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Dairy Economic Update

To: All NYS Dairy Foods, Inc. Members Only

From: Gary Latta, Dairy Economist, Bruce W. Krupke Exec. VP

Date: Wed. Nov. 26, 2008

Subj: November [Economic Update](#)

December Advanced Prices:

The December Federal Order Class I price mover @ 3.5% butterfat decreased \$1.90 per cwt for December. This was the result of a decrease in advanced Cass I skim of (\$1.80) per cwt and a drop in the advanced Class I butterfat of (\$0.0463) per pound. The advanced Class II skim value decreased (\$1.64) per hundredweight.

http://www.fmmone.com/Northeast_Order_Prices/Advance_prices/adv0812.pdf

October Monthly Prices:

October's monthly Class III skim increased + \$0.70 per cwt. October's monthly Class IV skim decreased (\$2.01) per cwt. Monthly butterfat for October increased + \$0.0311 per pound.

http://www.fmmone.com/Northeast_Order_Prices/Class_prices/cp0810.pdf

The decrease in December's Class I value was primarily the result of lower NASS cheese prices used in USDA formulas.

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

Most recently however, cheese prices at the CME have taken another upturn.

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

Butter prices at the CME continue to trend downward.

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

Lower nonfat dry milk prices have contributed to much lower Class II skim values.

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

USDA's NASS product price averages used in recent Class Price calculations:

<http://www.ams.usda.gov/AMSV1.0/getfile?dDocName=STELPRDC5068446>

Milk Production:

USDA's October Milk Production report showed an increase of 1.5% for the 23 major milk producing states. Production per cow was up 3 pounds, and the number of cows was up 105,000 head from October of last year.

<http://usda.mannlib.cornell.edu/usda/current/MilkProd/MilkProd-11-17-2008.pdf>

The major northeast states were down however mostly due to a drop in output per cow.

NY (0.7) %

PA (2.8) %

VT (1.9) %

U.S. milk production continues to increase. In fact, 2008 marks the seventh straight year of continual milk production growth.

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

IDFA's Bob Yonkers on U.S. milk production growth:
<http://www.idfa.org/news/stories/2008/11/marketupdate.cfm>

USDA's November Livestock Dairy and Poultry Report:

USDA made note in the dairy section of the November report that feed costs have plummeted.

Alfalfa costs have also fallen, but not as dramatically as corn or soybean meal. USDA expects this will boost feeding rates and yields. There will be a slowdown in the rate of milk production growth to about + 1% next year. This is well below recent years. USDA is forecasting lower product prices next year which will be reflected in lower Class prices.

See text on page 13, and the latest USDA forecast on page 17.....

<http://usda.mannlib.cornell.edu/usda/ers/LDP-M/2000s/2008/LDP-M-11-17-2008.pdf>

Graph: Farm price indexes by month..
http://www.nass.usda.gov/Charts_and_Maps/Agricultural_Prices/prod2.asp

The Milk-Feed Price Ratio shows improvement...
http://www.dairyherd.com/news_editorial.asp?pgID=675&ed_id=7798

Misc. News and Information:

CWT Update: Study finds CWT has enhanced prices \$0.71 in 2008...

http://www.cwt.coop/about/news_releases/new_release_103108.pdf

Fuel Prices Take a Dive...
http://tonto.eia.doe.gov/oog/info/twip/twip_gasoline.html

<http://tonto.eia.doe.gov/oog/info/gdu/gasdiesel.asp>

A good find summary and overview..
<http://www.eia.doe.gov/emeu/steo/pub/contents.html>

Updates and Forecasts from Academia and the CME:

Bob Cropp Summary:

<http://www.cattlenetwork.com/Content.asp?ContentID=270420>

CME reports and updates: <http://www.dailydairyreport.com/>

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

Thank you and Happy Thanksgiving!

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