

Class Prices

Federal Orders

May

III: 3.5%, \$9.84/cwt.

IV: 3.5%, \$10.14/cwt.

California May

4b: 3.5%, \$9.54/cwt.

4a: 3.5%, \$10.03/cwt.

No issue next week

Dairy Profit Weekly takes its annual July 4 vacation next week, so there will be no issue for the week of July 6, 2009.

But, check in for daily *Dairy Profit Weekly* news updates at www.dairybusiness.com.

May the second half of 2009 be a farsight better than the first half.

This Issue

- NMPF seeks higher CCC purchase prices
- DPW Trends: Cull cow slaughter
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NMPF seeks temporary boost to government dairy purchases prices

The National Milk Producers Federation (NMPF) asked USDA to boost its purchase prices for cheese and milk powder for a three-month period (July through September) to bolster milk prices.

In a letter to U.S. ag secretary Tom Vilsack on June 26, NMPF requested USDA raise the purchase price for **cheese blocks** from \$1.13 to \$1.19/lb.; **barrel cheese** from \$1.10 to \$1.16/lb.; and **nonfat dry milk powder** from 80¢ to 84¢/lb. The current price levels were written into the 2008 Farm Bill, but USDA has the authority to increase those prices, according to NMPF. **Jerry Kozak, NMPF president and CEO**, calculated raising the price support levels for cheese and nonfat dry milk will hike farmer income by \$235 million this year.

NMPF also asked USDA to **authorize Dairy Export Incentive Program (DEIP) bonuses** for the new fiscal year that begins July 1. Fully implemented, DEIP could help clear another 1.7 billion lbs. of milk from the U.S. market, it said.

Heat has noticeably reduced milk production from Florida and the Southeast to the Midwest, according to weekly updates from *Dairy Market News* and *Dairy Profit Weekly* contacts.

Parts of **Florida** last week topped 100 degrees Fahrenheit for five consecutive days, reducing milk production by 10%-15% within a week. Some **Southeast** plants reduced manufacturing as a result of declining intakes. In the **Upper Midwest**, dairy production was dropping 3-10 lbs. per cow after several days of high heat and humidity. *Dairy Market News* said contacts in **California** indicated milk production is now off the spring peak, with hotter temperatures expected in the upcoming week. **Arizona** milk production is beginning to fall at a faster rate as conditions warm up. There was an unusual spell of 17 days when temperatures did not top 100 F., but that has changed. Weather conditions in the **Pacific Northwest** have been cooler than expected, although many report milk production is coming down from spring peaks.

A federal judge has **consolidated five lawsuits against Dairy Farmers of America (DFA)**, related to a settlement with the **Commodity Futures Trading Commission (CFTC)** over alleged cheese and milk futures market manipulation by former executives. Judge John Heyburn II, of the U.S. Panel on Multidistrict Litigation, ordered the consolidation of the proposed class action suits, filed on behalf of several raw milk buy-

(continued on page 2)

DPW TRENDS

↕ Cull cow slaughter

USDA's National Ag Statistics Service (NASS) estimated 211,700 culled dairy cows were slaughtered under federal inspection in May, **down about 3,400 head from April 2009**, but **17,000 more than May 2008**.

January-May 2009 cull cow slaughter totaled about **1.189 million head**, up about 110,500 head from January-May 2008. **About 62% of year-to-date (Y-T-D) culling increases were in Mountain and West regions.**

The NASS figures are **slightly lower than estimates reported** in USDA's *Dairy Market News*. Based on last week's report, Y-T-D slaughter for the week ending May 30 was **1.223 million head**, up **136,200 head** from the same period in 2008.

↗ MILC payments

Declines in milk futures prices more than offset **declines in corn and soybean futures prices** during the past week, **raising forecasted Milk Income Loss Contract (MILC) program payments (see DPW Markets)**. The **May MILC payment rate** will be announced on June 29, after USDA releases final U.S. average May feed prices in its **Ag Prices report**, which will determine the MILC feed adjuster.

↘ Cattle on feed

U.S. slaughter cattle and calves in feedlots with capacity of 1,000 or more head totaled **10.4 million head** on June 1, 2009, **4% less than a year earlier**. May **net placements** totaled 1.64 million, **about 14% less** than a year earlier. May **fed cattle marketings** totaled 1.95 million, **9% less** than 2008.

