

Class Prices

Federal Orders

April

III: 3.5%, \$10.78/cwt.

IV: 3.5%, \$9.82/cwt.

California April

4b: 3.5%, \$10.41/cwt.

4a: 3.5%, \$9.79/cwt.

Coming up

USDA released the monthly Ag Prices report – including feed price factors to determine final April Milk Income Loss Contract payments – after *Dairy Profit Weekly's* press deadline on May 29. California's May Class 4a-4b milk prices are set to be announced June 1, and federal order Class II, III & IV prices for May will be announced June 5. For daily updates, visit www.dairybusiness.com.

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Protest shelved; co-ops asked to cut milk limits

The grassroots group that had proposed a two-day "National Do Not Ship Milk" protest for May 31-June 1 has shelved the idea in favor of working with California cooperatives to reduce member milk production.

"The idea that received the most support – and would provide immediate relief to dairymen in California – was the plan for all California co-ops to band together and force a 5% reduction in milk supply on their members," said John Gailey of Visalia, Calif. "We thought this would be a better approach to the supply issue. Leaders at the various cooperatives are at least talking to one another. That's a step in the right direction."

USDA expanded the Livestock Gross Margin-Dairy insurance program to four more states – Kentucky, New Mexico, Tennessee and Washington. Under the program, dairy farmers can tailor insurance policies to their specific herd size, setting ceilings on feed prices and floors on milk prices, to lock in a gross margin. Producers in 33 states can purchase policies for 2010, beginning July 31. For more information, visit www.rma.usda.gov.

By many standards, 2008 was "average" year for Northeast dairy producers, according to Joanna Samuelson, with First Pioneer Farm Credit and primary author of the 30th Anniversary Northeast Dairy Farm Summary. Compared to the extremes of 2006 and 2007, 2008 net earnings and return on assets were closer to the five-year average. Net earnings declined to \$383 per cow in 2008, from \$908 in 2007. Looking over the past three decades, 2008 ranks seventh in terms of net earnings per cow.

Regionally, milk prices averaged \$19.59/cwt., down just 93¢ from 2007, keeping average farms "in the black."

"But milk prices are not the whole story," Samuelson said. 2008's net cost of production increased 10% over 2007 and 27% over 2006, she said. Average net cost of production was \$17.88/cwt. Adjusted cash operating expenses hit \$18.92/cwt. in 2008.

Feed costs were the biggest culprit, increasing 17% in 2008, following a 25% increase in 2007. Labor was the second-highest individual cost area, averaging \$2.94/cwt. in 2008, compared to \$2.87/cwt. in 2007. Interest costs were down, but marketing, crop and "other" costs were up. After paying all expenses, 2008's cash margin was \$1.69/cwt., down from \$4.14/cwt. in 2007.

For more information, visit <http://dairywebmall.com/dbcpress/?p=3016>.

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DPW TRENDS

March fluid sales

About 4.8 billion lbs. of packaged fluid milk products were sold in the United States in March 2009, up 2.8% from March 2008. Sales of flavored whole and 2%, organic whole and 2%, regular 2%, 1% and skim milk, and buttermilk increased from March 2008; whole milk sales decreased from a year earlier.

Dairy trade outlook

USDA's forecast of fiscal year (FY) 2009 dairy exports was reduced to about \$2.3 billion, down \$400 million forecast in February, and far below the FY '08 total of \$4.0 billion.

FY '09 U.S. dairy imports are forecast at about \$3.0 billion, up from the February forecast of \$2.9 billion, and equal to the FY '08 total. FY '09 cheese imports are forecast at \$1.1 billion, unchanged from February.

If realized, U.S. dairy trade, which enjoyed a trade surplus of \$1 billion in FY '08, could turn in a deficit of \$700 million in FY '09.

