NEW YORK STATE DAIRY FOODS, INC. NEWS & NOTES

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To: All NYS Dairy Foods, Inc. Members Only
From: Gary Latta, Dairy Economist
Date: June 25, 2008

Special June/July 2008 Economic Update

This report is being sent to you as a special report on important dairy industry economic data. Please let us know if you find this information useful for future releases.

Despite higher fuel, feed, and fertilizer costs, dairy farmers continue to add cows and increase milk production. USDA's Livestock Dairy and Poultry Report, released June 17, indicated that milk production will increase 2% in 2008. The report also indicates that milk production growth will slow to only 0.5% in 2009 as higher input costs finally take their toll at the farm.
…. http://www.ers.usda.gov/Publications/LDP/2008/06Jun/ldpm168.pdf

The Livestock Dairy and Poultry Report also indicated that growth in cow numbers will slow down. There may even see a slight decrease in cow number for 2009. Culling cows may pick up in intensity as farmers decide it is no longer profitable to furnish expensive feed to marginal animals. This is in contrast to the situation just a few years ago when we had plenty of inexpensive feed and marginal cows were being kept in production. This assumption could become even more a reality as yet another round of CWT herd buyouts is about to take place.
…. http://www.cwt.coop/about/news_releases/news_release_060308.pdf

CWT has been renewed and more buyouts could take place in 2009.
….. http://www.cwt.coop/about/news_releases/news_release_061208.pdf

Domestic consumption and U.S. exports remain relatively strong, and will keep milk prices from falling much during the remainder of 2008 and in 2009. Reduced milk production in Europe and Oceana, along with the weaker American dollar continue. According to USDA's report, cheese prices should average about $1.96 this year and fall only to an average of $1.85 next year. Butter prices should be steady around $1.40 with perhaps a rise to $1.45 or so in 2009. Nonfat dry milk will be up about a dime in 2009 to about $1.51. Whey prices are down significantly from last year, but USDA indicates a small whey increase of only a few pennies in 2009. Higher than expected cheese prices have given us higher Class prices than what USDA had previously forecast.

Heavy rain and flooding in the Midwest has suddenly pushed corn prices to new highs approaching $8.00 a bushel on Wednesday June 18. Some believe it could go to $10 if the crop destruction is any worse than originally indicated. If we have a bad July, it could turn into a disaster. Suddenly, interest in corn for ethanol production has slowed down and the opening of new plants delayed.

http://usda.mannlib.cornell.edu/usda/current/WWNatSumm/WWNatSumm-06-17-2008.pdf

http://www.bloomberg.com/apps/news?pid=20670001&refer=home&sid=aHTnTFKbCN4Q

Dr. Bob Cropp from the University of Wisconsin believes cheese prices will soften later in 2008 as a result of milk production remaining strong. He refers to the latest USDA Milk Production Report released June 18.

USDA's May Milk Production Report was released on June 18th. It indicated robust growth up + 3.4% for the 23 major states and is somewhat surprising in the midst of very high farm input costs. New York was up a whopping 4.7%. This increase is due to both more cows and another increase in production per cow. In the wake of potentially much higher feed costs due to the Midwest damage situation, one has to ask if this trend can continue. Professor Bob Cropp is optimistic that it will. See USDA's report and Dr. Cropps report below….
http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-06-18-2008.pdf

Cropp report… http://www.cattlenetwork.com/Content.asp?ContentID=230245

USDA's World Agricultural Supply and Demand Estimates (WASDE) report was released on June 10th and provides outlooks for several key agricultural products, including milk & dairy. The dairy tables contain milk supply and price forecasts on pages 33-34.
http://www.usda.gov/oce/commodity/wasde/latest.pdf

Additional readings on energy… http://www.eia.doe.gov/

Additional readings on resins and packaging…. http://www.theplasticsexchange.com/

USDA Dairy Forecasts on Page 3 below.