↔ Crop conditions

USDA's weekly **Weather and Crop Bulletin** shows that after a slow start, **corn and soybean crops are approaching near normal conditions**, and about two-thirds of both crops are rated good to excellent in the most recent survey. **Next week**, USDA will provide an a clearer picture of the dairy feed situation, updating **Grain Stocks** and **Planted Acreage** estimates.

(continued from page 1)

ers. One suit, filed in the Middle District of Florida, was transferred to the **Northern District of Illinois**, where four initial lawsuits were filed, and assigned to **Judge William J. Hibbler**.

The **Ninth Circuit Court of Appeals** left in place an **injunction barring Monsanto from selling Roundup Ready alfalfa seed** until USDA completes a study on how the genetically modified crop may affect neighboring crops. A permanent injunction was issued on May 3, 2007 following a lawsuit brought by the **Center for Food Safety and others** against USDA as *Geertson Seed Farms, Inc. et. al v. Mike Johanns, et. al*. It prohibited the ongoing sale and planting of Roundup Ready alfalfa while USDA completed a court-ordered environmental impact statement.

Nonfat dry milk (NDM) and dry whey have been showing price improvement, **Bob Cropp**, professor emeritus, University of Wisconsin-Madison, noted in his monthly dairy outlook. While the Commodity Credit

Corporation continues to purchase NDM weekly under the support program, Western NDM is selling for 86.5¢/lb. More domestic interest and some improved exports have increased West dry whey prices to 29¢-31¢/lb. Earlier in the year, dry whey was selling for around 15¢/lb. per pound. This **increase adds 80¢-90¢/cwt. to the Class III price**, offsetting only partially the effect of depressed cheese prices, Cropp said.

Cropp said USDA's estimates that dairy exports for the year will be down 57% (fat basis) or 25% (skim solids basis) from last year is like putting 3%-4% more milk on the domestic market.

Weak demand is to blame for low milk prices, not dairy imports, said **Andrew Novakovic, Cornell professor of agricultural economics**. Barring imports wouldn't help U.S. milk prices much. Instead, it would **get the United States in trouble with World Trade Organization regulations and trade retaliation**, he said.

The U.S. has exported 2% to 3% of its total dairy production, or about 5 billion lbs. in milk equivalent, annually over the last decade. In 2007 and 2008, when the market favored exports, U.S. exports doubled while imports declined 25% to 30%.

This year, **exports and imports are returning to historical levels**, Novakovic said. "I think it is essentially impossible for the U.S. to consider dialing back the clock on dairy import controls," he said.

Legislation covering care of dairy and beef cattle and layer hens, supported by farm organizations, was introduced in the Michigan legislature. The bill establishes a set of standards that **producers must meet by 2020**, gives oversight of animal welfare to the state Department of Agriculture, and creates an advisory council and third-party auditing system.

In the West, a **California dairy task force will meet, July 7**. Among issues to be discussed is analysis by **Dr. Richard Sexton**, University of California-Davis, on Cooperatives Working Together and Growth Management Plan/Dairy Stabilization Plans, identifying their strengths, weaknesses and unintended consequences.

DPW NUMBERS

Canadian dairy heifer imports

• **Week ending June 6:** 271 head; year-to-date (Y-T-D) total is 6,347.

CCC purchases

• **Week of June 15-19:** 7.93 million lbs. of nonfortified nonfat dry milk (net); fiscal Y-T-D total is 258.36 million lbs.

Dairy cow culls

• **Week ending May 30:** 48,800 head; Y-T-D total is 1.223 million, up 136,200 from a year ago.

DEIP bonuses

Last week, the editor of *Dairy Profit Weekly* confused **Dairy Export Incentive Program (DEIP)** report numbers. To bring you up to speed, Commodity Credit Corporation bids accepted under DEIP for the period June 10-25:

• **Hoogwegt U.S.:** 19 metric tons (MT) of mozzarella cheese (bonus – \$100/MT), and 416 MT nonfat dry milk (NDM, at average bonus of \$180.21/MT). Total: \$76,870.

• **DairyAmerica:** 8,418 MT NDM at an average bonus of \$126.30/MT. Total: \$1.06 million.

• **Dairy Farmers of America:** 76 MT cheddar cheese (bonus of \$100/MT). Total: \$7,600.

• **P.S. International, Ltd.:** 144 MT NFDN (average bonus of \$183.21/MT); 144 MT anhydrous milkfat (bonus of \$1,050/MT). Total: \$56,700.

• **Bershire Dairy:** 19 MT NFDN (average bonus of \$110.18/MT). Total: \$2,093.