Ag worker wages

U.S. farm operators paid their hired workers an average wage of \$10.84/hour during the April 2009 reference week, up 27¢ from a year earlier. Field workers received \$9.99/hour, up 34¢ from last April, while livestock workers earned \$10.25/hour, compared with \$10.24/hour a year earlier. The field and livestock worker combined wage rate, at \$10.07/hour, was up 23¢ from last year.

Benefits, such as cash bonuses, housing or meals, are not included. Obtain the report at <http://usda.mannlib.cornell.edu/usda/current/FarmLabo/FarmLabo-05-22-2009.pdf>.

Cattle on feed

Fewer cattle on feed should reduce the price impact of cows headed to slaughter through the Cooperatives Working Together program. U.S. slaughter cattle and calves in feedlots with capacity of 1,000 or more head totaled 10.8 million head on May 1, 2009, 3% less than a year earlier. April net placements totaled 1.60 million, 4% more than a year earlier. April fed cattle marketings totaled 1.87 million, 7% less than 2008.

(continued from page 1)

California legislation banning dairy cattle tail docking passed the state Senate, 27-12, and is now being considered in the Assembly. SB 135 would prohibit the tail docking of cattle except during an individual treatment, emergency, or operation performed by a veterinarian under specific conditions.

Also in California, the San Joaquin Valley Air Pollution Control District board voted to suspend a rule (4570) regulating emissions from dairies and other confined animal facilities. The Fifth Appellate District Court ruled the district did not sufficiently address the public health impact of the rule. The rule, which covers about two-thirds of the confined animals in the air basin, requires affected facilities to use waste and feed management practices to reduce the release of contaminants – volatile organic compounds, ammonia and

methane. It also calls for compliance testing, sets up a compliance schedule, and establishes recordkeeping requirements for all facilities.

The air board will now consider the health study at its June meeting and decide whether to re-adopt the rule in its original form, or direct staff to begin the public process for amending the rule.

Futures and Options Trading in Milk and Dairy Products: A Guidebook for Dairy Producers (A3732) has been revised and is available from the University of Wisconsin-Extension. Authors are **Edward Jesse and Robert Cropp**, University of Wisconsin-Madison dairy economists. The 32-page booklet addresses the basic questions concerning futures and options markets and the mechanics of trading from the perspective of the dairy farmer. Cost is \$1.80. For more information, or to order copies, visit <http://learningstore.uwex.edu/Futures-and-Options-Trading-in-Milk-and-Dairy-Products-P1327C0.aspx>.

Wisconsin's dairy industry dodged one budget hit, but producers could feel another. The state legislature's joint committee on finance removed Gov. Jim Doyle's proposed per-animal slaughter tax from the 2009-11 biennial state budget. The proposal would have established a slaughter tax of 14¢ for cattle and 10¢ for calves, raising an estimated \$750,000/year to fund state inspections. According to lawmakers opposed to the tax, Wisconsin's 100 federally inspected slaughter facilities would have paid 97% of the costs to fund additional state inspectors, without receiving the benefits of added inspections.

Another vote by the joint finance committee would substantially increase application fees charged for Wisconsin Pollution Discharge Elimination (WPDES) permits. Typically, farm operations with more than 1,000 animal units (about 700 dairy cows) are required to obtain a WPDES permit. The proposal would raise application fees from \$250 to \$1,200, and assesses an annual fee of \$345 on farm operations with WPDES permits. In addition, the provision gives the state's Department of Natural Resources the authority to establish an annual fee based on the number of animals housed at the permitted facility.

DPW NUMBERS

Canadian dairy heifer imports

• Week ending May 9: 475 head; year-to-date (Y-T-D) total is 5,180.

CCC purchases

• Week of May 18-22: 2.37 million lbs. of nonfortified nonfat dry milk (net); fiscal Y-T-D total is 238.42 million lbs.

Dairy cow culls

• Week ending May 2: 47,300 head; Y-T-D total is 1.024 million, up 111,400 from a year ago.

