costs is improving, but USDA does not believe it will be enough to trigger expansion. World demand for butter and powder is improving the U.S. outlook for exports. While domestic demand is forecast to improve only slightly, global demand is growing. Stocks in the U.S. are above year ago levels and could provide export opportunities. Lower milk production and increasing demand will increase prices for all major dairy products in 2010. USDA's latest forecast can be found on page 19 of the report.

<http://www.ers.usda.gov/Publications/LDP/2009/11Nov/ldpm185.pdf>

CWT UPDATE:

Professor Scott Brown from the University of Missouri is asked to provide an annual impact summary of CWT's activities to ensure that the program is having a positive impact to return on investment. His latest study, released a few weeks ago, reports that CWT has enhanced dairy prices thus far in 2009 by \$1.54 per cwt. Four herd retirements in 18 months have added significant lift to prices for producers.

NMPF has appointed a special CWT subcommittee to explore new programs that might be useful to maintain producer prices and profit margins. One change will be CWT's new "Whole/Partial Herd Retirement Program". This new whole/partial twist will allow farms to send a portion of their herd to processing as long as they meet agreed to 12 month production levels. See this "Whole/Partial" concept and other ideas in the November CWT newsletter below....

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

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>

ENERGY OUTLOOK:

Gasoline and diesel prices are mixed both up and down by region. Overall, prices are up significantly from this same time last year. <http://tonto.eia.doe.gov/oog/info/gdu/gasdiesel.asp>

The latest Short Term Energy Outlook, released on November 10th, shows most forms of energy to increase in 2010 with the exception of electricity. Report and summary....

<http://www.eia.doe.gov/emeu/steo/pub/contents.html>

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

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

Article: There is a method to resin pricing madness....

<http://www.plasticsnews.com/headlines2.html?id=16827>

Coke rolls out bottles partially made from plant materials....

<http://www.plasticsnews.com/china/english/headlines2.html?id=1258431666>

WHAT THE “PROFESSORS” ARE SAYING:

Bob Cropp, Prof. U of WI-Madison: Professor Cropp sees demand and prices improve at both retail and foodservice. World economies are recovering and improving. The EU has reduced export subsidies and milk production in Australia and New Zealand is not returning as swiftly as anticipated. There are opportunities developing for the U.S. Cropp is predicting an all-milk price of \$16.25-17.25 in 2010.

http://future.aae.wisc.edu/outlook/cropp_nov_09.pdf

Cropp: “Milk prices will rise.” <http://www.agrinews.com/bob/cropp/says/milk/prices/will/rise/story-1058.html>

Jim Dunn, Prof. Penn State: Professor Dunn points to dairy futures as the indicator of an all-milk price of \$18.13 in 2010. If realized, this would be \$3.75 over the average of '09 and \$5.00 from the low point of '09. This is quite significant indeed. World cheese prices have risen above the U.S. price, and should provide an export advantage. In fact all U.S. dairy products are competitively priced this year which should lead to improved exports later. Higher milk prices with lower feed costs are combining to improve the milk-feed price ratio and income over feed costs. Margins are improving. Dunn provides a forecast on page 4 of the report below.

<http://dairyoutlook.aers.psu.edu/reports/DairyOutlooknov09.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,

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