

Milk Price Update...

Look At Market Price Trends As Indicators Of Future Milk Price Rather Than Daily Price Changes

Recent market sentiment has tended to be negative. This has impacted prices on Class III futures markets. News of too many heifers, cheese inventories that are high, weakness in international protein markets, and financial concerns in two European countries have contributed to a downward bias in Class III prices. Over the last few weeks, futures markets have moved down – even though cash cheese prices have remained around the \$1.50 per pound level.

Cash dairy markets and futures markets are real marketplaces. They go up and down just like any other marketplace (e.g. the stock market). Often, prices change for unexplainable reasons. In some cases, the sentiment of those buying and selling futures contracts can move prices in a particular direction.

The February 10 futures market price changes are of particular note. After many days of declines, the 2010 futures prices increased between \$0.30 and \$0.50 per hundredweight for most months. This occurred without any new statistical reports or newsworthy events. Why did they go up? There was a greater interest to buy futures than to sell them. To fill all the buy orders, prices

had to rise to meet the demand – that's the most basic answer. However, the reason that there was more buy-side interest is unknown – it's just what happened in the marketplace that day.

It is difficult not to get caught up in daily price changes. However, it is not the daily change that is important, but rather, the trend over time. We continue to believe that cheese and Class III prices will trend higher. In our minds, they have to in order for dairy farmers to pay off the losses they incurred last year – and \$1.50, or even \$1.70, block cheese prices do not cut it.

Although cheese prices have been trading in the \$1.40 to \$1.50 range, we believe there is opportunity for cheese prices to trend higher through the spring and into the fall. Certainly, one decent cheese export sale could generate \$1.70 block prices in a short period of time.

Don't get discouraged, prices are trending higher. The timing of the price turnaround and the degree of the increase may be uncertain, but prices will move up; it's just a matter of when.

Greenhouse Gas Reporting Requirements for Livestock Agriculture

The final rule for Mandatory Greenhouse Gas (GHG) Reporting was published October 30, 2009. Based on the estimates of this rule, the GHG reporting will affect facilities with 3,200 head of dairy cows. According to the final rule, GHG reporting requirements began January 1, 2010, with first reports due March 31, 2011.

At this time, the EPA will not be implementing the rule due to restrictions of funds. What this means is that monitoring and reporting greenhouse gas emissions are not required for livestock agriculture.

However, it is important to keep in mind that many organizations, domestically and internationally, are concerned about the affects of livestock agriculture on the environment and would like to see policy changes. We will continue to track environmental issues for you and communicate when timely information is available.

Dairy News...

US Dairy Industry Has Opportunity To Seize Global Market Share

A recent study conducted by Bain & Company, a consulting firm for global business, has concluded that worldwide demand for dairy products will grow faster than available supply in the coming years.

Rising incomes and increasing urban populations will contribute to a demand increase in China, Southeast Asia, South America and Eastern Europe. In some cases, consumption of dairy products will outpace these countries' traditional sources of production, leading them to import dairy products. Currently, Oceania is a low-cost producer, but future growth is limited due to water and land scarcity. All of this would leave a finite window of opportunity for the US to become a consistent exporter in the international dairy industry.

Seizing this demand gap is an excellent opportunity for US dairy farmers but, according to the study, some major challenges exist: severe pricing volatility, market-distorting pricing mechanisms and, generally speaking, narrow product diversity and inconsistent customer service.

The study concluded that the US must take steps to accommodate this global market by increasing its competitiveness and addressing the diverse product needs of international demand in order to capitalize on this opportunity.

Recently, the Innovation Center Globalization Task Force adopted a "consistent exporter" strategy to develop global opportunities for the US milk supply, including broad industry efforts to gear US products and pricing policy to simultaneously facilitate domestic and international growth.

New Johne's Disease Resource Available to Dairy Producers

Dairy producers who have culled one or more animals for unresponsive chronic diarrhea combined with reduced milk production and thin condition might want to learn more about Johne's disease - and find out if other members of their herds are infected with the disease.

A good source of information about Johne's disease is a recently released 16-page brochure that is free to dairy and beef producers and veterinarians.

To learn more about Johne's disease or to obtain your free copy of the new Johne's disease question-and-answer brochure, go to www.johnesdisease.org or call the National Institute for Animal Agriculture at (719) 538-8843.

Progress on Great Lakes Cheese Expansion

In 2007, we were pleased to announce a plant expansion at the Great Lakes Cheese plant in Adams, NY. Since announcing this expansion, the plant has undergone extensive construction. With construction complete, Great Lakes Cheese requested an additional 3.3 million pounds of milk for February and an additional 4 million pounds for March.

We expect them to continue to ramp up production over the next few months. By the end of 2010, the expansion is estimated to require an annual increase of

360 million pounds of milk. This investment is a very positive sign for the Northeast dairy industry.



Stop by to Visit us at a Winter Farm Show

February 25, 2010

February 25 - 27, 2010

February 27, 2010

March 5, 2010

Vermont Dairy Producers' Conference

New York Farm Show

Maryland Dairy Convention

Susquehanna County Dairy Day

Burlington, VT

NYS Fairgrounds, Syracuse, NY

Frederick County Fairgrounds

Dickerson, MD

Elk Lake High School, Elk Lake, PA