



# Dairy Market Update February 23, 2010

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# Outline

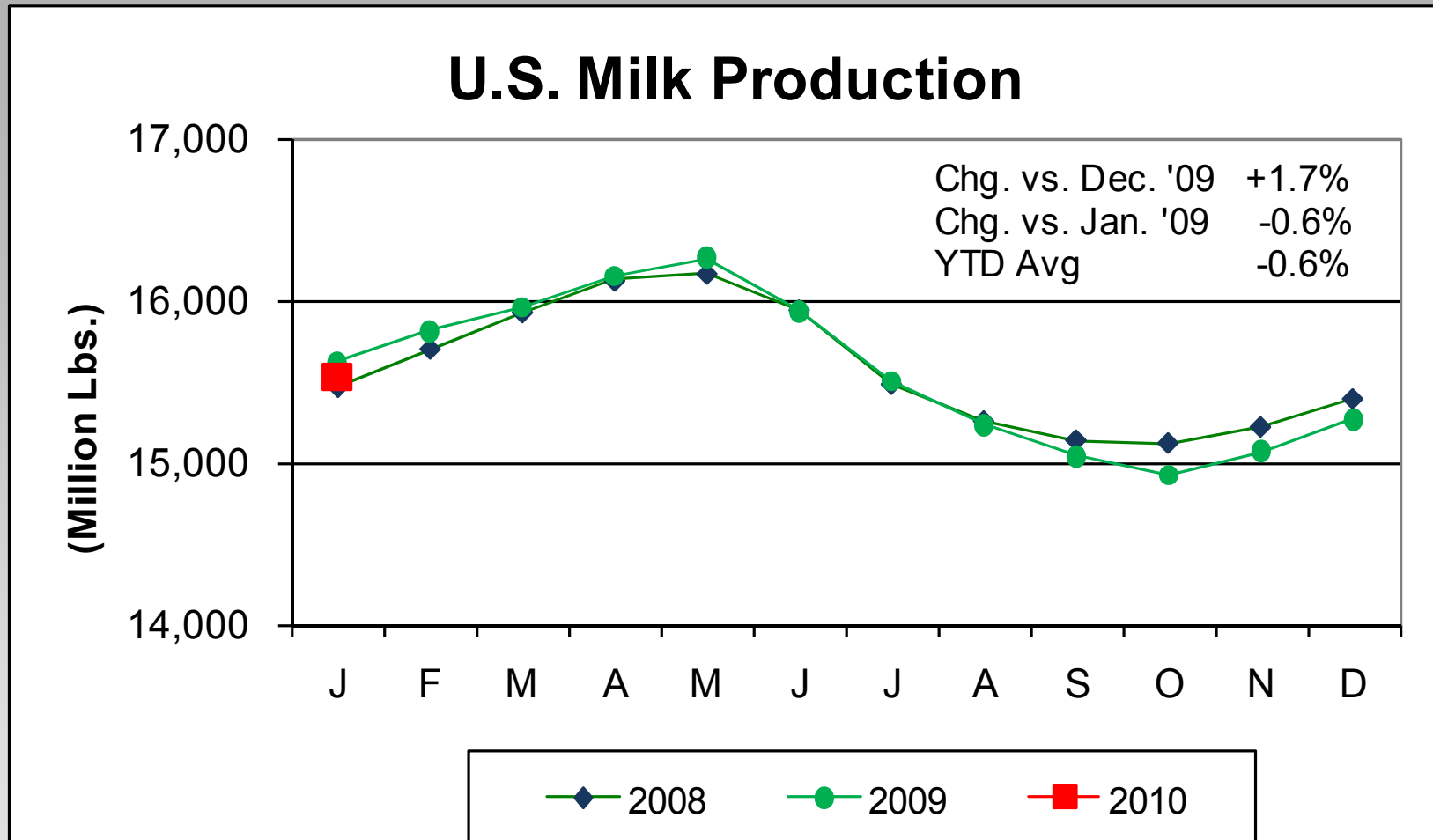
- Overview of U.S. and Regional Milk Production
- Overview of the Key Demand Factors
- Dairy Product and Milk Price Forecasts



# U.S. Milk Production

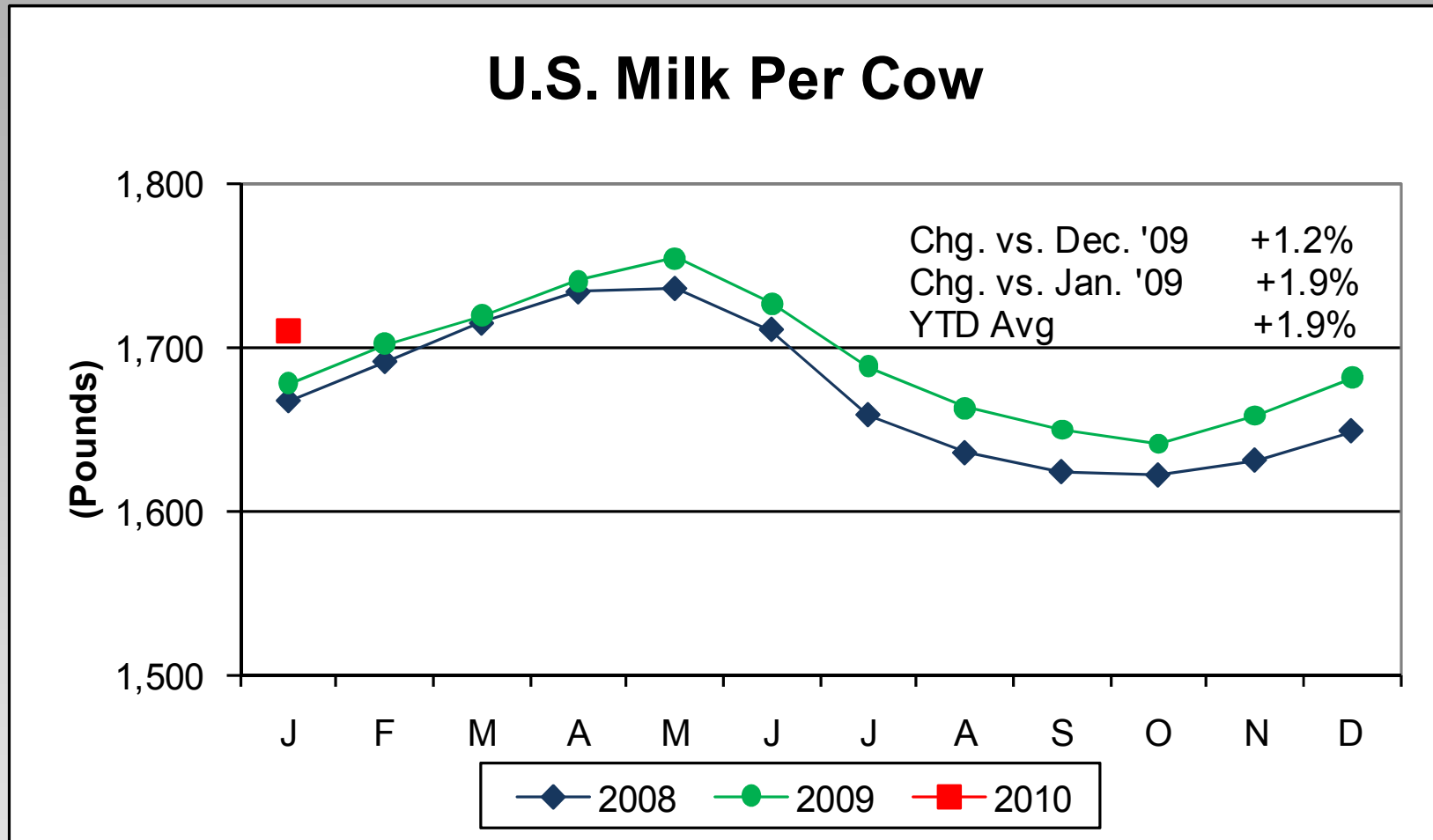


# U.S. Milk Production



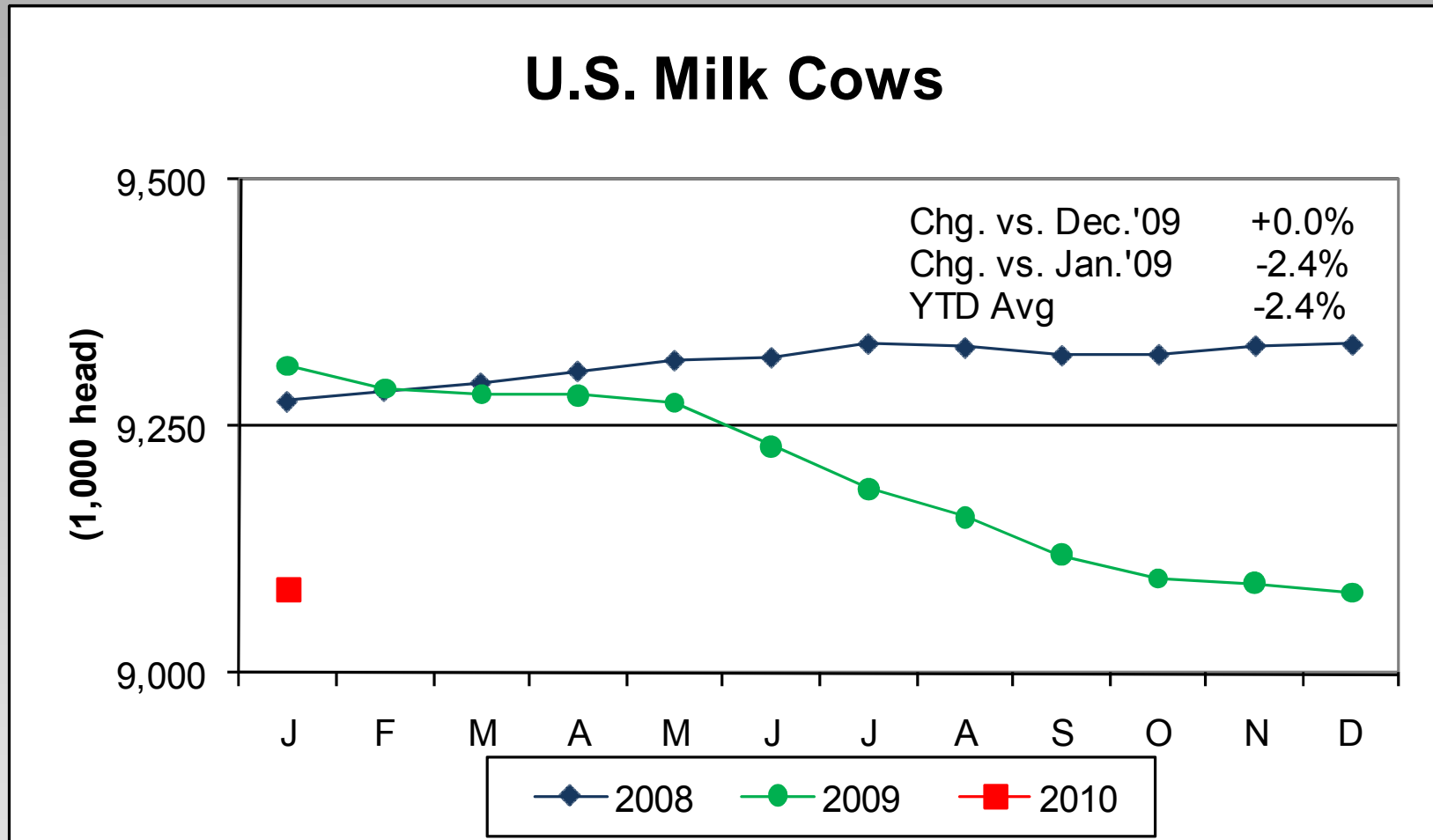


# U.S. Milk Production Per Cow



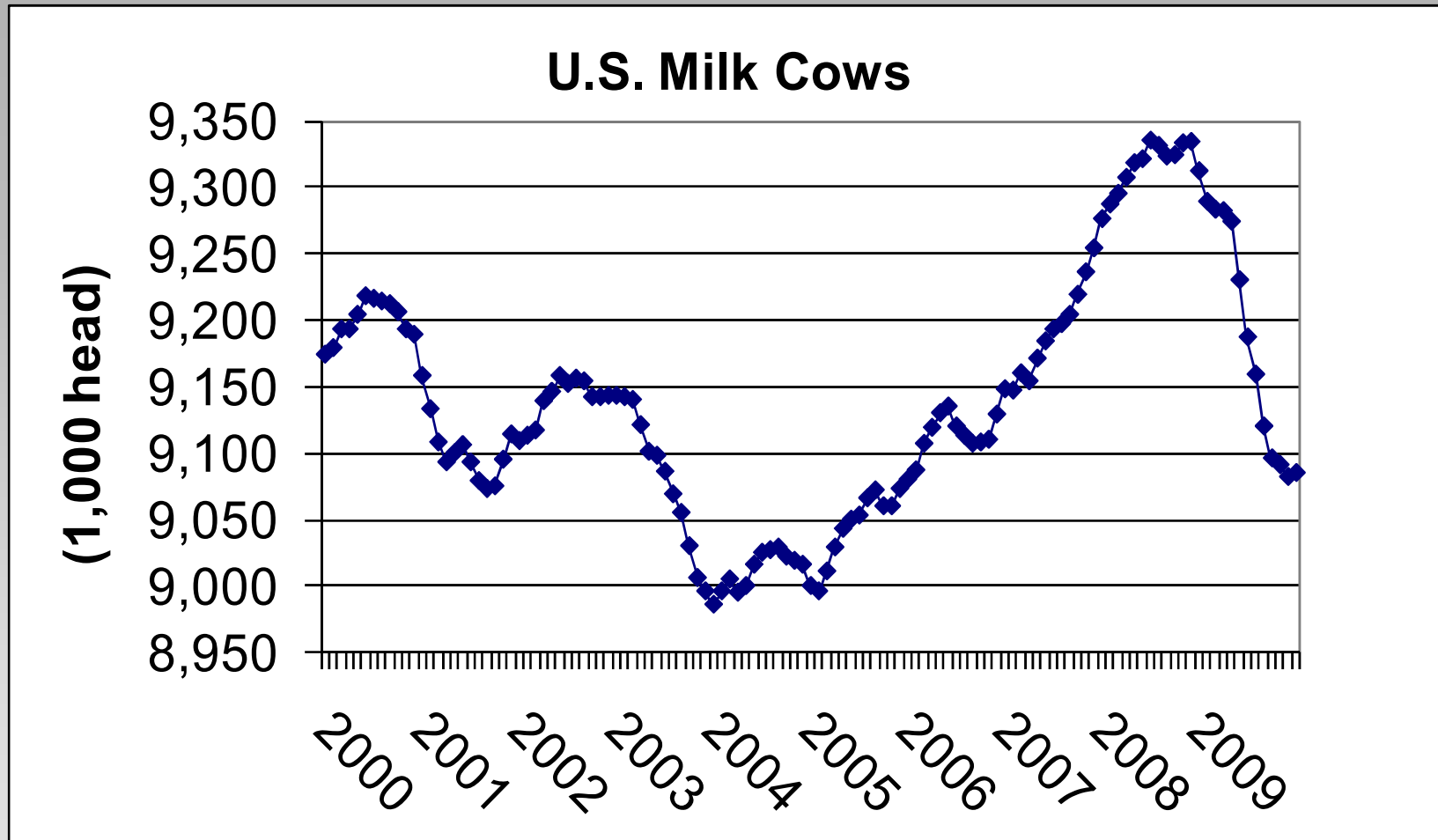


# U.S. Cow Numbers





# U.S. Cow Numbers



A photograph showing a tall glass of white milk, a block of yellow cheese, and several white eggs on a wooden surface. The background is a light-colored, textured surface.