Dairy Forecasts

	2007					2008					2009	
	I	II	III	IV	Annual	I	II	III	IV	Annual	I	Annual
Milk cows (thous.)	9,138	9,138	9,159	9,198	9,158	9,250	9,275	9,275	9,255	9,264	9,240	9,229
Milk per cow (pounds)	5,040	5,189	5,034	5,003	20,267	5,141	5,255	5,050	5,040	20,486	5,150	20,630
Milk production (bil. pounds)	46.1	47.4	46.1	46.0	185.6	47.6	47.7	46.8	46.6	189.8	47.6	190.4
Farm use	0.3	0.3	0.3	0.3	1.2	0.3	0.3	0.3	0.3	1.2	0.3	1.2
Milk marketings	45.8	47.1	45.8	45.7	184.4	47.3	48.4	46.5	46.4	188.6	47.3	189.2
Milkfat (bil. pounds milk equiv.)												
Milk marketings	45.8	47.1	45.8	45.7	184.4	47.3	48.4	46.5	46.4	188.6	47.3	189.2
Beginning commercial stocks	9.5	12.0	13.8	12.5	9.5	10.4	12.1	13.5	12.3	10.4	10.5	10.5
Imports	1.1	1.2	1.0	1.3	4.6	1.1	1.1	1.1	1.4	4.6	1.1	4.7
Total supply	56.3	60.4	60.6	59.5	198.6	58.7	61.7	61.1	60.0	203.6	58.9	204.4
Commercial exports	0.9	1.1	1.6	2.0	5.7	1.9	1.8	1.5	1.5	6.7	1.5	6.0
Ending commercial stocks	12.0	13.8	12.5	10.4	10.4	12.1	13.5	12.3	10.5	10.5	12.0	9.4
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	43.4	45.5	46.5	47.1	182.5	44.6	46.4	47.4	48.0	186.4	45.4	189.0
Skim solids (bil. pounds milk equiv.)												
Milk marketings	45.8	47.1	45.8	45.7	184.4	47.3	48.4	46.5	46.4	188.6	47.3	189.2
Beginning commercial stocks	9.1	9.9	10.2	9.7	9.1	9.9	10.1	10.8	10.0	9.9	10.0	10.0
Imports	1.0	1.1	1.1	1.2	4.4	1.0	1.1	1.1	1.3	4.4	1.0	4.5
Total supply	55.9	58.1	57.1	56.6	197.9	58.1	59.6	58.4	57.6	202.9	58.3	203.7
Commercial exports	6.8	7.9	7.0	6.5	28.2	6.4	6.5	5.9	5.9	24.7	6.1	23.6
Ending commercial stocks	9.9	10.2	9.7	9.9	9.9	10.1	10.8	10.0	10.0	10.0	10.0	9.7
Net removals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Commercial use	39.2	40.0	40.4	40.2	159.8	41.7	42.3	42.5	41.7	168.2	42.2	170.4
Milk prices (dol./cwt) 1/												
All milk	15.00	18.27	21.67	21.60	19.13	19.23	17.70	17.20	17.80	17.95	17.85	17.90
							-18.00	-17.80	-18.70	-18.45	-18.85	-18.90
Class III	14.28	17.95	20.43	19.51	18.04	18.12	17.14	16.48	16.40	17.00	16.53	16.80
							-17.44	-17.08	-17.30	-17.50	-17.53	-17.80
Class IV	12.98	18.45	21.71	20.29	18.36	15.04	14.87	15.62	16.51	15.45	16.33	16.50
							-15.27	-16.32	-17.51	-16.05	-17.43	-17.60
Product prices (dol./pound) 2/												
Cheddar cheese	1.352	1.627	1.978	1.995	1.738	1.933	1.851	1.770	1.745	1.820	1.760	1.790
							-1.881	-1.830	-1.835	-1.870	-1.860	-1.890
Dry whey	0.592	0.766	0.610	0.435	0.600	0.305	0.252	0.265	0.295	0.275	0.295	0.295
							-0.272	-0.295	-0.325	-0.305	-0.325	-0.325
Butter	1.227	1.421	1.428	1.301	1.344	1.230	1.366	1.402	1.360	1.335	1.325	1.355
							-1.426	-1.492	-1.480	-1.415	-1.455	-1.485
Nonfat dry milk	1.182	1.668	2.043	1.940	1.708	1.364	1.272	1.342	1.465	1.360	1.465	1.470
							-1.302	-1.392	-1.535	-1.400	-1.535	-1.540

1/ Simple averages of monthly prices. May not match reported annual averages.
2/ Simple averages of monthly prices calculated by the Agricultural Marketing Service for use in class price formulas. 'Based on weekly "Dairy Product Prices", National Agricultural Statistics Service. Details may be found at http://www.ams.usda.gov/dyfmos/mib/fedordprc_dscrp.htm

Source: World Agricultural Supply and Demand Estimates and supporting materials.
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Published in Livestock, Dairy, and Poultry Outlook, http://www.ers.usda.gov/publications/ldp