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February 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: Thursday, February 26, 2009

MARCH ADVANCED PRICES:

The March Federal Order Class I price mover @ 3.5% butterfat decreased (\$1.29) per cwt. This was the result of a decrease in advanced Class I skim of (\$1.26) per cwt and a drop in the advanced Class I butterfat of (\$0.0222) per pound. The advanced Class II skim value decreased (\$0.12) per hundredweight.

http://www.fmmone.com/Northeast_Order_Prices/Advance_prices/adv0903.pdf

JANUARY MONTHLY CLASS PRICES:

January's monthly Class III skim decreased (\$3.97) per cwt. January's monthly Class IV skim decreased (\$0.09) per cwt. Monthly butterfat for January decreased (0.1914) per pound.

http://www.fmmone.com/Northeast_Order_Prices/Class_prices/cp0901.pdf

The decrease in the March Class I value was due to lower NASS cheese prices used in USDA formulas. Cheese prices at the CME have been sharply lower as a result of excess supply and lower demand. CMEcheese prices have shown a little upward strength in the last few weeks, but have very recently backed down again.

http://www.ams.usda.gov/mnreports/dywacheese_cmebl.pdf

BUTTER & POWDER:

Butter prices at the CME have been fluctuating around \$1.11.

http://www.ams.usda.gov/mnreports/dywabutter_cme.pdf

Nonfat dry milk prices have dipped a few pennies further and have settled at \$0.8300 per pound.

CME WEEKLY RECAP: http://www.ams.usda.gov/mnreports/md_da999.txt

MILK PRODUCTION:

USDA's January Milk Production report showed an increase of 1.0% for the 23 major milk producing states. Production per cow was up 5 pounds, and the number of cows was up 58,000 head from January of last year. Compared to December of '08, the number of cows dropped by 12,000 in January.

January milk production in the major northeast states:

NY +0.3 % PA (0.3) % VT (5.0) %

All three states showed a modest decrease in the number of cows, but VT showed a relatively large drop in output per cow. There was no change in PA output per cow, and NY was actually up slightly.

There are some interesting historical graphics and tables in this month's USDA

Milk Production report worth taking a look at for perspective.

<http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-02-19-2009.pdf>

OUTLOOK:

The February Livestock, Dairy and Poultry report indicated that the U.S. will see both a smaller herd size and lower milk production in 2009. Output per cow is expected to rise less than 1% due to unfavorable returns over feed costs. USDA assumes the below average producing cows will be culled first, thus raising the national average per cow productivity. The decision by the European Union to resume subsidizing exports of dry milk powders, cheese, and butterfat may slow the U.S. from quickly becoming a major player internationally.

Lower prices are expected to stimulate domestic demand in '09. Increased demand, with a contraction in milk supply, should ease the imbalance and prices could firm by the second half. See "Dairy" beginning on page 16, with a forecast on page 26. <http://www.ers.usda.gov/Publications/LDP/2009/02Feb/ldpm176.pdf>

ENERGY OUTLOOK:

Gas prices continue to inch up while diesel inches down.
http://tonto.eia.doe.gov/dnav/pet/pet_pri_gnd_a_epmr_pte_cpgal_w.htm

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

WHAT THE PROFESSORS ARE SAYING:

ACADEMIA MARKET OUTLOOKS:

A Market Outlook by Penn State Prof. Ken Bailey (Forecast on page 6.):
<http://dairyoutlook.aers.psu.edu/reports/Pub2009/DairyOutlookFEB09.pdf>

A Market Outlook by Univ. of Wisconsin Prof. Bob Cropp:
<http://www.cattlenetwork.com/Content.asp?ContentID=292572>

IN OTHER NEWS

NY: State Agriculture Commissioner Pat Hooker speaks at breakfast meeting and pitches his support for bottle bill (2nd pg.).

<http://www.poughkeepsiejournal.com/article/20090226/BUSINESS/902260323>
(Northeast Dairy Foods Association, Inc. opposes expansion of the Bottle Bill)

NY: New U.S. Senator from NY, Kirsten Gillibrand to influence farm policy.

<http://www.gourmet.com/foodpolitics/2009/02/politics-of-the-plate-agriculture-senate-committee-on-agriculture>

New “milk” style beverages arrive. <http://www.godairyfree.org/200902253218/News/Nutrition-Headlines/Manufacturer-Launches-Coconut-Milk-Beverage-at-Upcoming-Natural-Products-Tradeshaw-in-Anaheim.html>

NY: Great Lakes Cheese plant expansion can help NY farmers through crisis.

http://news10now.com/content/all_news/134328/great-lakes-cheese-expansion-can-help-dairy-farmers-through-crisis/Default.aspx

NY: State truck restrictions puts farmers in squeeze.

<http://www.troyrecord.com/articles/2009/02/22/news/doc49a0b52738a96806900675.txt>

(Northeast Dairy Foods Assoc. has also been active in opposing these NY truck restrictions.)

Feds stop paying for whole milk.

<http://www.newsday.com/news/health/ny-health-milk0217,0,2084468.story>

The Cornucopia Institute asks Obama to fix the organic mess.

<http://www.commondreams.org/newswire/2009/02/24-3>

Land O Lakes reports '08 financials. Net sales \$12.0 billion, near record net earnings of \$160 million!!

<http://news.prnewswire.com/DisplayReleaseContent.aspx?ACCT=104&STORY=/www/story/02-25-2009/0004978083&EDATE=>

NY: Farm Bureau reports farmers in a state of crisis and are looking to the Feds for help.

http://www.publicbroadcasting.net/wxxi/news.newsmain?action=article&ARTICLE_ID=1473134§ionID=1

For a list of bills introduced in the Northeast States in 2009, click here:

<http://www.nedairyfoods.org/legupdate.html>

Please let us know if there is other information you would like to see in these reports. This information can be passed on to other employees at your company.

Thank you!

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Check out our website and visit in the news for up to date dairy industry information and articles at

<http://www.nedairyfoods.org>