

Dairy Market Watch

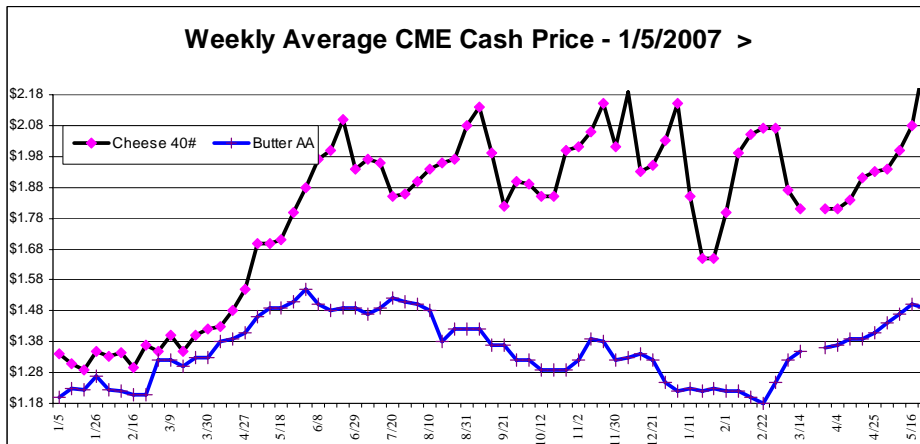
May 27, 2008

An educational newsletter of Cornell Cooperative Extension Chautauqua County to help keep dairy farmers informed of changing market factors affecting the dairy industry. Compiled by David Munsee.

Milk Component	Milk Class Prices						Statistical Uniform Price & PPD				
	Month	Butterfat	Protein	I(Boston)	II	III	IV	Jamestown, NY	Albany, NY	Albany/gal.to farmer	
Apr07	\$1.47	\$2.52	\$18.25	\$14.51	\$16.09	\$16.12	\$15.87	\$(.22)	\$16.47	\$0.38	\$1.42
May07	\$1.57	\$2.94	\$19.17	\$16.62	\$17.60	\$18.48	\$17.45	\$(.15)	\$18.05	\$0.45	\$1.56
Jun 07	\$1.65	\$3.71	\$21.09	\$18.89	\$20.17	\$20.76	\$19.65	\$(.52)	\$20.25	\$0.08	\$1.75
Jul 07	\$1.61	\$4.21	\$24.16	\$21.40	\$21.38	\$21.64	\$21.79	\$.41	\$22.39	\$1.01	\$1.93
Aug07	\$1.59	\$3.94	\$25.01	\$22.41	\$19.83	\$21.87	\$21.99	\$2.16	\$22.59	\$2.76	\$1.95
Sep07	\$1.51	\$4.39	\$25.16	\$22.16	\$20.07	\$21.61	\$21.84	\$1.77	\$22.44	\$2.37	\$1.93
Oct07	\$1.41	\$4.17	\$24.84	\$21.90	\$18.70	\$21.31	\$21.23	\$2.53	\$21.83	\$3.13	\$1.88
Nov07	\$1.41	\$4.31	\$24.70	\$22.07	\$19.22	\$20.40	\$21.16	\$1.94	\$21.76	\$2.54	\$1.88
Dec07	\$1.43	\$4.71	\$23.29	\$20.82	\$20.60	\$19.18	\$20.44	\$(-.16)	\$21.04	\$.44	\$1.85
Jan08	\$1.33	\$4.50	\$24.22	\$19.75	\$19.32	\$16.29	\$19.96	\$.64	\$20.56	\$1.24	\$1.77
Feb08	\$1.30	\$4.02	\$22.93	\$18.46	\$17.03	\$14.67	\$18.39	\$1.36	\$18.99	\$1.96	\$1.64
Mar08	\$1.36	\$4.33	\$19.95	\$15.63	\$18.00	\$14.17	\$16.74	\$(-1.26)	\$17.34	\$(-.66)	\$1.49
Apr08	\$1.47	\$3.76	\$21.86	\$15.29	\$16.76	\$14.56	\$17.40	\$.64	\$18.00	\$1.24	\$1.55

May Utilization: Northeast Class I = 40%; Class II = 20%; Class III = 24%; Class IV = 16%

[Class I = milk processed as beverage milk; Class II = manufactured products such as cream, yogurt and cottage cheese; Class III = manufactured products – cheese (American, Italian), evaporated and condensed products, Class IV = butter, nonfat and whole milk powder.]