• **James Farrell:** 99 MT butter (average bonus of \$850/MT). Total: \$84,150.

• **West Point Dairy:** 1,200 MT butter (average bonus of \$850/MT). Total: \$1.02 million.

Total Y-T-D bonuses: \$2.33 million.

Farm Aid petition

Farm Aid said more than 13,200 people signed its petition to **U.S. ag secretary Tom Vilsack**, asking him to **set a support price for milk based on cost of production** to help struggling dairy producers.

DPW

June 29, 2009

This week on DairyLine

Cold storage; task force

• **USDA's Cold Storage report** estimated May **butter** stocks at 251.1 million lbs., up 5% from April, but down 7% from May 2008. The **American cheese** inventory, at 608.3 million lbs., was up 3% from April and 7% more than a year ago, and the highest in five years, according to CME *Daily Dairy Report* editor **Alan Levitt**. **Total cheese** stocks were estimated at 957 million lbs., up 5% from April, 9% more than a year ago, and the largest inventory since August 1985."

• **National Milk Producers Federation's Chris Galen** said a meeting of the **Strategic Planning Task Force** with other dairy groups – to discuss the economic and political feasibility of proposals to improve the financial state of dairy producers – will be held in July.

Subscription questions?

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

Dairy Replacements \$/head

Jerome, Idaho (June 24)

Springers (top 150)	1,160 (top)	1,420
Open heifers		
(400-500 lbs.)	125-158/cwt.	
(500-600 lbs.)	145/cwt.	

Smiths Grove, Ky. (June 23)

Fresh cows (2-6 yrs.)	900-1,280
Springers (bred 5-8 mos.)	
(2-3 yrs. old)	925-1,200
(Jersey)	910-1,050
Bred 1-3 mos.	860-1,080
Open heifers (160-250 lbs)	390-460
(350-450 lbs.)	615-680
(550 lbs.)	740
Heifer calves (medium)	190-240
(medium-large)	240-350
(small)	110-160

New Holland, Pa. (June 24)

Fresh cows	1,050-1,350
Cows (bred 7-9 mos.)	1,100-1,200
Heifers (bred 7-9 mos.)	1,050-1,425
(bred 4-6 mos.)	1,000-1,175
Open heifers (300-600 lbs.)	825-925
(600-900 lb.)	900-1,025

Norwood, Mo. (June 12)

Fresh/open cows	1,150-1,375
Cows (bred 7-9 mos.)	1,025-1,240
Heifers (bred 7-9 mos.)	1,150-1,325
(bred 3-6 mos.)	1,025-1,280
Open heifers (500-600 lbs.)	675-820
(600-700 lb.)	735-810
Crossbreds	715-735
(700-800 lb.)	835-960
Crossbreds	775-825
Heifer calves	180-355
(Jerseys)	195-210
(Crossbreds)	130-250

Sulphur Springs, Texas (June 18)

Fresh cows	800-1,075
Springing heifers	810-1,110
Heifers (small)	350-740
(breeding age)	510-850
Calves	50-340

Thomasville, Ga. (June 23)

Fresh cows	1,450-1,500
Springers (2-4 yrs.)	1,150-1,500
Open heifers (250-400 lb.)	470-500
(600-700 lbs.)	650-780
(700-900 lbs.)	770-825
Calves (1-7 days)	70-280

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

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

Month	2009		2010	
	6/25	6/18	6/25	6/18
Jan.	10.78*	14.03	14.00	
Feb.	9.31*	14.08	13.98	
March	10.44*	14.60	14.49	
April	10.78*	14.85	14.72	
May	9.84*	14.91	14.92	
June	9.92	9.89	15.23	15.40
July	10.15	10.13	15.34	15.70
Aug.	10.98	11.62	15.40	15.70
Sept.	11.95	11.79	15.47	15.70
Oct.	12.74	12.90	15.18	15.59
Nov.	13.70	13.48	15.20	15.70
Dec.	13.97	13.82	15.29	15.70

* Actual Class III price

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

	East/Central		West
Nonfat dry milk	.89-.9225*		.80-.86*
Dry whey	.27-.285*		.30-.32*
Animal feed whey	.16-.21		

* Most sales in this range

Source: *USDA Dairy Market News*, June 25

USDA/NASS prices/\$/lb.