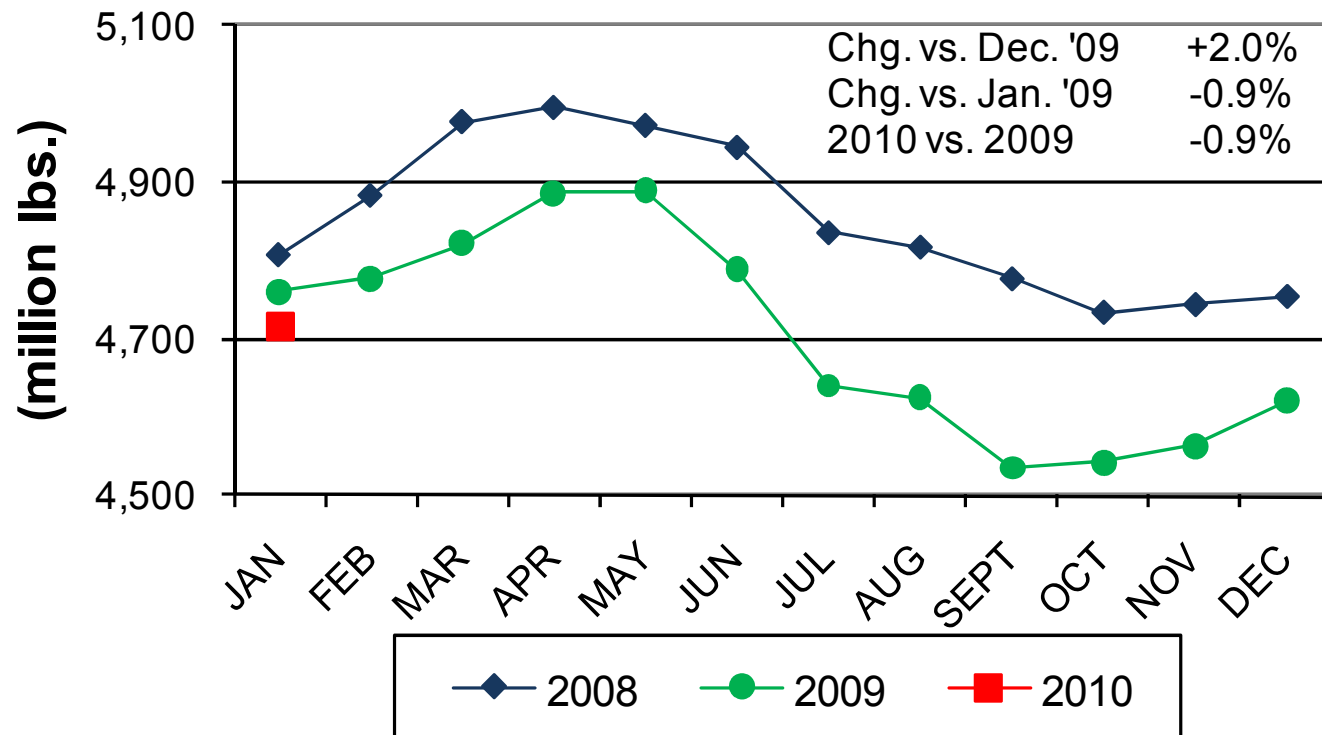
# Regional Milk Supply

Keough Ledman Associates, Inc.



# Western Region

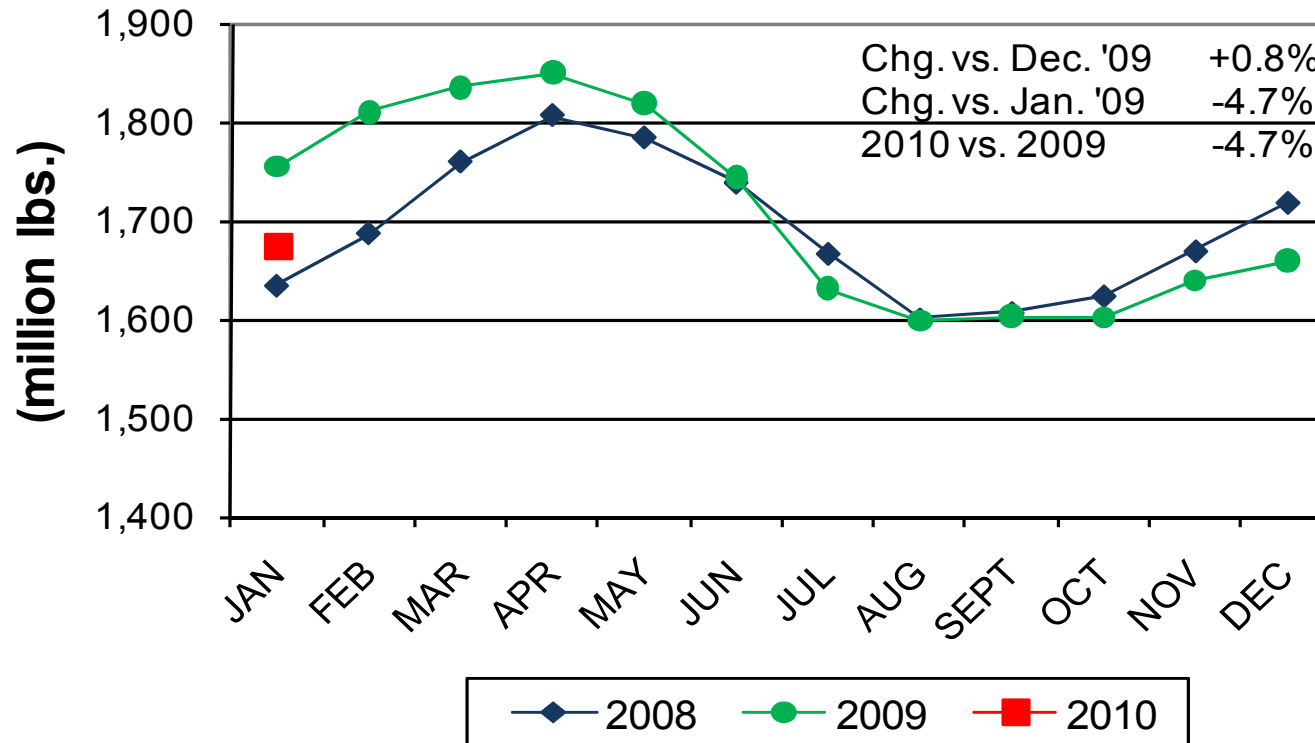
## Western Region Monthly Milk Production





# Southwest Region

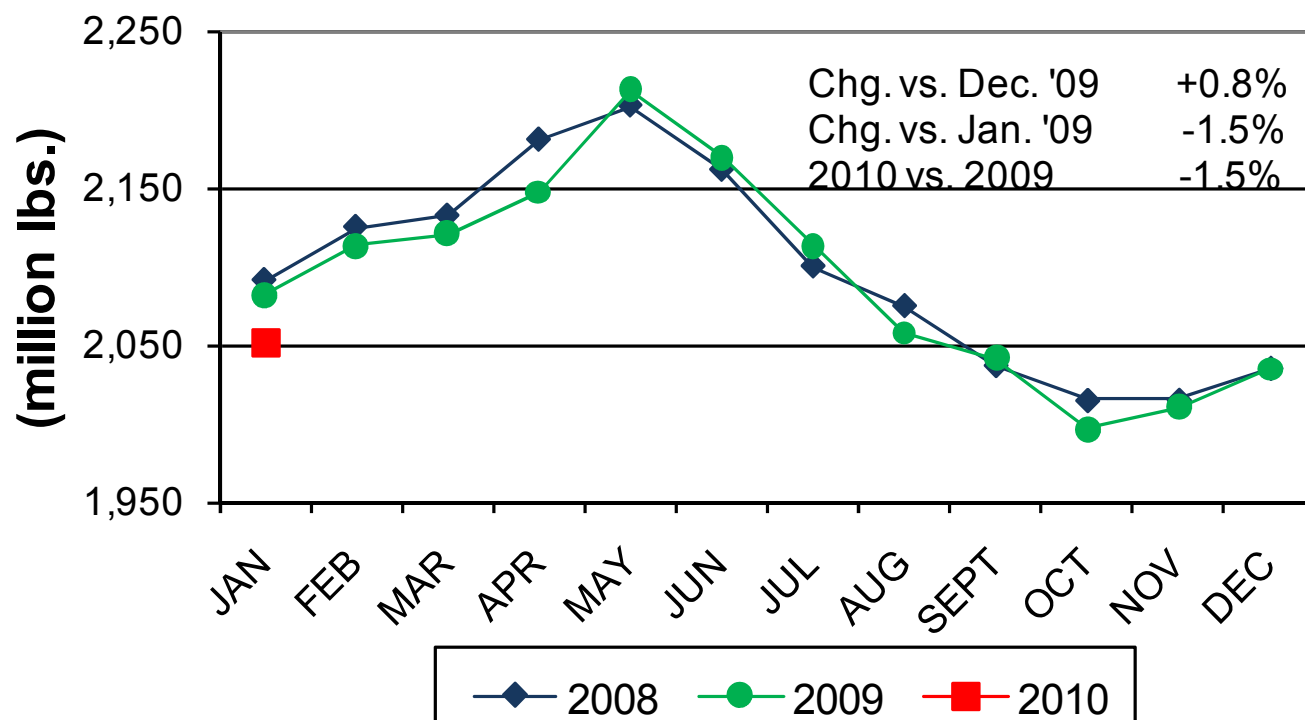
## Southwestern Region Monthly Milk Production