Herd health

Editors of *Eastern DairyBusiness* and *Western DairyBusiness* conducted an e-mail reader survey, asking producers questions related to herd health. According to survey results:

• The four biggest herd health challenges are: lameness – 42%; clinical mastitis – 39%; fresh cow problems – 34%; and reproductive problems related to disease/health issues – 27%.

• The dairy economy is having an impact, with 50% of respondents saying financial conditions impacted herd health management decisions. About 13% said they were cutting back on herd health testing; and 7% said they were reducing vaccination programs. About 40% said they were culling sooner to reduce overall herd health spending; and 43% said a cow's age, production level and health history were bigger factors in treatment decisions than in the past.

• About 36% said herd health problems were linked to inadequate housing/facilities; 33% cited a lapse in protocols and procedures; and 24% cited the dairy economy.

Federal Reserve banks

First-quarter 2009 surveys of Federal Reserve Bank district lenders indicate it was tough quarter for ag producers, especially dairy farmers. Ag credit conditions are tightening, but lenders said interest rates were down in Chicago, Minneapolis, Kansas City and Dallas Federal Reserve districts. Land values stabilized or fell in the quarter, but rental rates rose. To see a summary of the reports, visit <http://dairywebmall.com/dbcpres/?p=2991>.

DPW

June 1, 2009

This week on DairyLine Market news, views

Log on to www.dairyline.com to find:

• **USDA's latest Cold Storage report** estimated April butter stocks at 242.7 million lbs., up 14% from March, but down 3% from April 2008. The American cheese inventory, at 586.1 million lbs., was up 4% from March and 8% more than a year ago. Total cheese stocks were estimated at 914.1 million lbs., up 2% from March and 7% more than a year earlier.

• While many people think it will be sometime in 2009's fourth quarter or next year before dairy markets rebound, Downes O'Neill dairy broker Dave Kurzawski believes it could happen sooner. With export prices on the rise, the weakness of the U.S. dollar should make U.S. goods very competitive in world markets.

• Cheddar barrel prices usually strengthen as grilling season begins, so it's peculiar barrel prices are weak against blocks, said University of Wisconsin-Madison professor emeritus Robert Cropp. He expects strength in block prices in June, which should pull barrels up, especially if milk output continues to slip.

Subscription questions?

Call 800-334-1904, or e-mail: subscribe@dairybusiness.com.

Dairy Replacements \$/head

Jerome, Idaho (May 27)

Springers (top 100)	1,140 (top)	1,460
Fresh heifers	900-1,125	
Open heifers		
(400-600 lbs.)	132-140/cwt.	

Smiths Grove, Ky. (May 26)

Fresh cows (2-6 yrs.)	920-1,280	
(Jerseys)	920-1,160	
Springers (bred 5-8 mos.)		
(2-3 yrs. old)	1,000-1,410	
(4-6 yrs. old)	900-1,150	
(bred 1-3 mos.)	1,000-1,125	

Open heifers (240-350 lbs)	560-610	
(400-475 lbs.)	630-730	
(550-650 lbs.)	730-780	
(700-850 lbs.)	830-850	
Heifer calves (medium)	180-310	
(medium-large)	330-430	
(small)	110-180	

New Holland, Pa. (May 27)

Fresh cows	1,450-1,600
Heifers (bred 7-9 mos.)	1,350-1,525

Springfield, Mo. (May 26)

Fresh/open cows	900-1,400
Cows (bred 7-9 mos.)	1,290-1,500
(bred 1-6 mos.)	910-1,220
Heifers (bred 7-9 mos.)	1,000-1,500
(crossbreds)	935-1,320
(bred 3-6 mos.)	1,000-1,320
(bred 1-3 mos.)	1,000-1,285

Open heifers (200-300 lb.)	350-500
(300-400 lb.)	510-650
(400-500 lb.)	450-590
(500-600 lb.)	600-755
(600-700 lb.)	790-920
(700-800 lb.)	870-1,025
Heifer calves	350-385

