



Dairy Week In Review

Dated October 28, 2010

Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Milk Price (Oct) **	\$18.63/cwt.	—	▲ 3.1 %	▲ 24.1 %
Corn (Dec)	\$5.76/bushel	▲ 0.5 %	▲ 14.0 %	▲ 50.0 %
SBean Meal (Oct)	\$336.0/ton	▲ 3.0 %	▲ 9.8 %	▲ 11.1 %
Milk Margin*	\$12.43/cwt.	—	▼ 2.74 %	▲ 54.22%

*Each issue of "Dairy Week in Review" will report on current and projected "Milk Margin," or the dollars remaining per one hundred lbs. of milk after feed is paid for. Milk margin is affected by both milk & feed prices. ** The milk price reported is the Class III futures price for the next month plus a basis of \$1.75, an estimate of what you can expect to see on your milk check next month.

- Cheese stocks increased in September for the first time in 27 years, according to USDA's "Cold Storage" report. Cheese stocks were up 5.2 million pounds to 1.045 billion pounds. American cheese inventories grew 2.1 million pounds to 635.6 million pounds. From 1999-2009, stocks of American cheese declined by an average of 22.7 million pounds. Butter stocks continue to decline, down 17 percent from a year ago, or 21.7 million pounds, to 129.8 million pounds.
- The Class I base price for November is \$17.24, up 66 cents from October and up \$4.38 from November of last year. It is the highest price in two years.
- USDA's latest Consumer Price Index (CPI) Food Forecasts have retail prices for dairy products rising 4.5 – 5.5 percent in 2011. The CPI for all food is expected to rise 2 – 3 percent next year, doubling this year's increase. The Butter CPI is already at a six-year high, reaching 197.5 in September. The Milk CPI in September was 133.6, up 6.5 percent from a year ago, and the Cheese CPI was up 3.4 percent to 206.1.
- In the June – August period, total cheese disappearance was up 4.3 percent from 2009, driven by an 81 percent increase in cheese exports. Butter disappearance was also strong, up 11.3 percent in the June – August period, with almost all of the growth in butter attributed to increased butter exports.

Government & Industry:

- USDA's Risk Management Agency (RMA) announced significant improvements to the Livestock Gross Margin for Dairy Cattle insurance policy, which take effect Dec. 17 - 18, 2010.
 - ⇒ Premiums for LGM-Dairy will now be due at the end of the coverage period rather than at the time of purchase.
 - ⇒ The maximum dollar deductible has been increased from \$1.50 to \$2.00.
 - ⇒ A premium subsidy will now be available for those policies that ensure multiple months during the insurance period.
 - ⇒ Feed values have been updated based on information provided by the National Milk Producers Federation.
- EPA has crafted a "backstop TMDL" to ensure restoration of the Chesapeake Bay. This plan will be used if EPA does not accept the PA Watershed Implementation Plan (WIP). The revised PA WIP will be submitted to EPA in late November. Producers are encouraged to read EPA's backstop TMDL and file comments on what is and is not accepted to PA agriculture. The deadline to file comments with EPA on the backstop TMDL is Nov. 8. Comments can be filed at www.epa.gov/chesapeakebaytmdl.