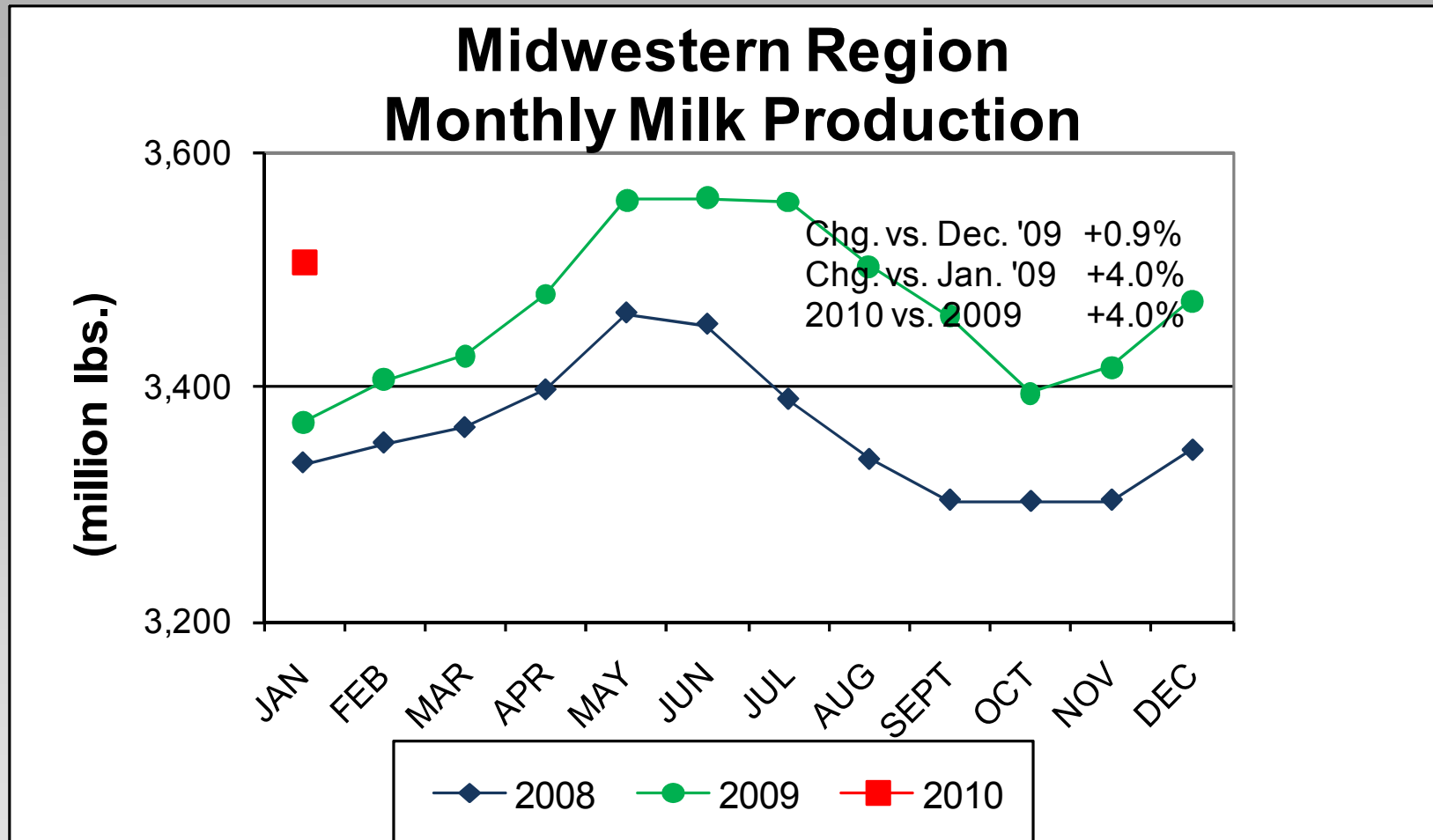
# Northeast Region

## Northeastern Region Monthly Milk Production



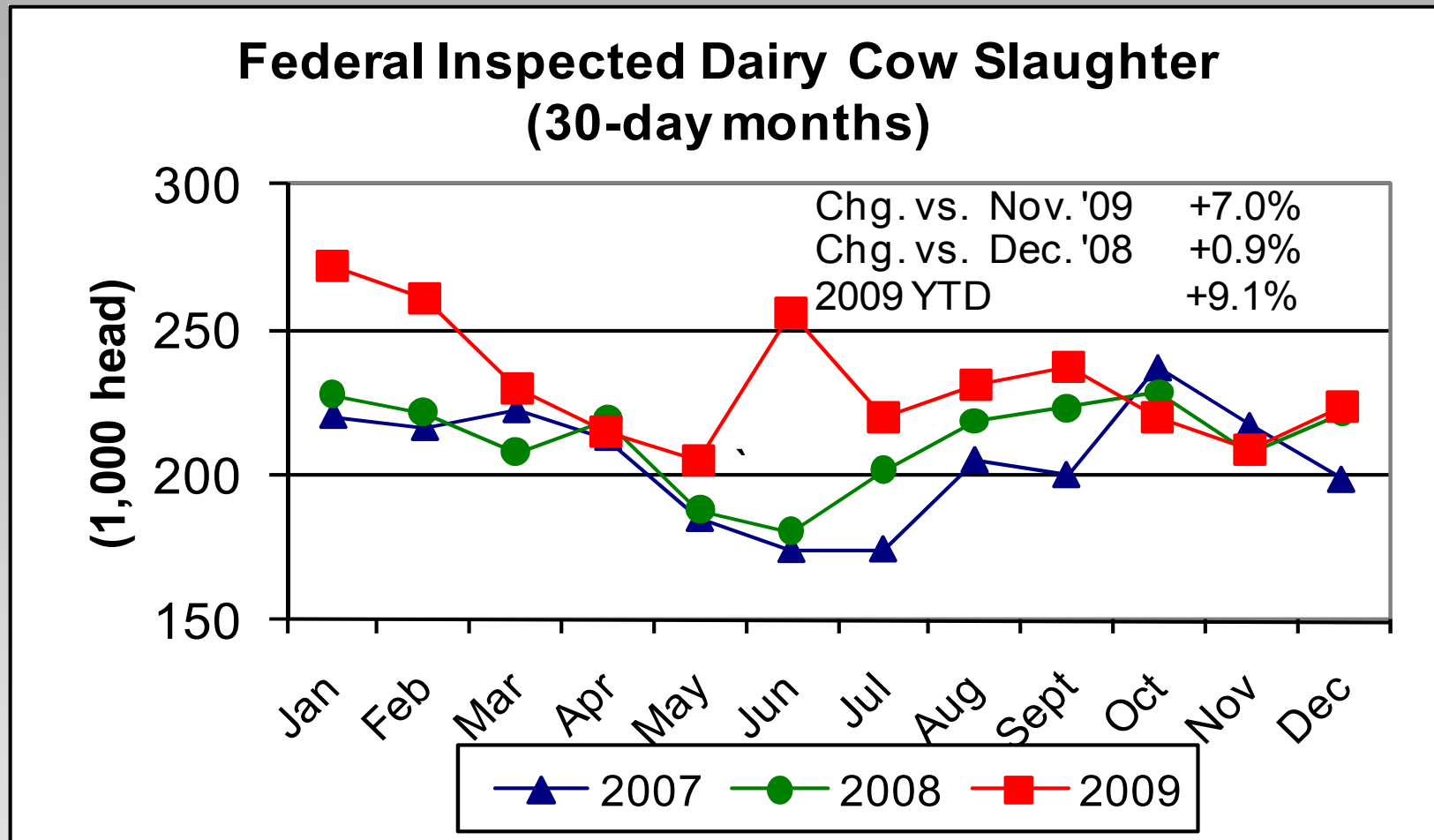


# Midwest Region



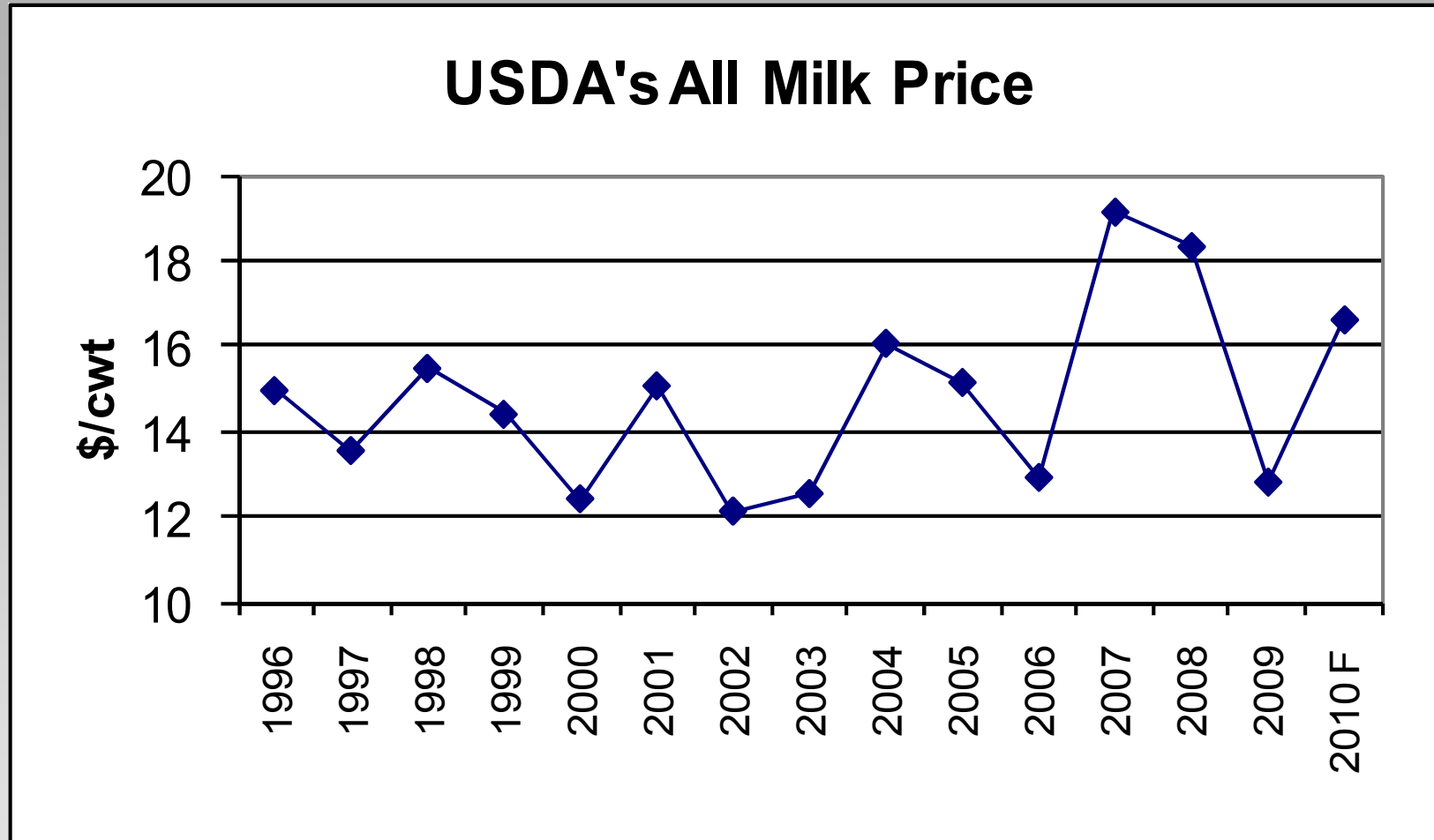


# Dairy Cow Slaughter





# USDA All Milk Price



Source: USDA January 20, 2010

Keough Ledman Associates, Inc



# Demand Factors

- Commercial Disappearance
- Consumer Price Index
- Exports

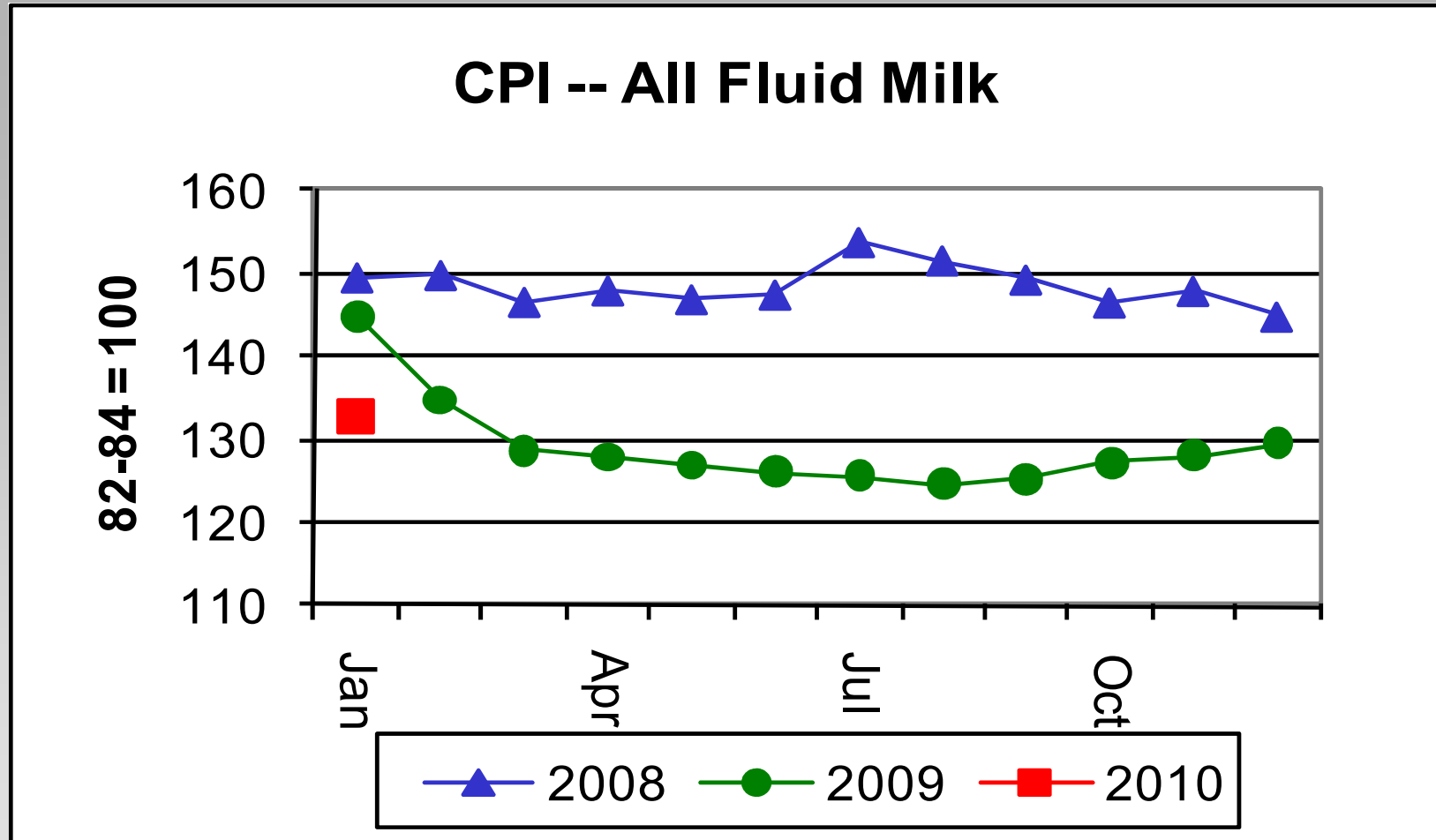


# Commercial Disappearance

- September through November 2009
- -1.6% vs. Prior Year
  - Butter -12.3%
  - American Cheese -1.2%
  - Other Cheese +3.8%
  - NFDM +1.6%
  - Fluid Milk +0.7%