Thomasville, Ga. (May 26)

Fresh cows	1,450-1,550
Open heifers (150-200 lb.)	440-495
(250-400 lbs.)	590
(600-700 lbs.)	725-765
(700-900 lbs.)	925
Calves (1-7 days)	130-210

Sulphur Springs, Texas (May 21)

Springing heifers	950-1,400
Heifers (small)	350-675
(breeding age)	675-940
Calves	75-285

Prices for supreme & approved only. Holsteins unless otherwise noted.

CME Class III Futures 200,000 lbs.; \$/cwt.

Month	2009		2010	
	5/28	5/21	5/28	5/21
Jan.	10.78*	15.08	14.78	
Feb.	9.31*	14.92	14.70	
March	10.44*	15.27	15.10	
April	10.78*	15.72	15.50	
May	9.83	9.80	15.68	15.60
June	10.31	10.16	15.93	15.75
July	11.35	11.15	15.86	15.78
Aug.	12.67	12.60	15.90	15.88
Sept.	13.80	13.80	15.85	15.80
Oct.	14.38	14.38	15.75	15.81
Nov.	14.83	14.71	15.90	16.09
Dec.	14.97	14.86	15.75	15.84

* Actual Class III price

Nonfat Dry Milk/Whey (\$/lb.)

	East/Central		West
	875-8875*	80-86*	26-29*
Nonfat dry milk			
Dry whey			
Animal feed whey			16-21

* Most sales in this range

Source: *USDA Dairy Market News*, May 28

USDA/NASS prices/\$/lb.

Week	Nonfat dry milk	Dry whey
May 23	0.8313	0.2390
May 16	0.8349	0.2347
May 9	0.8275	0.2301

Order Class Prices - \$/cwt Federal orders

Month	I base	II	III	IV
Dec. '08	15.43	11.21	15.28	10.35
Y-T-D '08*	18.00	16.24	17.44	14.65
Jan. '09	15.74	10.41	10.78	9.59
Feb. '09	10.72	10.25	9.31	9.45
Mar. '09	9.43	10.36	10.44	9.64
April '09	10.36	10.49	10.78	9.82
May '09	10.97			
June '09	10.08			

California order

Month	1 North	1 South	4a	4b
2008 ave.*	19.79	20.07	14.49	16.85
Jan. '09	17.42	17.69	9.53	9.02
Feb. '09	11.27	11.55	9.40	10.11
March '09	11.13	11.40	9.67	10.45
April '09	11.58	11.85	9.79	10.41
May '09	12.68	12.96		
June '09	11.70	11.97		

*Year-to-date average

Chicago Mercantile Exchange

	Cheddar Cheese		Butter
	Barrel (\$/lb.)	Block (\$/lb.)	Grade AA (\$/lb.)
May 28	1.1000	1.1500	1.2650
May 21	1.0800	1.1325	1.2650
May 14	1.0800	1.1325	1.2600

USDA/NASS Cheddar Cheese

Week ending	U.S.		MN/WI		Other	
	Barrel (\$/lb.)	Block (\$/lb.)	Barrel (\$/lb.)	Block (\$/lb.)	Barrel (\$/lb.)	Block (\$/lb.)
May 23	1.0994	1.1485	1.1173	1.2221	1.0873	1.1423
May 16	1.1064	1.1654	1.1247	1.2261	1.0906	1.1587
May 9	1.1121	1.1792	1.1256	1.2496	1.1050	1.1743

Grain Futures

May 28, 2009

	Corn \$/bu	Soybeans \$/bu	Soy Meal \$/ton
July '09	4.29	11.79	383.80
Sept. '09	4.39	10.88	346.60
Dec. '09	4.52	10.55*	321.80
Mar. '10	4.63	10.43	310.80
May '10	4.71	10.26	301.80
July '10	4.77	10.22	298.80
Sept. '10	4.65	9.90	289.80
Dec. '10	4.50	9.79**	282.20
Mar. '11	4.61	9.82	281.80