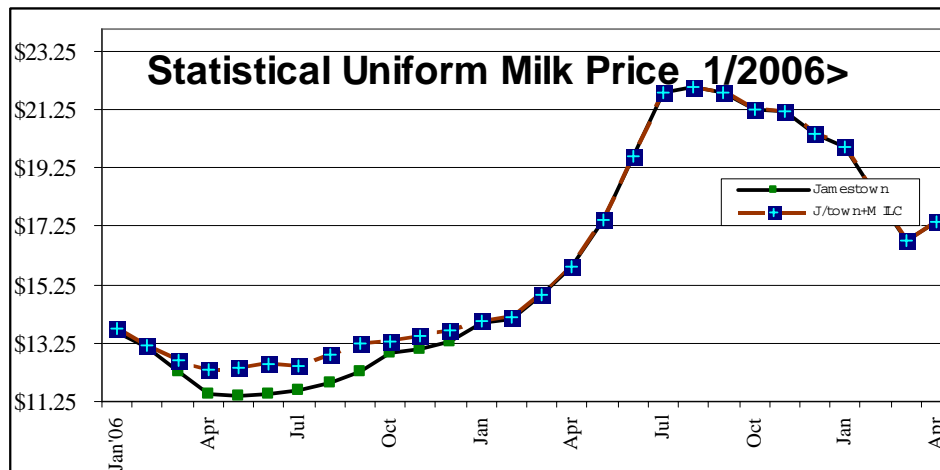


Dairy Commodity Markets

(USDA Dairy Market News).

Butter Friday CME cash prices; 4/25 \$1.41, 5/2 \$1.44, 5/9 \$1.47, 5/16 \$1.50, and 5/23 \$1.49. At the end of the week of the 23rd CME butter price was one cent less than the prior week. The decline was the first weakness since mid April. There are varying opinions on why the decline occurred. Many have speculated over the past few weeks that price strength is

due to international sales. Butter demand is fair. International sales continue to be filled for many through June. After that time it appears that International interest is lighter.



Cheese

Friday CME cash prices; 40# block; 4/25 \$1.93, 5/2 \$1.94, 5/9 \$2.00, 5/16 \$2.08 and 5/23 \$2.29. Cheese markets are firm as prices on both blocks and barrels set new all-time highs at the Chicago Mercantile Exchange on May 21 and continued higher on May 22. Barrels held at \$2.25 and blocks added an additional cent and quarter on May 23 to close at \$2.29. Demand is

generally lighter due to current high prices and as food service orders to reopening summer vacation locations have been shipped. Current cheddar and natural American blocks are short of needs and 640 offerings are limited. There continues to be an aversion to making spec loads with record high cheese prices.

Dry Products Nonfat dry milk prices in the Central Region are steady to firm while prices moved higher on firm markets in the East and West. Dry buttermilk prices in the East are higher on a firm market and markets remain steady to firm with unchanged prices in the West and Central Region. Whey prices vary from unchanged to higher in the Northeast, to Central dry whey being unchanged to lower, and Western whey powder range prices are moving lower with the South mostly steady. Whey protein concentrate 34% prices are unchanged to lower on a mixed market. Lactose prices are unchanged to higher on a mixed market and casein markets and prices are generally steady.

Fluid Milk Milk production, milk cow numbers on farms and production per cow all increased in April over a year earlier in the 23 selected states. This past week however, heat was an issue in slowing milk output in the West where movements into Class I accounts were sharply lower, surprisingly below expected levels. In California, hot weather conditions prevailed over most of the southern areas and Central Valley until moderate temperatures returned at midweek.

Milk production in the 23 major dairy states totaled 14.8 billion pounds, up 2.5 percent from April 2007. Production per cow in the 23 states averaged 1,757 pounds for March, 12 pounds above April 2007. The number of milk cows on farms in the 23 states was 8.44 million head, 152,000 head more than April 2007, and 8,000 head more than March 2008.

Here are some state (million pounds) milk production numbers for March and the % change from 2007 for the top 23 dairy states: California 3,511 +1.8%, Wisconsin 2,039 +1.3%, New York 1,045 +3.9%, Idaho 994 +6.2%, Pennsylvania 917 -1.4%, Minnesota 727 -1.4%, Texas 727 +12.7%, New Mexico 681 +13.5%, Michigan 630 -0.6%, Washington 476 +3.7%, Ohio 431 +1.2%, Arizona 398 +4.7%, Iowa 361 --%, Indiana 284 -2.1%, Colorado 243 +11.0%, Vermont 218 +4.3%, Kansas 200 +8.1%, Florida 194 -4.9%, Oregon 177 -7.8%, Illinois 165 -2.4%, Virginia 155 --%, Missouri 147 -0.6%, and Kentucky 113 -3.4%.