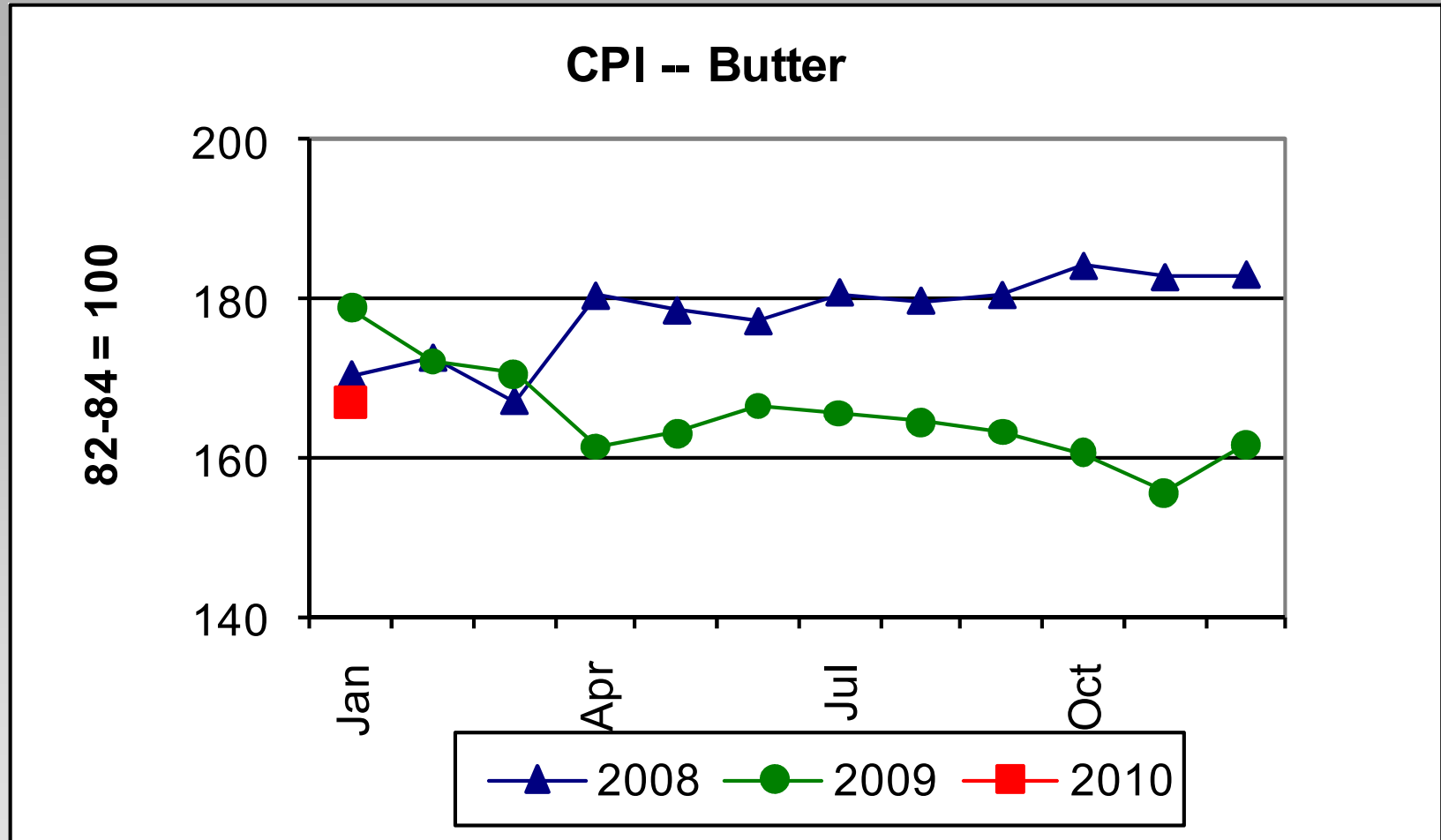


# CPI All Fluid Milk



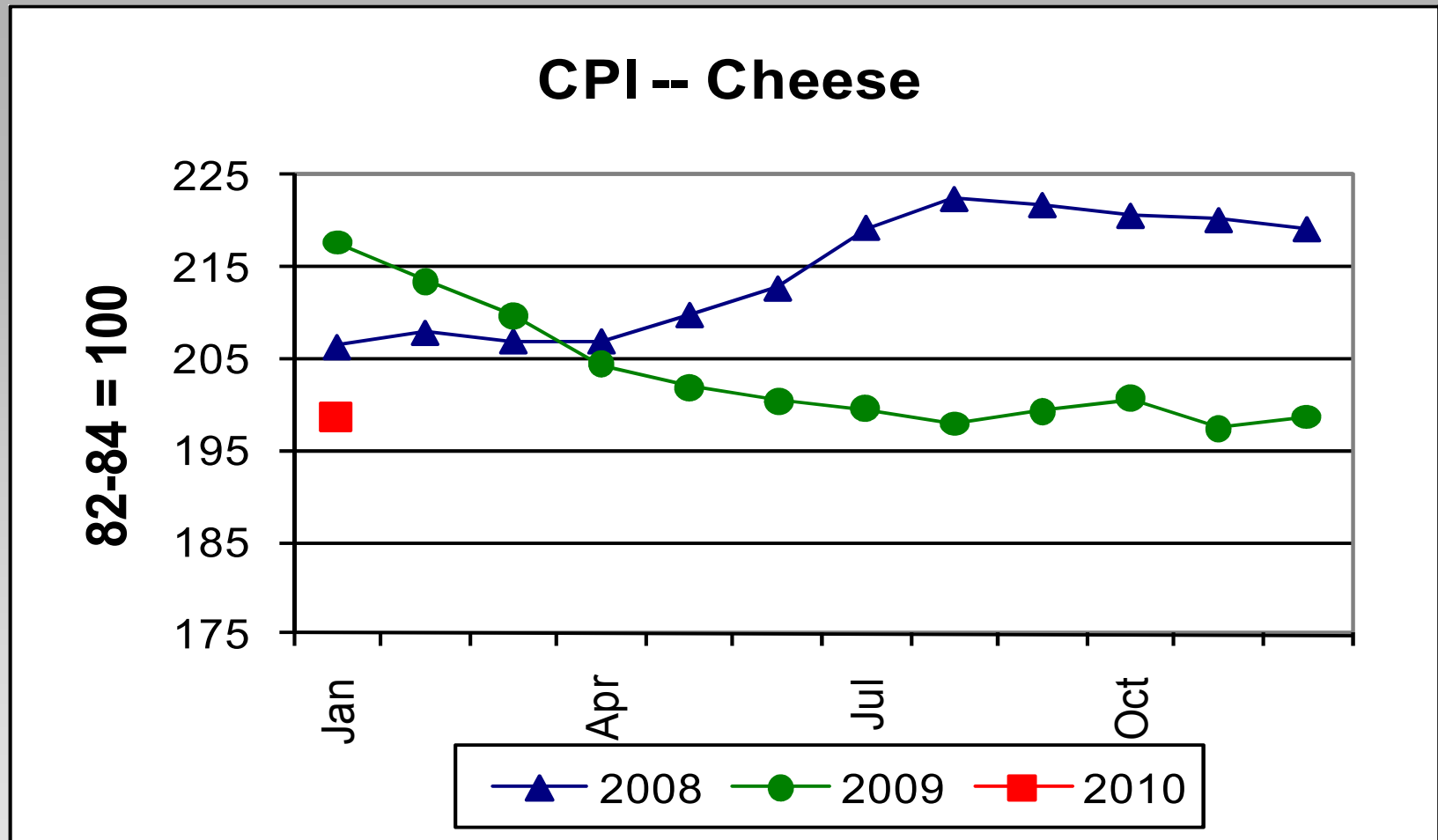


# CPI Butter





# CPI Cheese

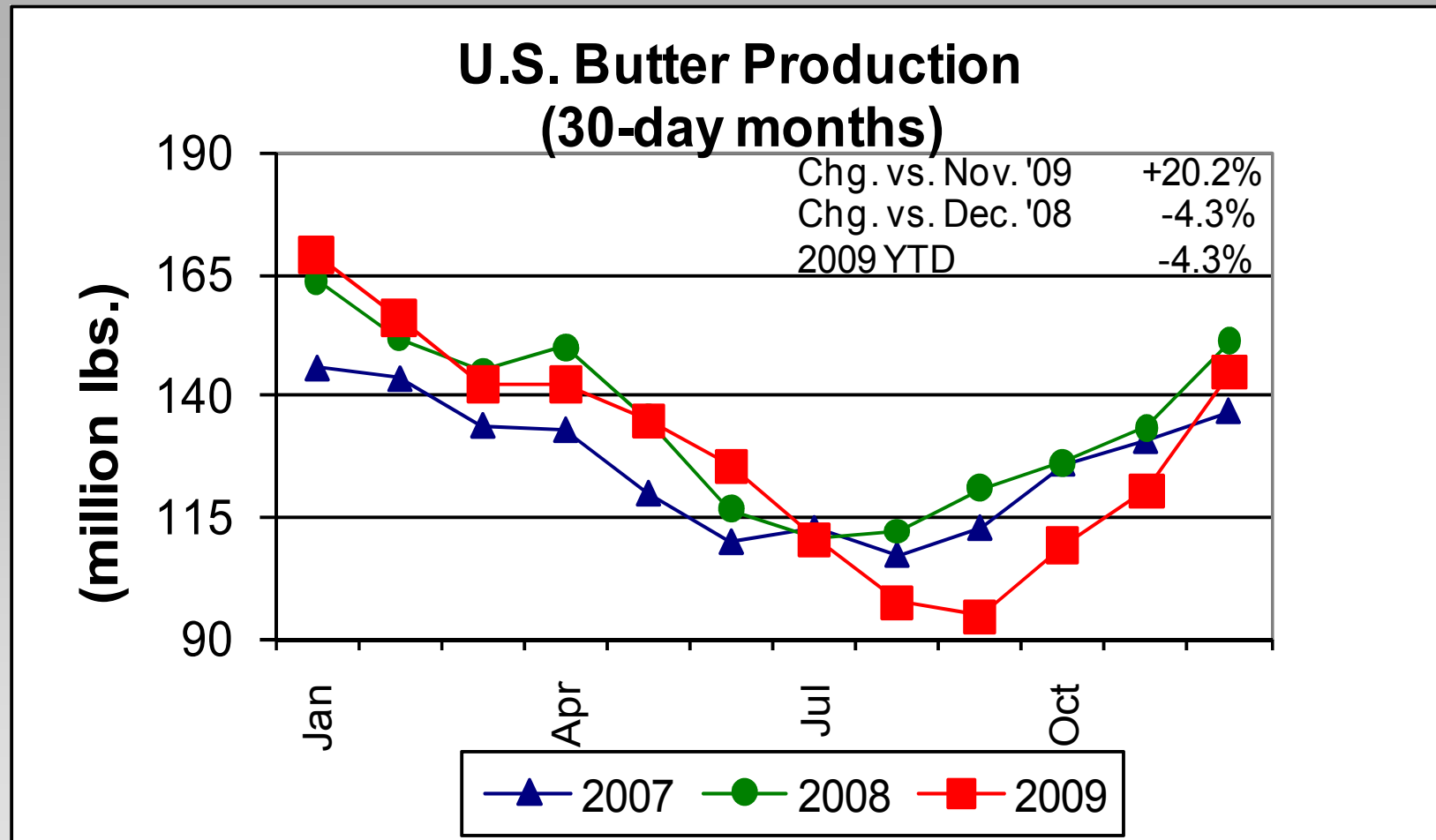




# Dairy Product Exports, Production and Stocks

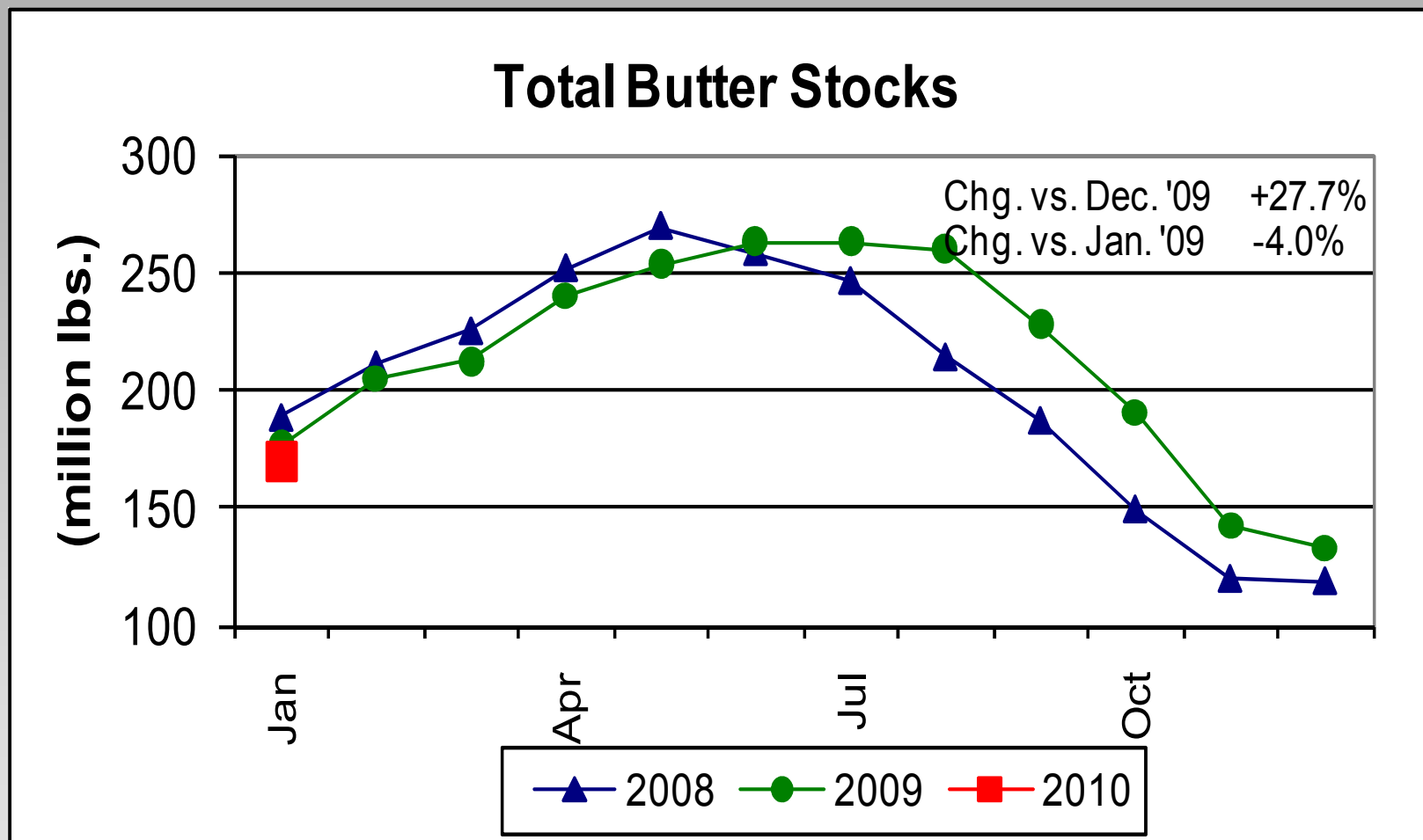


# U.S. Butter Production



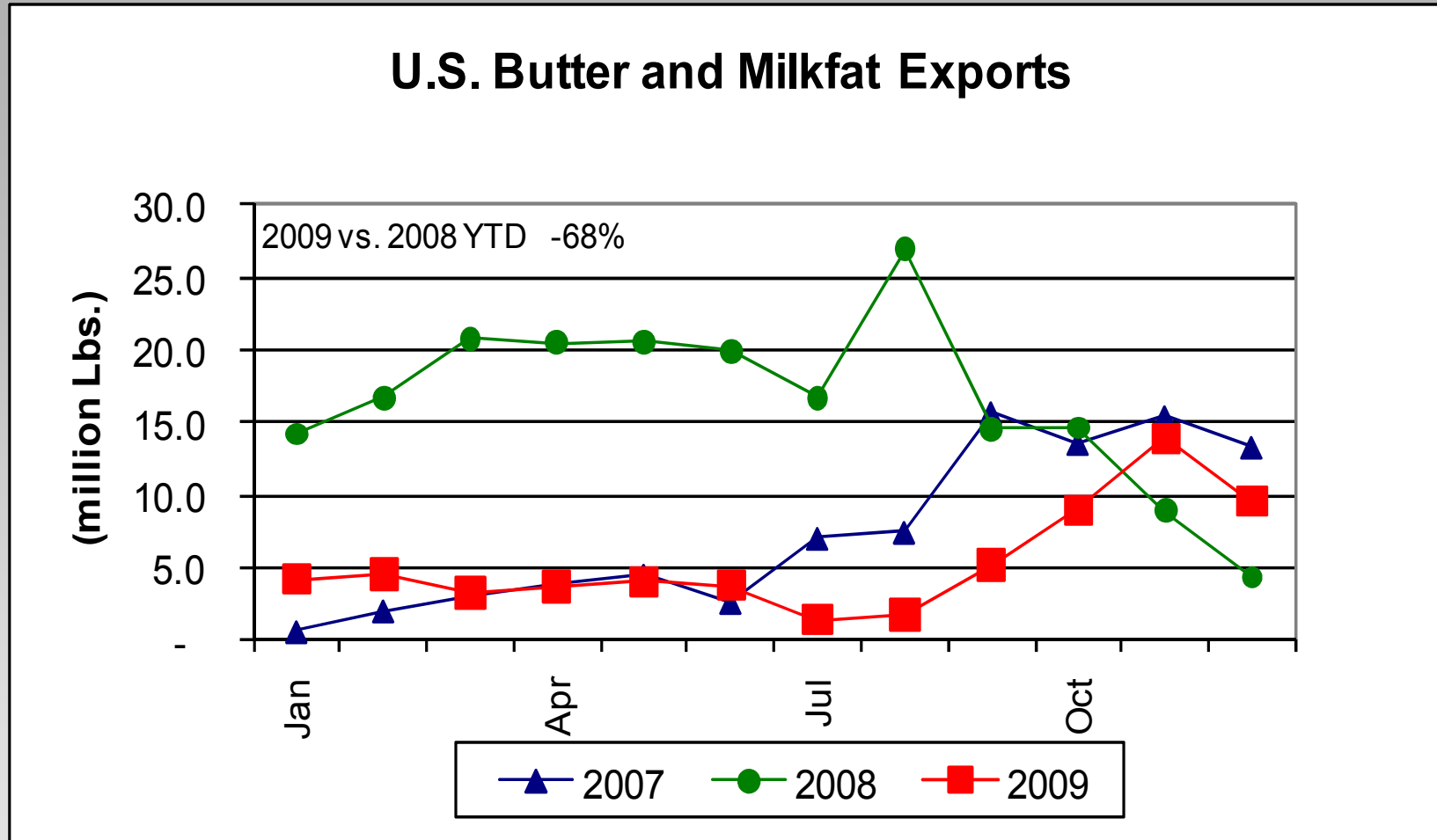


# Total Butter Stocks



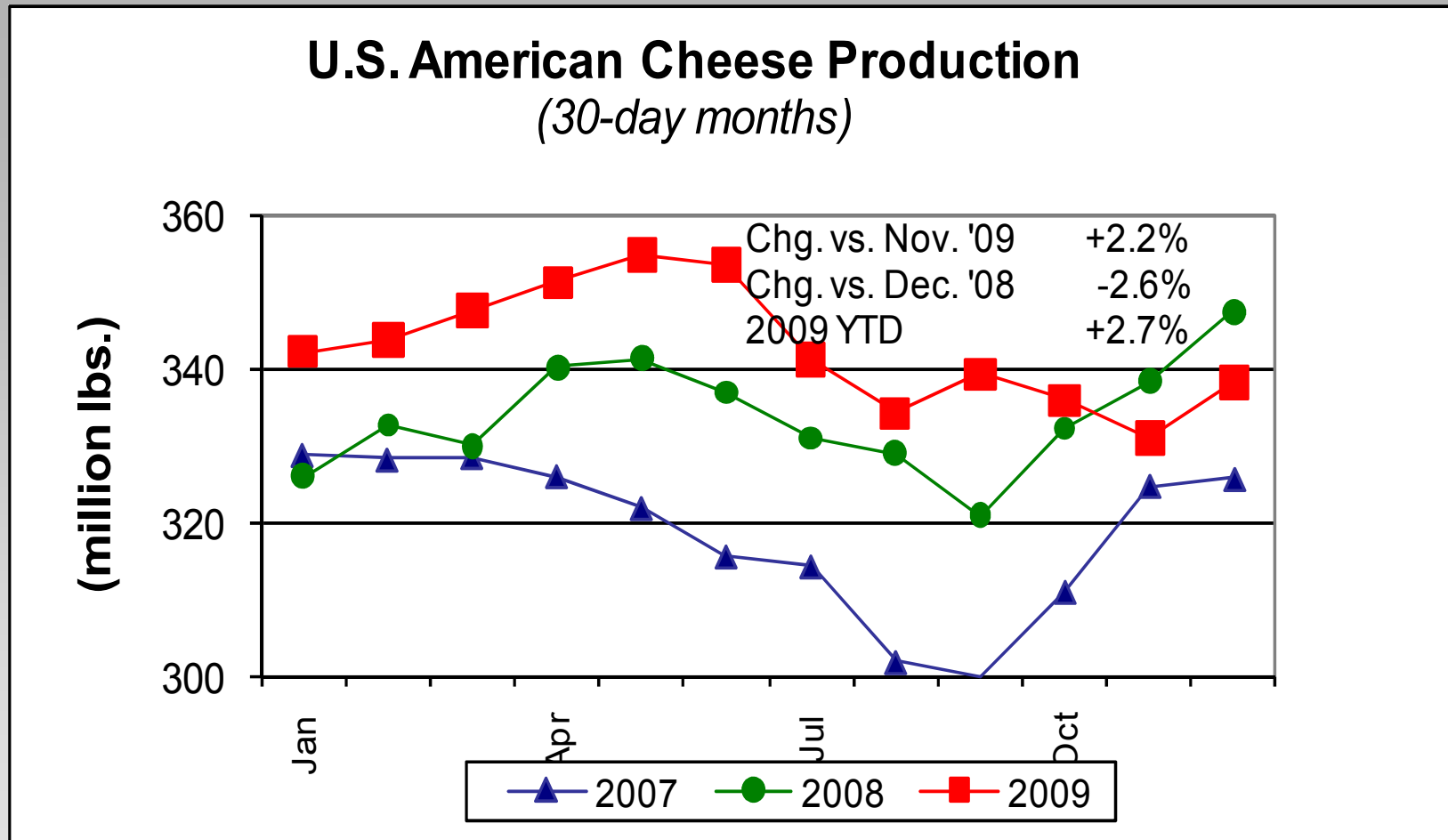


# Butter Exports



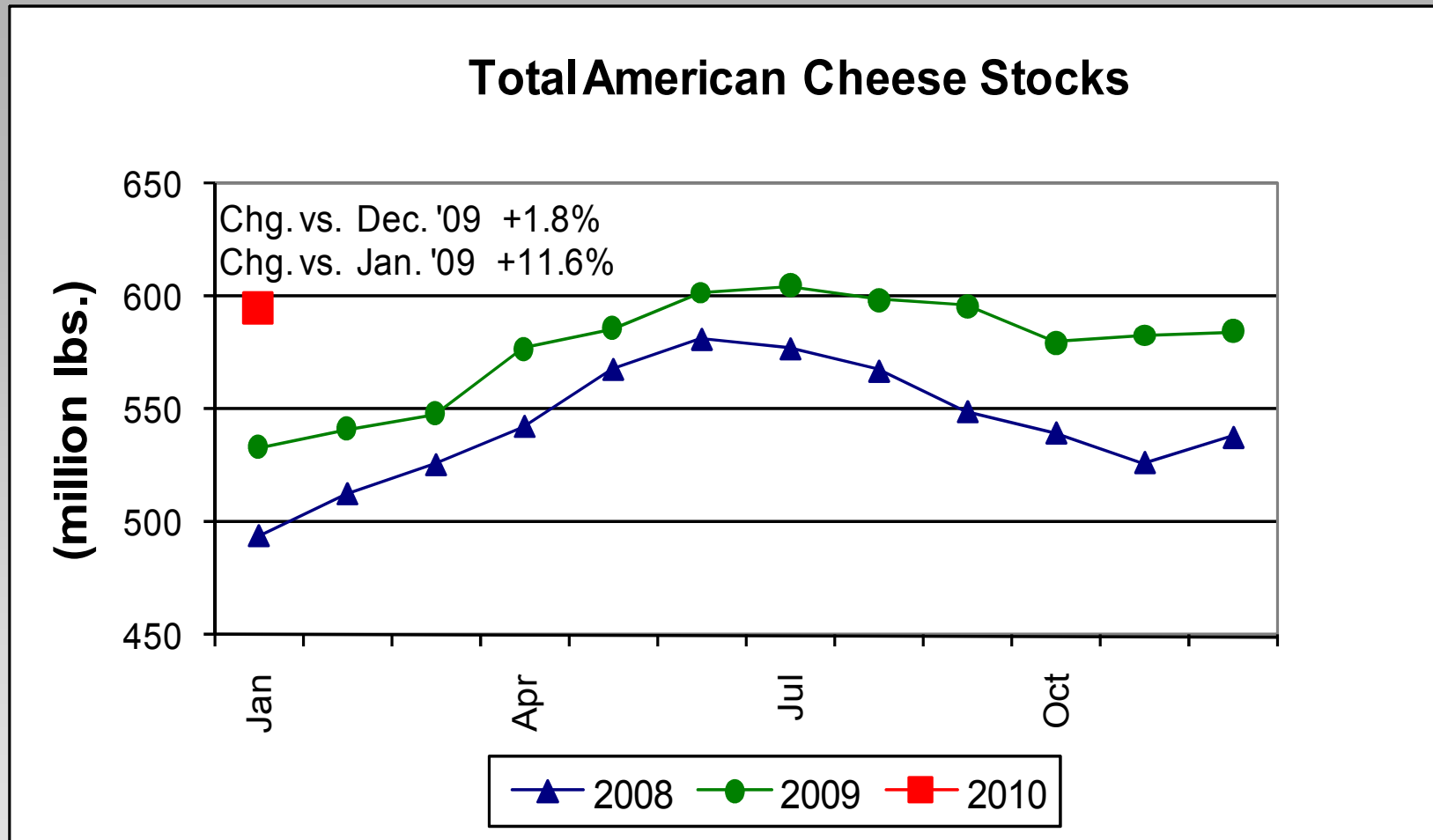