Chicago Board of Trade *Jan. '10 **Nov. '10

Regional Feeds

May 27-28, 2009

	Cotton-seed \$/ton	Soy 46-49% \$/ton	Corn \$/bu.
Madison, WI ¹	320	414	4.20
Zumbro Falls, MN ¹	330	425	4.00
Orangeburg, SC ¹	230	463	5.16
Okeechobee, FL ¹	256	464	5.41
Lynden, WA ²	367	452	5.65
Turlock, CA ²	375	445	5.43
Sulphur Springs, TX ²	325	437	5.16
North Java, NY ²	280	470	NA

1/E.O.B. prices 2/ Approx. delivered prices

* Previous week NA = not available

Distillers Dried Grain

May 27, USDA - (\$/ton)

Eastern Corn Belt	140-155
Chicago	133-140
Lawrenceburg, Ind.	115
Nebraska	140-155
Minnesota	125-140
Kansas	115
Iowa	132-140
Northern Missouri	135-145
St. Louis	140-150
Wisconsin/E. Minnesota	130-145
California	NA

MILC Projected Payments

(\$/cwt.)¹

Month	FY 2009	FY2010
Oct.	0.0000	0.54
Nov.	0.0000	0.25
Dec.	0.0000	0.13
Jan.	0.0000	0.06
Feb.	1.5135*	NA
March	2.0056*	0.14
April	1.60	0.0000
May	1.22	0.0000
June	1.62	0.0000
July	1.42	0.0000
Aug.	1.67	0.0000
Sept.	1.11	0.0000

Annual payment caps apply to fiscal year

1/Projected as of 5/28/09 by Cornell

University (www.cpdmp.cornell.edu)

* Actual payment

Alfalfa Prices

For USDA's weekly hay price report, visit www.ams.usda.gov/mnreports/lswfeedseed.pdf.

Producer groups

• **Western United Dairywomen** will celebrate its 25th anniversary with a special legislative reception at the Sutter Club in downtown Sacramento, Calif., June 24. State lawmakers, staff, agency officials and dairy industry leaders will be invited to join WUD members at the event.

• **Agri-Max Financial Services**, part of **Dairy Farmers of America's (DFA) Farm Services division**, expanded its presence in the southeast United States with the addition of **Charlie Vaughn** of Cookeville, Tenn. Agri-Max provides farm lending options to DFA members.

USDA reports

Just days before the beginning of **June Dairy Month**, USDA released two reports looking back at the dairy industry in 2008:

• **Dairy Products 2008 Summary** reviews monthly and annual dairy product production estimates. Among the highlights, **total cheese production**, excluding cottage cheeses, was 9.93 billion lbs., **1.6% more than 2007**. Wisconsin was the leading state, with 25.4% of the total. **Italian varieties**, at 4.16 billion lbs., were down 1% from 2007 and accounted for 41.9% of total cheese in 2008. **American-type cheese production**, at 4.07 billion lbs., was up 5% accounted for 41.0% of total cheese in 2008. **U.S. butter production** totaled 1.64 billion lbs., up 7.3% from 2007. You'll also find 2008 estimates for **dry milk powders, whey products and frozen products**. To see the report, visit <http://usda.mannlib.cornell.edu/usda/current/DairProdSu/DairProdSu-05-28-2009.pdf>.

• **Dairy Products Prices 2008 Summary**

reviews price reports compiled by the **National Ag Statistics Service (NASS)** for cheddar cheese, butter, nonfat dry milk and dry whey. The prices are used to establish federal milk marketing order minimum prices. NASS surveys 92 qualifying manufacturing plants, collecting wholesale prices. To see the report, visit <http://usda.mannlib.cornell.edu/usda/current/DairProdPrAnn/DairProdPrAnn-05-28-2009.pdf>.

