



CENTER FOR Dairy EXCELLENCE

Dairy Week In Review

Dated Dec. 1, 2011



Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Milk Price (Nov) **	\$20.85/cwt.	▼ 0.1 %	▲ 5.2 %	▲ 17.5 %
Corn (Dec)	\$6.01/bushel	▲ 0.4 %	▼ 6.9 %	▲ 11.9 %
SBean Meal (Dec)	\$290.3/ton	▼ 0.4 %	▼ 7.0 %	▼ 16.5 %
Milk Margin (Oct)*	\$13.97/cwt.	—	▼ 10.73 %	▲ 2.57%

*Each issue of "Dairy Week in Review" will report on current "Milk Margin," or the dollars remaining per one hundred lbs. of milk after feed is paid for, based on data in the latest "PA Dairy Industry Performance Scorecard." 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.

- According to USDA Ag Prices report, farm profitability on the dairy is declining, with the Income Over Feed Cost down in November to \$8.84 per hundredweight, down 13 cents from October and below the 10-year average of \$9.09. The All-Milk price was estimated at \$19.90 per hundredweight, unchanged from October, while feed costs were up 1 percent. Feed costs were \$11.06 per hundred pounds of milk produced.
- Commercial disappearance of American cheese was down 4.3 percent, with total cheese use down 0.6 percent after being up 5 percent in the first half of 2011. Butter movement remained high in third quarter, with commercial use up 122.2 percent. Disappearance was up almost 10 percent in the first three quarters of the year. Nonfat and skim milk powder use was up 11 percent from a year ago, according to USDA production and inventory.
- The USDA is projecting the price for all food to increase between 3.5 - 4.5 percent in 2011, followed by an increase of 2.5 - 3.5 percent in 2012. Meat prices are projected to climb 6.5 - 7.5 percent in 2011, followed by a 3.5 - 4.5 percent increase next year. The price of dairy and eggs will be up 5 - 6 percent in 2011 from a year ago, while fruits and vegetables will be up 3.5 - 4.5 percent. The increase follows a couple of years of minimal increases, with the USDA noting that food inflation in 2010 was at its lowest level since 1962.

Government/Industry:

- The National Australia Bank is warning that increasing milk production in Australia and New Zealand could lead to lower milk prices in the next 12 months. In some parts of the Oceania region, milk production is up 10 - 11 percent, according to the bank's report, which stated that global prices are currently 48 percent higher than the past decade's average.
- The Center for Dairy Excellence will host a "Mastering the Dairy Business" conference call to provide an outlook for dairy and commodity prices in the next 12 months. Jerry Dryer, chief market analyst with Rice Dairy, will provide a forecast, while Katie Krupa, also with Rice Dairy, will outline risk management strategies. The call will be held on Dec. 15 from 12 - 1:15 p.m.



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