# American Cheese Production



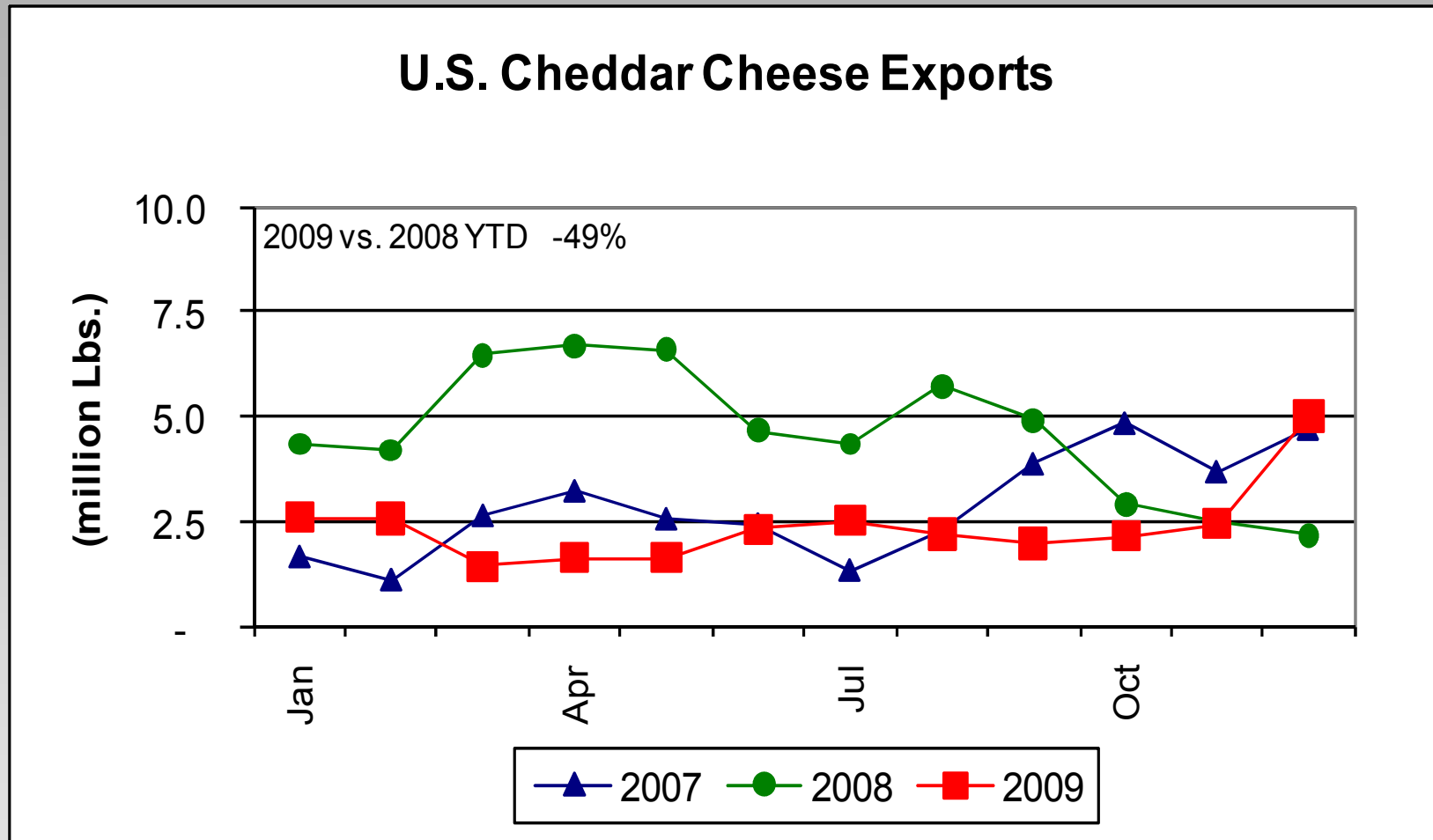


# American Cheese Stocks



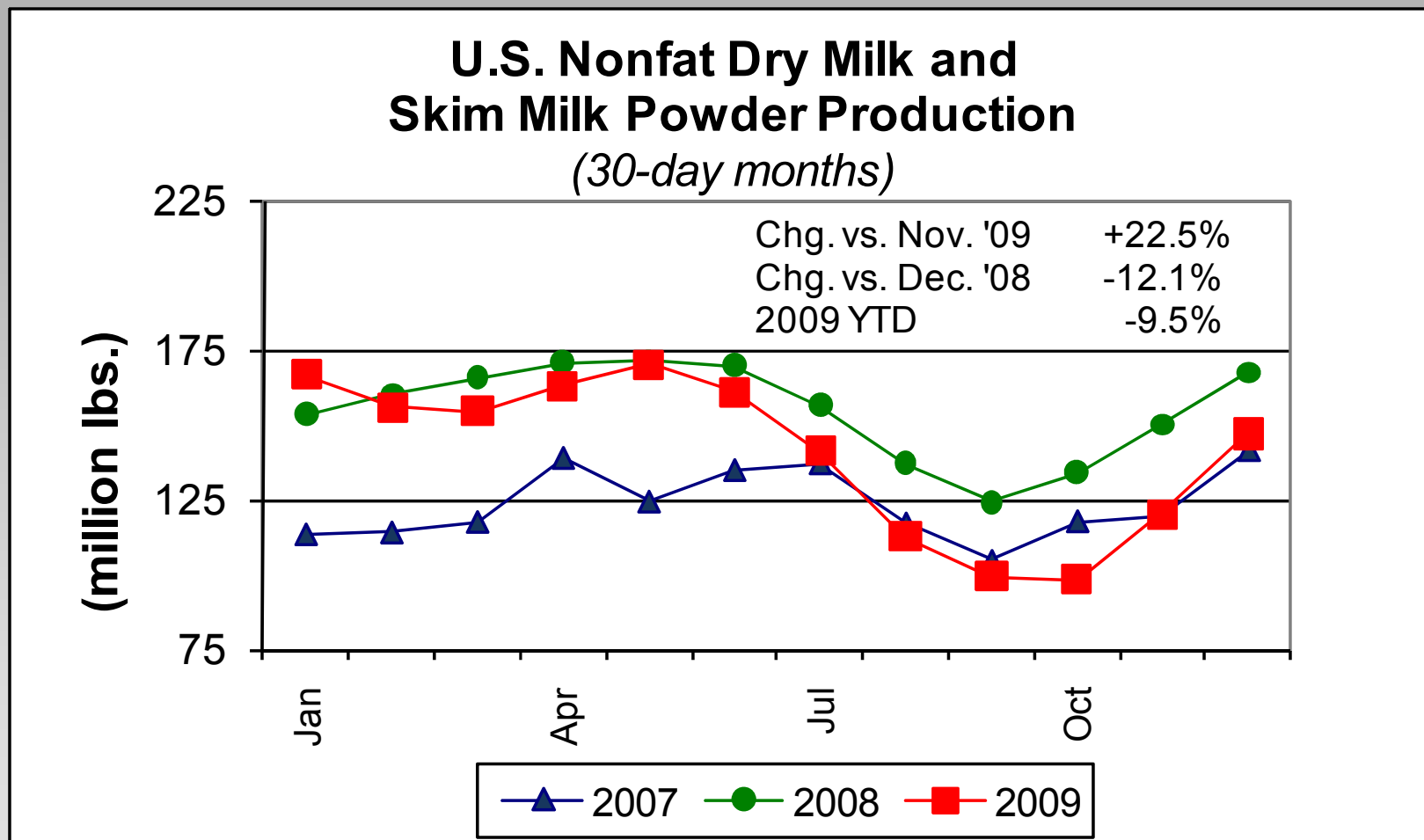


# Cheddar Cheese Exports



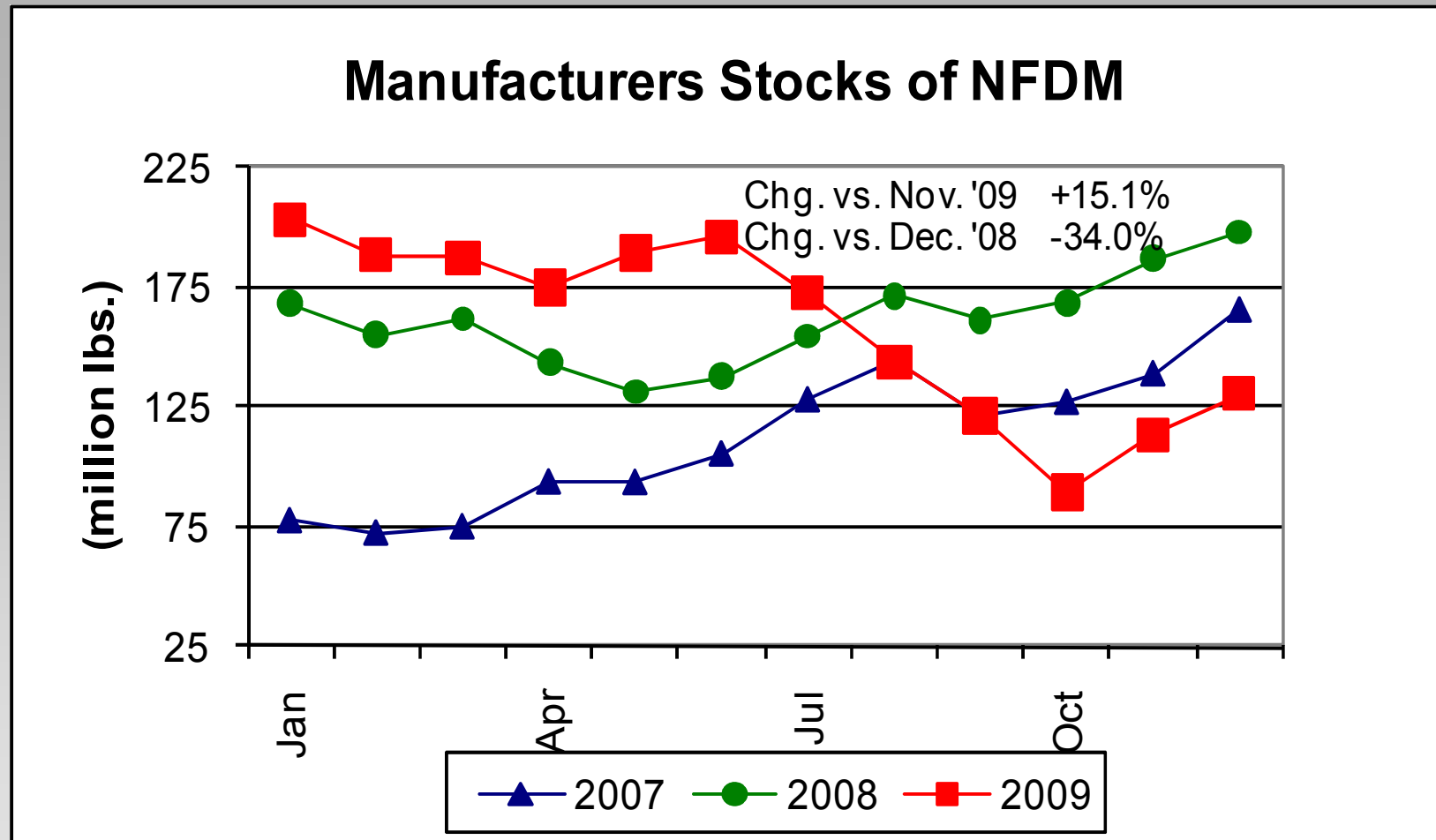


# NFDM/SMP Production



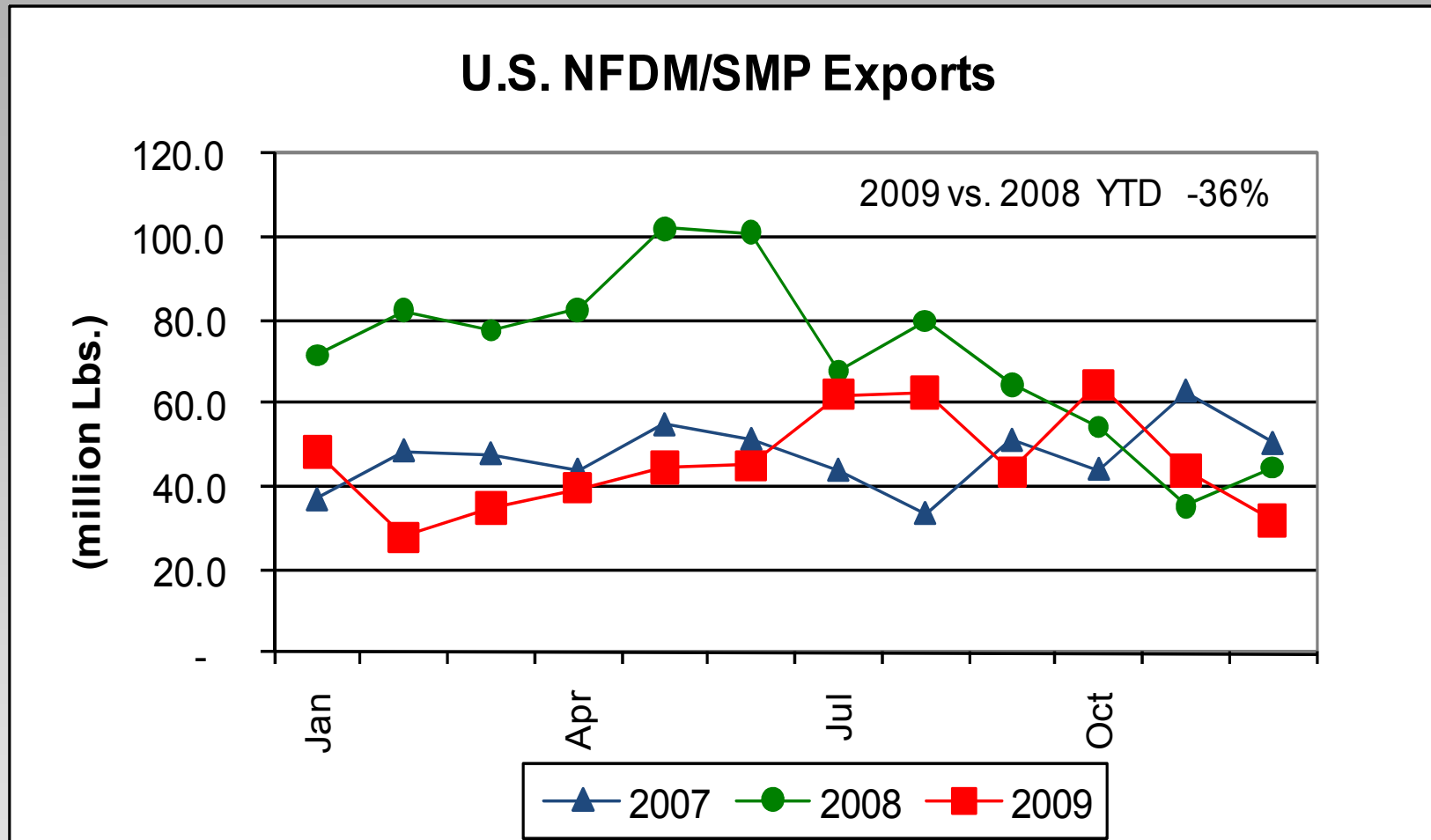


# NFDM Stocks



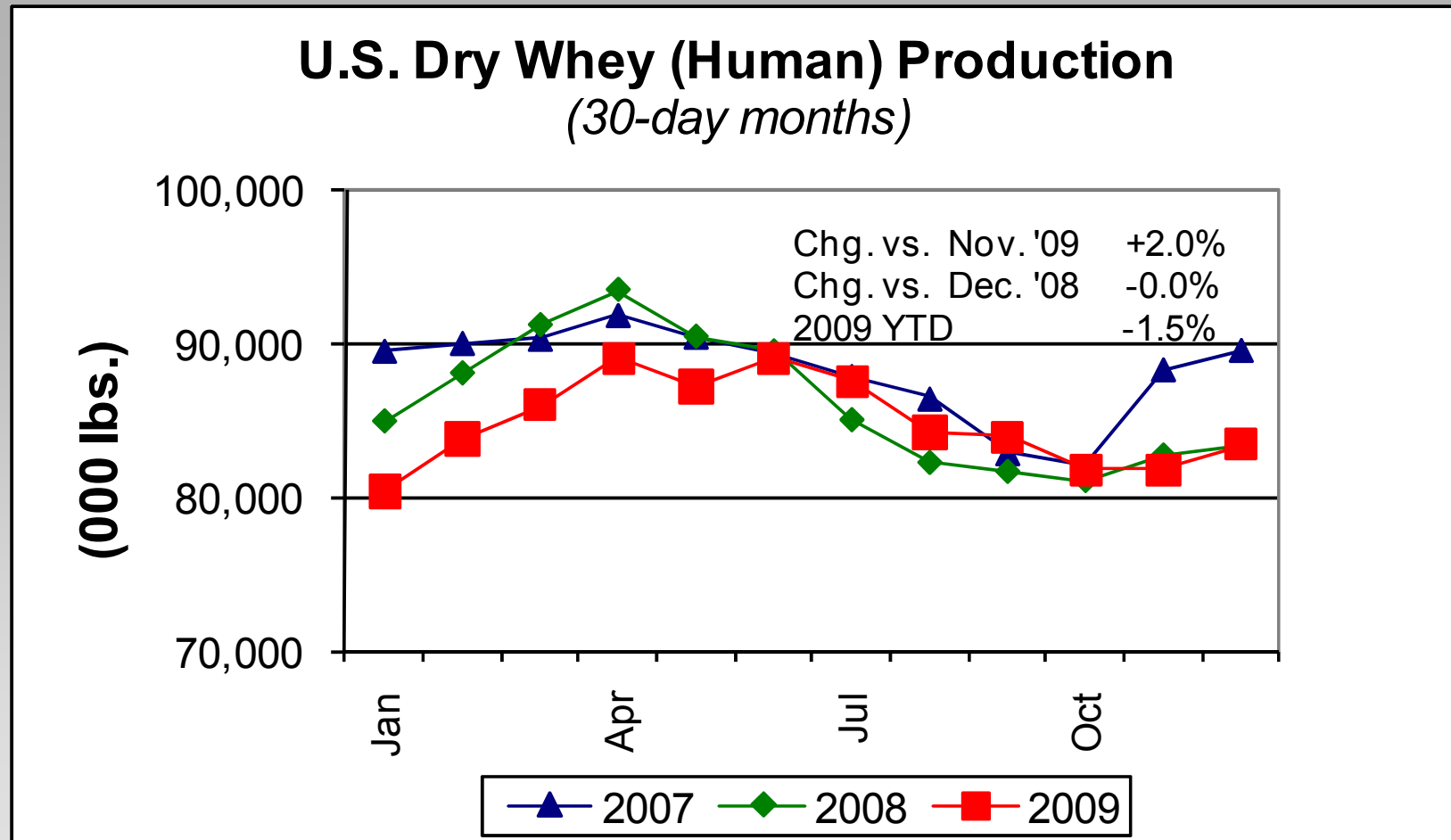


# NFDM/SMP Exports



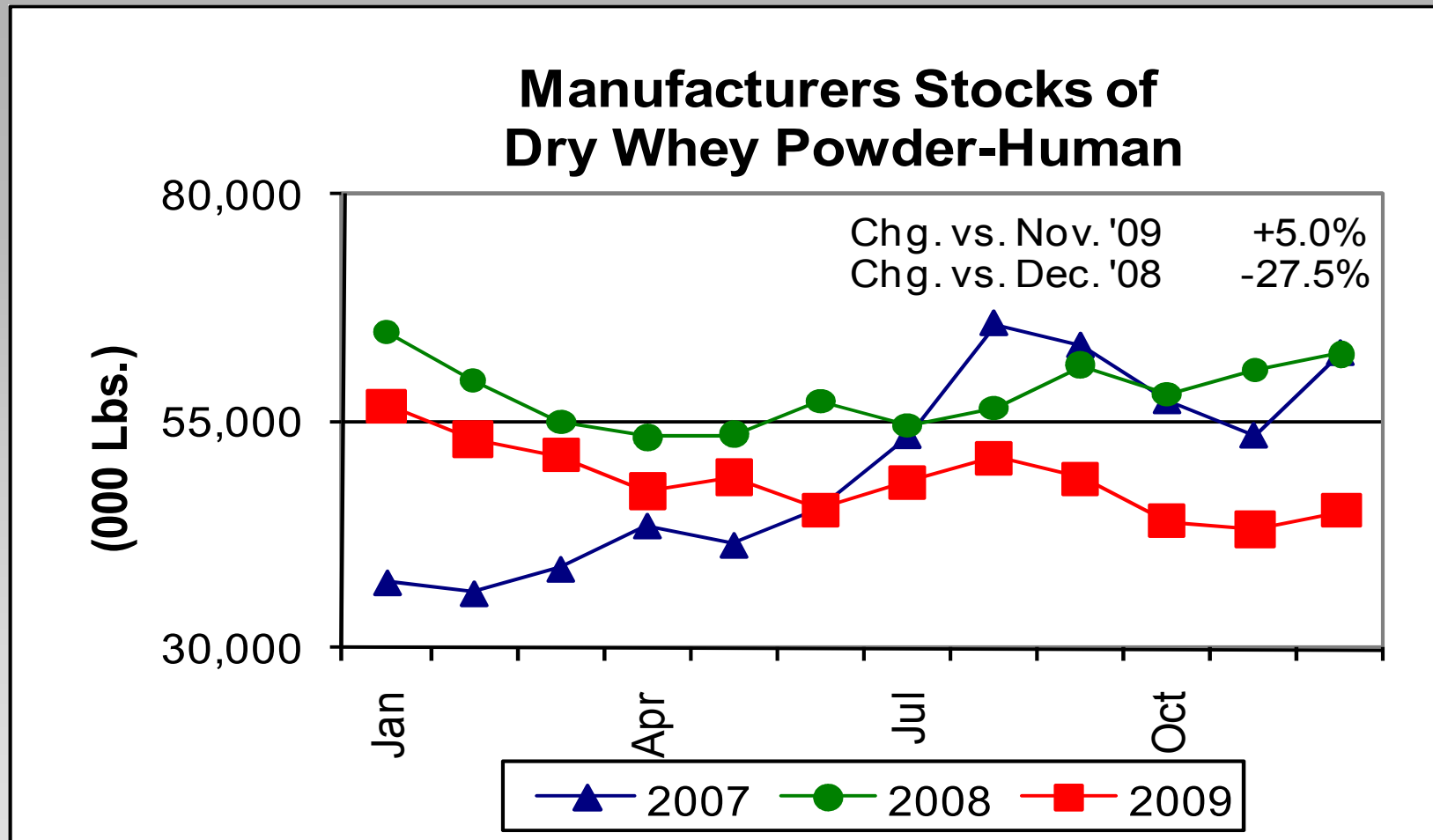


# Dry Whey Production



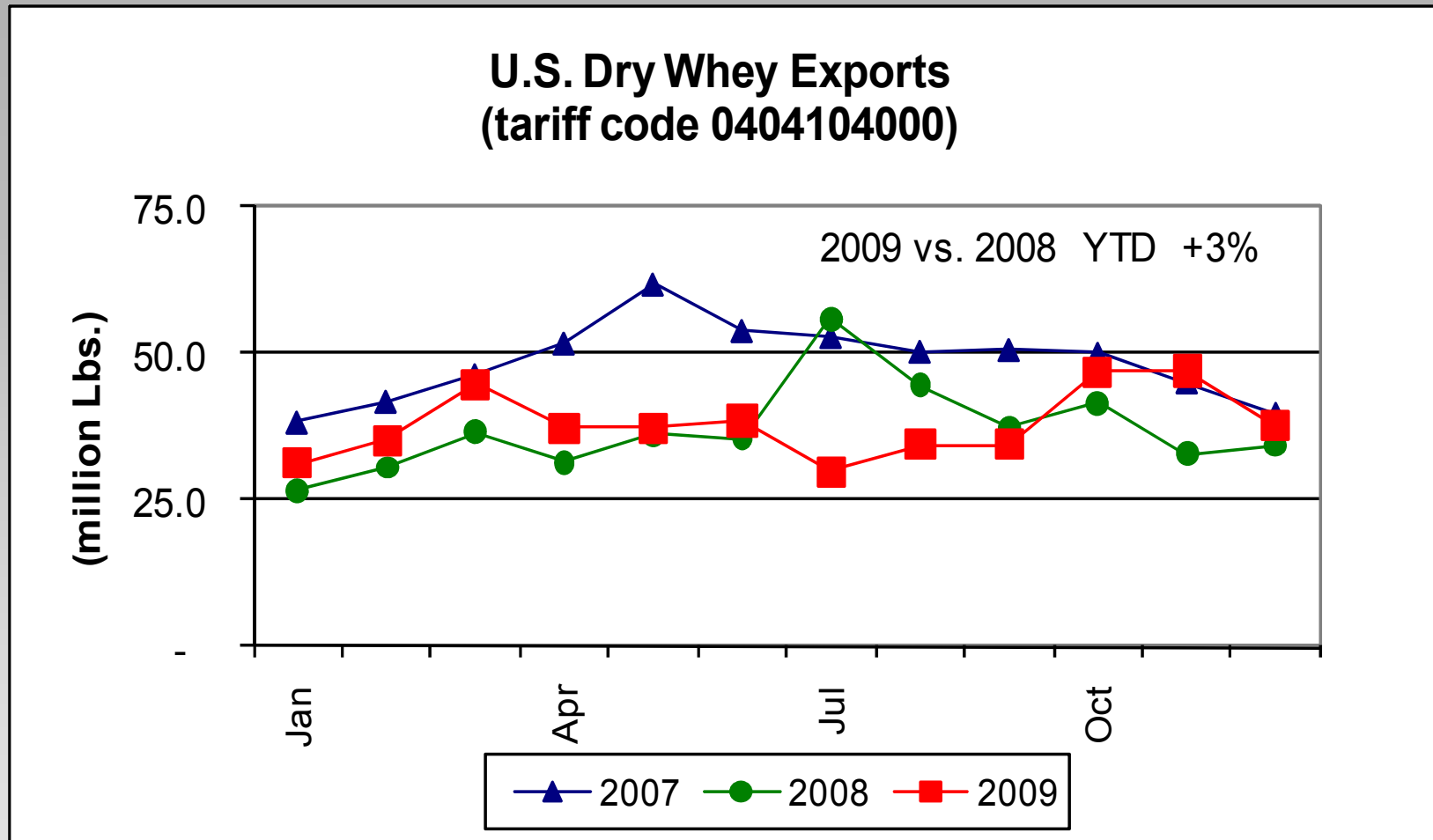