Week	Nonfat dry milk	Dry whey
June 20	0.8464	0.2755
June 13	0.8516	0.2667
June 6	0.8383	0.2630

Order Class Prices - \$/cwt Federal orders

Month	I base	II	III	IV
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	10.71	9.84	10.14
June '09	10.08			
July '09	10.26			

California order

Month	1 North	1 South	4a	4b
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	10.03	9.54
June '09	11.70	11.97		
July '09	11.88	12.15		

*Year-to-date average

Chicago Mercantile Exchange

	Cheddar Cheese		Butter
	Barrel	Block	Grade AA
	(\$/lb.)	(\$/lb.)	(\$/lb.)
June 25	1.0800	1.1200	1.2050
June 18	1.0700	1.1275	1.2050
June 11	1.0975	1.1500	1.2275

USDA/NASS Cheddar Cheese

Week ending	U.S.		MN/WI		Other	
	Barrel (\$/lb.)	Block (\$/lb.)	Barrel (\$/lb.)	Block (\$/lb.)	Barrel (\$/lb.)	Block (\$/lb.)
June 20	1.1173	1.1494	1.1336	1.2260	1.1058	1.1431
June 13	1.1245	1.1478	1.1345	1.2387	1.1154	1.1390
June 6	1.1092	1.1426	1.1187	1.2231	1.1031	1.1348

Grain Futures

June 25, 2009

	Corn	Soybeans	Soy Meal
	\$/bu	\$/bu	\$/ton
July '09	3.82	11.96	397.30
Sept. '09	3.90	10.52	337.30
Dec. '09	4.01	10.05*	305.80
Mar. '10	4.14	9.99	294.40
May '10	4.21	9.85	287.70
July '10	4.29	9.83	286.00
Sept. '10	4.23	9.56	277.00
Dec. '10	4.16	9.44**	265.00
Mar. '11	4.27	9.45	264.00

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

Regional Feeds

June 24-25, 2009

	Cotton-	Soy	46-49% Corn
	seed	\$/ton	
Madison, WI ¹	275	415	3.70
Zumbro Falls, MN ¹	285	445	3.90
Orangeburg, SC ¹	207	479	4.76
Okeechobee, FL ¹	257	478	5.15
Lynden, WA ²	342	456	5.26
Turlock, CA ²	365	455	5.04
Sulphur Springs, TX ²	300	441	4.79
North Java, NY ²	259	480	4.95

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

* Previous week NA = not available

Distillers Dried Grain

June 24, USDA - (\$/ton)

Eastern Corn Belt	140-153
Chicago	144-145
Lawrenceburg, Ind.	115
Nebraska	114-145
Minnesota	123-130
Kansas	105-128
Iowa	130-140
Northern Missouri	120-138
St. Louis	155-165
Wisconsin/E. Minnesota	122-150
California	165

MILC Projected Payments (\$/cwt.)¹

Month	FY 2009	FY2010
Oct.	0.0000	1.2327
Nov.	0.0000	0.8006
Dec.	0.0000	0.4348
Jan.	0.0000	0.3309
Feb.	1.5135*	0.2744
March	2.0056*	0.2603
April	1.5863*	0.0908
May	1.5202	0.0000
June	1.6796	0.0000
July	1.5986	0.0000
Aug.	1.5443	0.0000
Sept.	1.4607	0.0000

Projected as of 6/23/09 by NMPF (www.nmpf.org/milk_pricing/milc_payments)

* Actual payment

Alfalfa Prices

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

Consumer spending

Consumer confidence is higher, but that doesn't mean consumers are spending more. According to Rabobank's Food & Agribusiness Research and Advisory executive director Stephen Rannekleiv, consumers, once focused on premium products, now place a premium on value – and are unlikely to revert back to their old ways once the recession recovers. Rannekleiv said many pre-recession spending trends were somewhat unsustainable, and the recession is creating more price-sensitive consumers looking for less expensive alternatives and increasing coupon use.

Companies

• **Saputo Inc.** will acquire **F&A Dairy of California**, Newman, Calif., a manufacturer marketer and distributor of mozzarella and provolone cheese and whey products. F&A Dairy produced about 60 million lbs. of cheese and had sales of about \$140 million last year. A July 20 closing is expected.

• **Dreyer's Grand Ice Cream** said **Dreyer's, Edy's and Nestlé** branded ice cream and frozen dessert/snack products are not impacted by the recall of **Nestlé Toll House** refrigerated cookie dough products.

People

• **Mary Hill**, Jackson, Miss., was named an at-large member to the **National Fluid Milk Processor Promotion board**. She will begin her term on July 1.