Events

• The **FCStone/Downes-O'Neill Outlook Conference** will be held June 17-18, in Chicago. For a list of speakers and registration information, visit <http://edairy.fcstone.com/outlook/outlook.asp>.

USDA will reactivate the Dairy Export Incentive Program (DEIP) for the July 2008-June 2009 year. U.S. ag secretary **Tom Vilsack announced DEIP allocations** of 68,201 metric tons of nonfat dry milk; 21,097 metric tons of butterfat; 3,030 metric tons of various cheeses; and 34 metric tons of other dairy products. Other individual product and country allocations will be made available through invitations for offers.

DEIP export subsidies help U.S. dairy exporters meet prevailing world prices and encourages the development of international export markets in areas where U.S. dairy products are not competitive due to subsidized dairy products from other countries.

The announcement was greeted enthusiastically by many dairy groups. "Hopefully, this will be another tailwind for dairy prices at a time when obviously things aren't looking too good," **Chris Galen of National Milk Producers Federation (NMPF), told Dairyline Radio.** A fully utilized DEIP will take more than 1.5 billion lbs. of milk off the U.S. market, he said.

The U.S. Dairy Export Council (USDEC) opposes all export subsidies, but will support DEIP until other countries eliminate subsidies across the globe. U.S. subsidies allow U.S. exporters to compete against the European Union (EU) and New Zealand, said **Tom Suber, USDEC president.**

But **New Zealand's prime minister criticized USDA's move,** saying EU is likely to

retaliate with even more subsidies. "The risk is not in the level of subsidy to U.S. producers, but rather that there will be further retaliation from the EU, which is a much larger exporter and capable of much larger subsidies," Peter Key said. **The EU restored some export subsidies earlier this year** to bolster sagging milk prices. New Zealand hasn't had export subsidies for decades.

Rep. Collin Peterson (D-Minn.), chair of the **House ag committee,** said his committee must have a hand in climate change legislation, or no Democrat on the committee will vote for the bill. **The House energy and commerce committee** passed climate change legislation on May 21, setting a national limit on greenhouse gas emissions and creating a "cap and trade" system, enabling sale of "carbon credits."

A bill introduced by Reps. Henry A. Waxman (D-Calif.), committee chair, and Rep. John D. Dingell (D-Mich.) in the **House energy committee** would overhaul the food safety system, giving **U.S. Food and Drug Administration more power in product recalls and levying legal sanctions.** Growers and processors would have more responsibility to ensure their products are safe.

U.S. transportation secretary Ray LaHood said he plans to **reinstate a pilot program to inspect Mexican trucks and allow them to come into the United States.** The United States stopped the program in an amendment to the omnibus spending bill in

March. In retaliation, **Mexico slapped tariffs on many U.S. imports, most of them farm goods.** As many farm organizations argued, LaHood said the cross-border program is required under the **North American Free Trade Agreement.**

Margaret Hamburg, former assistant secretary for U.S. Department of Health and Human Services and health commissioner for New York City from 1992-1997, was sworn in as head of the **U.S. Food and Drug Administration.**

The **United Nations' Food and Agriculture Organization** launched a new Internet portal listing **legislation and research animal welfare standards, practices and policies on livestock welfare.** FAO calls the portal "Gateway to Farm Animal Welfare." Find it at www.fao.org/ag/againfo/programmes/animal-welfare/en.

USDA added Rapid City, S.D., to the list of **National Animal Identification System** listening sessions. It will be held June 11.

The **World Organization for Animal Health** gave Japan "controlled risk" status for **bovine spongiform encephalopathy,** which should free up more markets to Japanese beef. It also means **Japan will be pressured to permit more imports of beef from Canada,** which has the same risk status.

Congress returns from its Memorial Day recess on June 1.

DPW

June 1, 2009

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