# Dry Whey Stocks



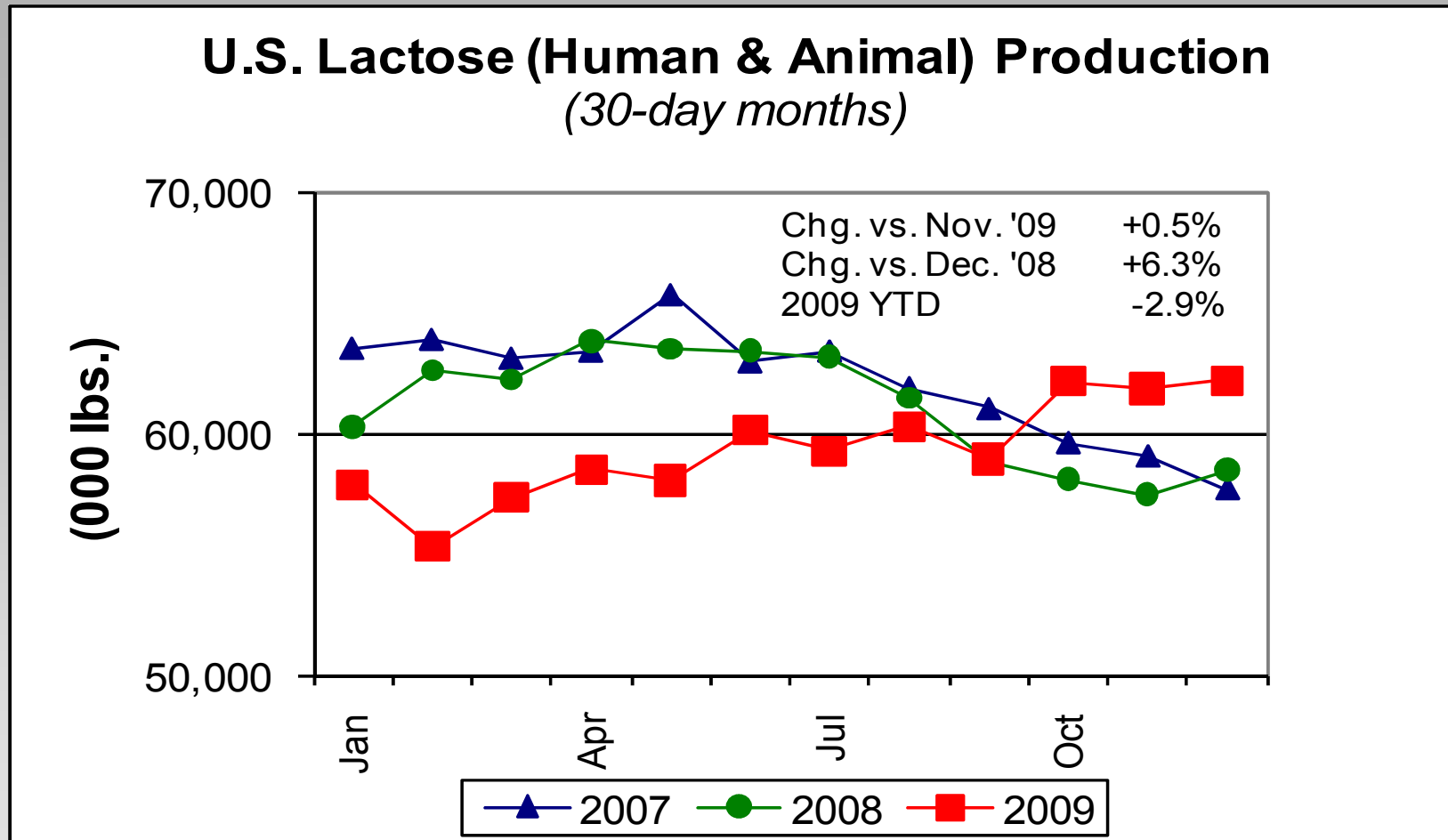


# Dry Whey Exports



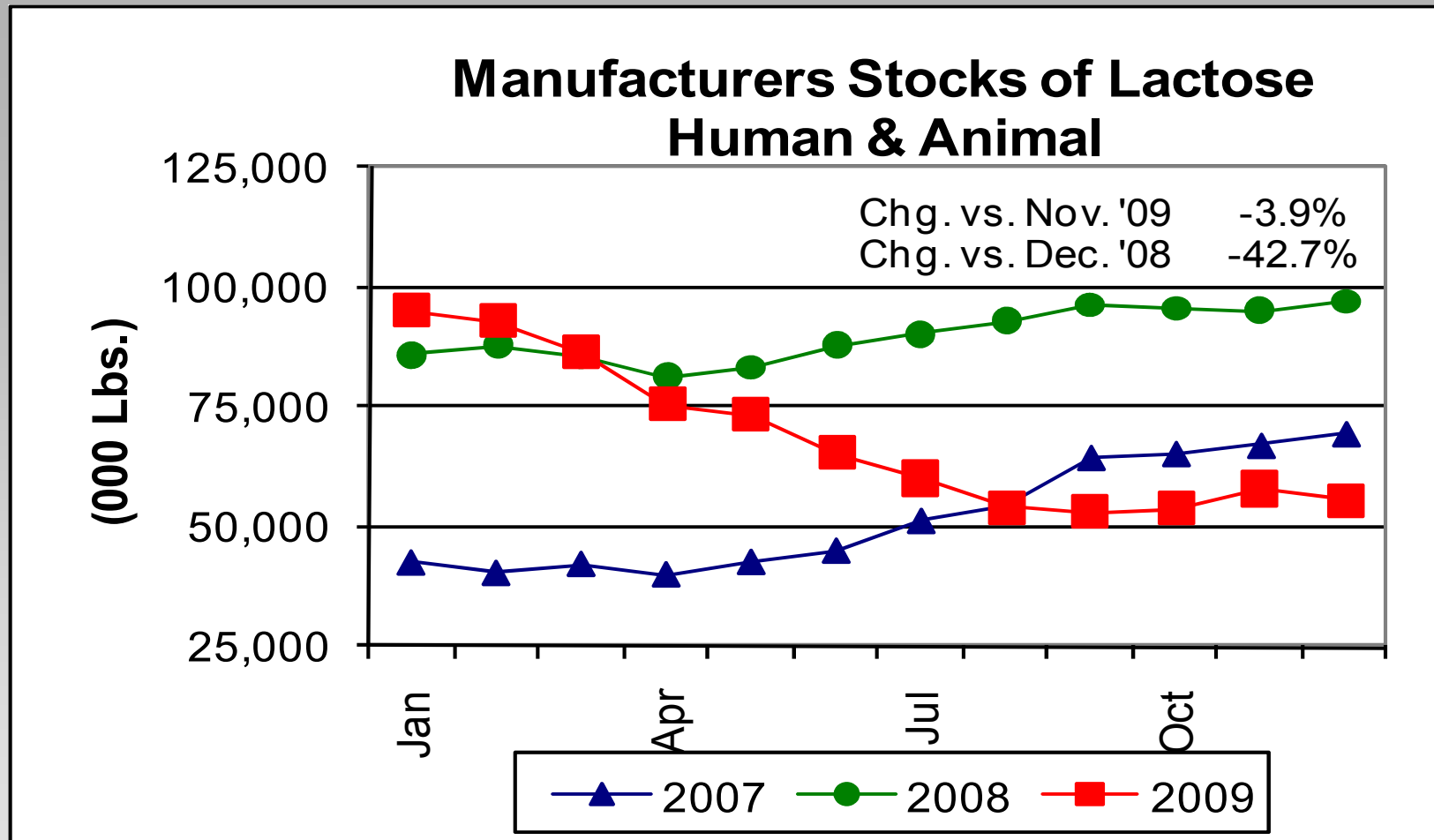


# Lactose Production



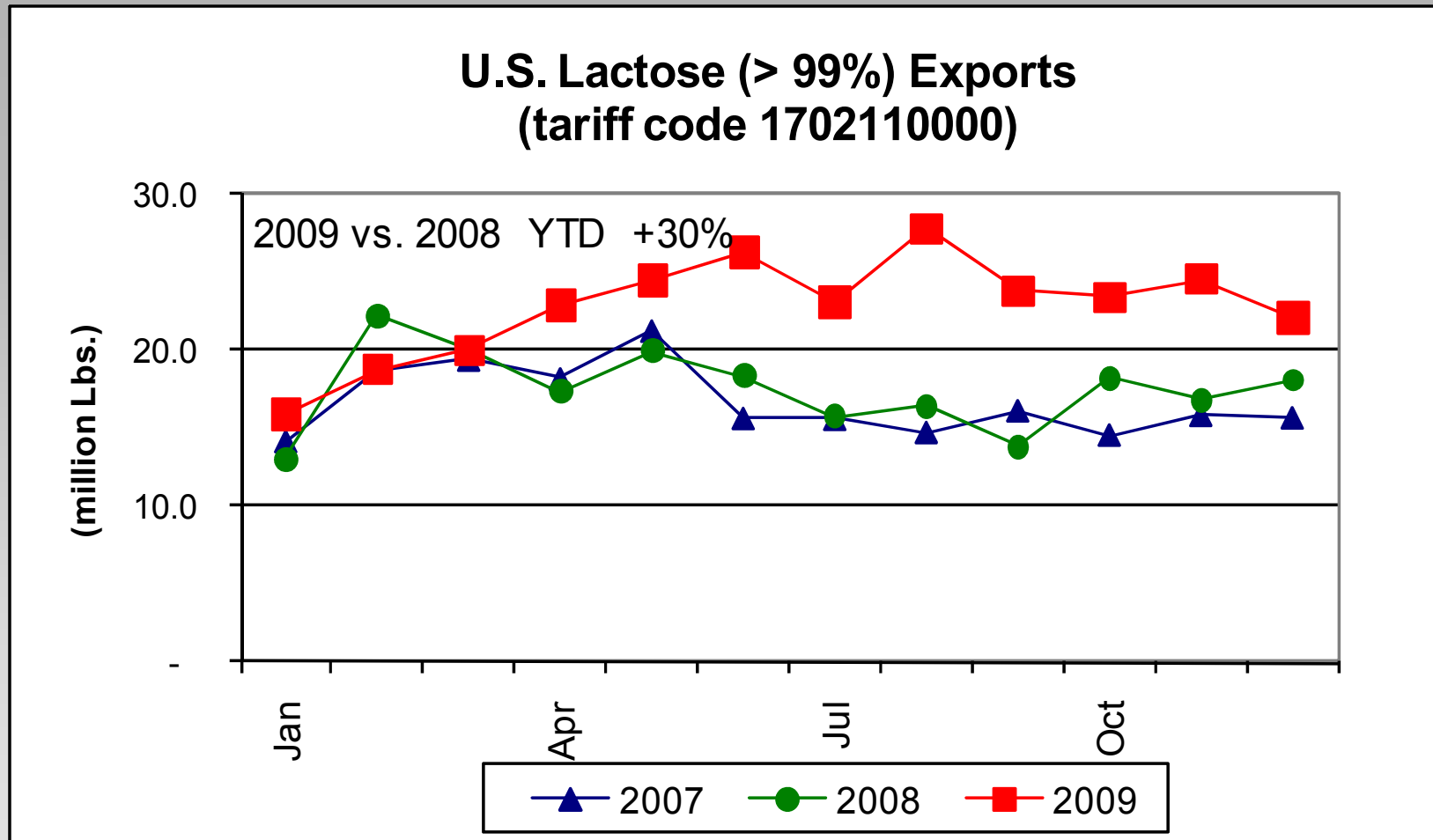


# Lactose Stocks





# Lactose Exports

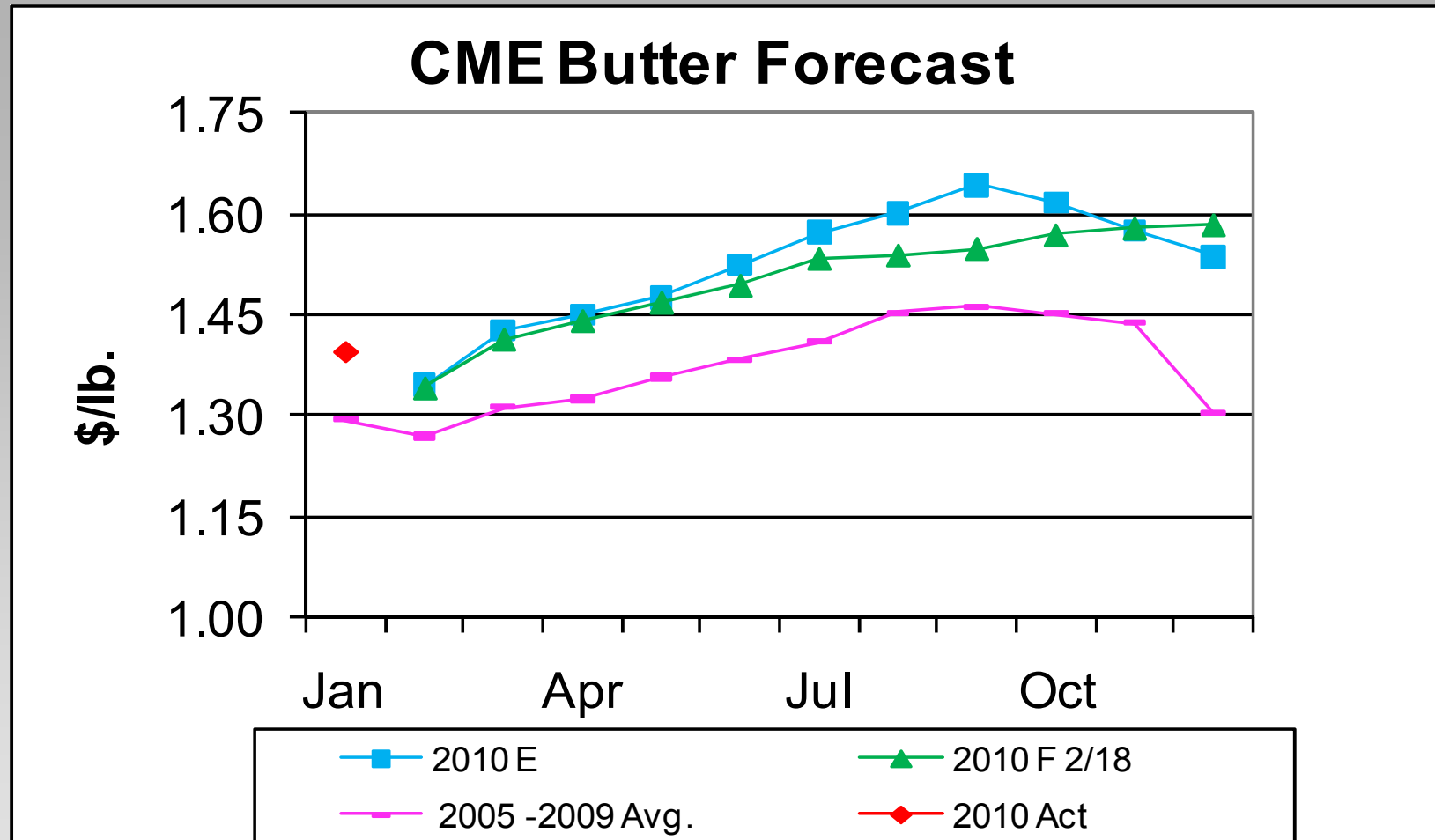




# Milk and Dairy Product Prices and Forecasts

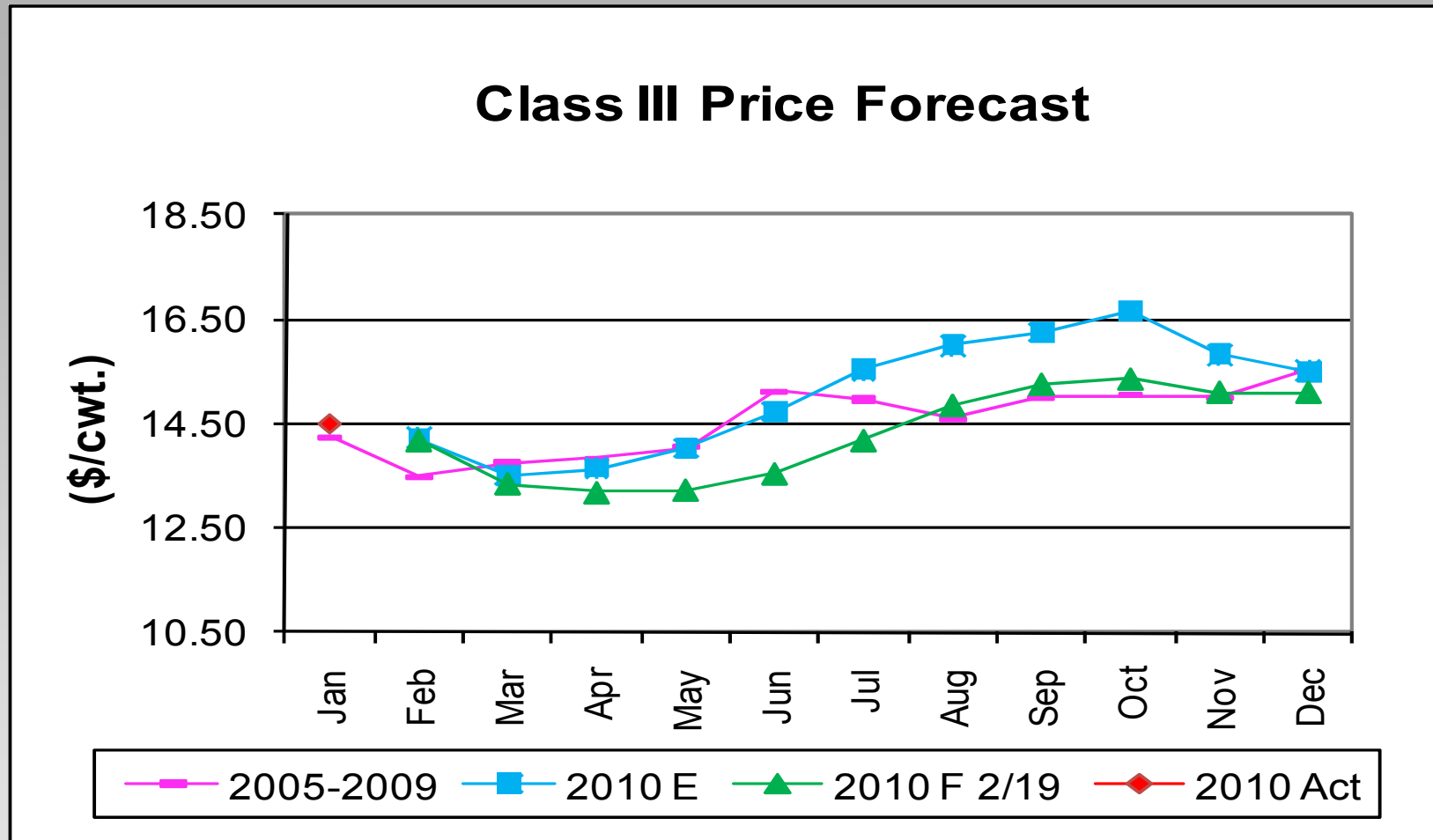


# CME Butter Forecast





# F.O. Class III Price





# Forecast Summary

	2007	2008	2009	2010 E	05 – 09 avg.
Western NFDM	\$1.7624	\$1.2458	\$0.9480		\$1.1594
Lactose Mostly	\$0.7357	\$0.2375	\$0.2154		\$0.3408
Central Dry Whey	\$0.5937	\$0.2336	\$0.2617		\$0.3394
CME AA Butter	\$1.3678	\$1.4631	\$1.2427		\$1.3718
CME 40 lb. Block Cheese	\$1.7578	\$1.8558	\$1.2961		\$1.5282



# Summary

- Milk production is expected to be lower than prior year through May as decrease in dairy herd is not offset by gains in milk per cow.
- U.S. dairy producers are in a position to respond to any significant increase in the milk price by simply decreasing their cull rate.



# Summary

- There is an ample supply of replacement heifers to enter the dairy herd in 2010 and 2011.
- U.S. \$ relationship vs. Euro and NZ \$ is an important factor driving U.S. dairy exports...especially NFDM/SMP.
- U.S. domestic economy not robust enough to support high milk and dairy product prices for more than 4 to 6 weeks.



# Summary

- There is more price uncertainty in the second half of 2010.
- Getting coverage during spring flush is advisable.