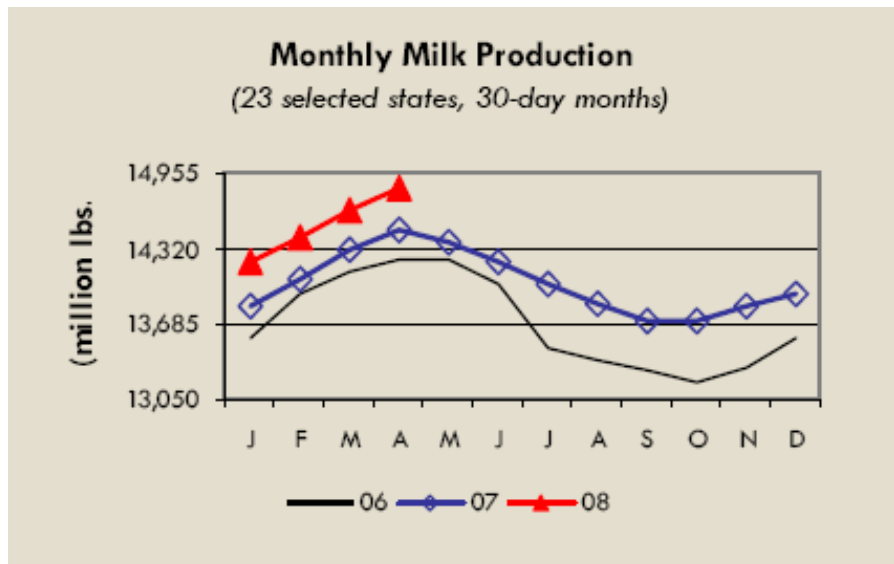
Comments by David Munsee

Milk Income Loss Contract Payments The June Boston Class I price is \$21.43 which is \$4.49 above the MILC base of \$16.94, which calculates to NO MILC payment. The MILC payments for 2008 are: January NO Payment, February NO Payment, March NO Payment, April NO Payment, May NO Payment and June.

“Manufacturing milk supplies were readily available for the holiday weekend and heavy volumes are likely to continue for at least a few more weeks as more schools close for the summer and until summer weather reduces milk receipts... manufacturing milk interest is not as strong as one would expect with cheese prices setting a new record high” from the USDA’s Dairy Market News.

Dairywomen sent 219,000 cows to slaughter in April, according to USDA’s “Livestock Slaughter” report. This is the most for April since 2003. Last year 213,400 head were sent to slaughter, but some of those were for the last CWT herd retirement program. Over the last 9 years, April slaughter has averaged 198,500 head.

According to USDA estimates for the week ending May 18th farmers had planted 73% of the corn crop, up from 51% the prior week. However, this is still below the 5-year average of 88% for this date. Only about 26% of the corn had emerged at that point, vs the 5 year average of 56%.



Meanwhile, 27% of the soybeans have been planted, compared with a 5 year average of 47%.

Despite higher input costs, dairywomen continue to expand. In April, milk production in the 23 major dairy states was 14.83 billion pounds, up 2.5% from last year. Extrapolated 50 state production was 16.11 billion lbs., up 2.2%.

Fluid milk sales in the first quarter were 13.98 billion lbs, down 2.0% (adjusted for leap day) from a year ago. Milk sales

have been trending lower since last summer.

Farm Bill: If Congress chooses to override the President’s veto, expect to see some changes...one of which is the Milk Income Loss Contract (MILC) being extended and expanded. The payment cap will be raised to 2.94 million lbs (up from 2.4 million lbs) after September 2008. The payment rate will be increased to 45% up from the current 34% of the difference between the Boston Class I base and \$16.94. A feed cost adjuster will be added, which could raise the target milk price when the standard NASS feed mix price rises above \$147/ ton. This provision will be retroactive to the beginning of the year, because the formula uses an index of feed prices from 2007, some feel the new target may be in excess of \$19.00 / cwt.

David L. Munsee

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Farm Business Educator

Upcoming Events:
2008 Early Season Field Evaluation Days
June 10th : 9:30 AM – Noon
Oak View Dairy (Bruce Kidder and Shawn Cotter)
837 Shadyside Road (intersection with Nutt Road)
Jamestown, NY (Town of Busti)
2.0 DEC credits for Categories (1A, 21, and 23)