• **Dick Eiting**, who spent his entire 47-year career at **White Clover Dairy**, Kaukauna, Wis., will receive the **2009 Wisconsin Dairy Products Association Presidents Award**, July 12.

• **W. Anthony Vernon** was named president, **Kraft Foods North America**, effective in mid-August.

Promotions

• A video presentation, "**Ohio Dairy Farmers: Hear Our Stories**," can be found at www.ohiodairyfarmers.com/stories.aspx.

Events

• The **American Farmers for the Advancement and Conservation of Technology (AFACT)** will hold the **2nd Annual AFACT Summit**, July 22-23, in Minneapolis, Minn. Registration information can be found at <http://itisafact.org>.

A vote on **U.S. House climate change legislation** was expected on Friday, after *Dairy Profit Weekly's* press deadline. A compromise brokered by **Rep. Collin Peterson (D-Minn.)** seemed to appease many in agriculture.

According to **National Milk Producers Federation president and CEO Jerry Kozak**, the compromise allowed USDA to be the regulatory body responsible for establishing how farming operations could create offsets under a **cap-and-trade scenario**; allowed **livestock operations with manure digesters** already in place to participate in the offset program; and **allowed for a wide variety of practices** to be considered offsets, such as reduced tillage practices, nitrogen efficiencies and changes in livestock diets that reduce methane.

The **American Farm Bureau Federation (AFBF)** urged a "no" vote on the bill, saying it would reduce U.S. farm income \$5 billion annually, with little or no environmental benefit. However, **both the National Farmers Union (NFU) and American Farmland Trust** urged passage of the bill.

Sen. Kirsten Gillibrand (D-N.Y.) said she will introduce a **bill doubling the amount of money producers receive from the Milk Income Loss Contract (MILC) program**, at a cost of \$200 million. Increased payments would be retroactive to March 2009. She wants the bill passed before Congress leaves for its August recess. Gillibrand, a member of the Senate ag committee, said she **will call**

for hearings on reforming the milk pricing system. The committee will hold a special meeting in Batavia, N.Y., in August.

Some producers were misinformed about their **MILC eligibility** with respect to Adjusted Gross Income (AGI), according to NMPF. The MILC payments are limited to producers with nonfarm AGI below \$500,000. However, for MILC, there is no limit with respect to farm AGI. Farm AGI was redefined last year to include many farm-related enterprises (www.fsa.usda.gov/Internet/FSA_File/agi2009.pdf). **NMPF urges careful reading** of form CCC-926, the "Statement of Adjusted Gross Income," found at http://forms.sc.egov.usda.gov/efcommon/eFileServices/Forms/CCC0926_081120V01.pdf.

The group of **World Trade Organization (WTO) ministers** that deals with agriculture scheduled a series of negotiations this summer in an effort to get Doha round talks back on track. Those talks fell apart a year ago over agricultural issues.

The **Food and Drug Administration** announced the **Reportable Food Registry** will go into effect, Sept. 8. Food manufacturers will be required to report contaminated food products or food that could have serious health consequences for humans or animals.

The **Senate environment committee** approved the **Clean Water Restoration Act**, which amends the Clean Water Act by replacing the term "navigable waters" with "waters

of the United States." It now goes to the full Senate. AFBF said the change will hurt agriculture by expanding the power of the federal government under the Clean Water Act.

Meanwhile, the **House appropriations committee** passed the **2010 appropriations bill for EPA**, with a provision that allows the agency to calculate indirect land use when measuring greenhouse gas emissions for the renewable fuel standard.

A year-long **U.S. Senate investigation** concluded **excessive speculation on the futures market** played a part in last year's wheat price surge. **The CME Group**, parent of the Chicago Board of Trade, disputed the report, saying it was contradicted by other studies.

The **National Family Farm Coalition** and NFU applauded introduction of the **Trade, Reform, Accountability, Development and Employment (TRADE) Act**. Introduced by Rep. Michael Michaud (D-Maine), the bill offers stricter standards for imported food and allows for countries to **practice food sovereignty principles** to protect family farmers.

U.S. Reps. Tammy Baldwin (D-Wis.), Frank Pallone (D-N.J.) and Tim Murphy (R-Pa.) introduced the **Veterinary Public Health Education and Workforce Act (H.R. 2999)**. The bill would create new programs for training veterinarians and offers additional federal support for them to protect public health.

DPW

June 29, 2009

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