

Dated October 21, 2009

Federal and State Dairy Policy:

- On Nov. 1, dairy support prices will revert back to \$1.13 for blocks, \$1.10 for barrels and 80 cents for NDM. USDA's temporary increase in support prices had very little effect on the market, with no cheese sold to the CCC since July and net sales of powder of -645,000 pounds. When USDA announced the increase, it projected the increase would stimulate an additional 150 million lbs. of powder and 75 million lbs. of cheese sold to the CCC.

Dairy Prices	Price	Chge. From Week Ago	Chge. from Month Ago	Chge. From Year Ago
Milk Price (Oct.) **	\$15.01/cwt.	▲ 0.3%	▲ 5.4%	▼ 20.1%
Corn (Dec.)	\$3.84/lb.	▲ 8.6%	▲ 9.9%	▼ 19.1%
SBean Meal (Sept.)	\$298.6/ton	▲ 4.1%	▼ 1.1%	▲ 2.2%
Milk Margin*	\$7.23/cwt.	—	▲ 11.2%	▼ 35.7%

**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 \$2.25, which provides an estimate of what producers can expect to see on their milk check for the coming month.*

Markets:

- According to the "Livestock, Dairy & Poultry Outlook," USDA projects cow numbers to continue to decline into 2010, to below 9 million by first quarter next year. This will be partially offset by continued growth in production per cow, driven by cheaper feed. Milk production is forecast to fall 0.9 percent next year to 187.2 billion lbs. As a result, prices are forecast to be 20-30 percent higher. USDA forecasts the Class III price to average \$13.85 to \$14.75. The Class IV price is expected to average \$12.00 to \$13.00 per hundredweight.

Industry:

- Milk production in the U.S. fell 0.7 percent in September, with cow numbers down by 168,000 head, offset by a 1.4-percent increase in production per cow. Pennsylvania's milk production was up 1.0 percent, with cow numbers down 6,000 head while production per cow jumped 2 percent. Arizona, California and Colorado saw the biggest declines in production, down 10.8, 6.4 and 7.1 percent, respectively.
- Retail milk prices were higher in September after falling for nine straight months. Both the Milk and Cheese Consumer Price Index increased in August, according to the Bureau of Labor Statistics, while the price for butter fell slightly. The increase in the Cheese CPI was the first since August 2008.
- Maryland and Virginia Milk Producers Cooperative distributed nearly \$2 million to aid producers. The payment was 10 cents on all milk produced from Jan. through Aug. and came out of 13th check funds typically distributed in February.

Events:

- The Pennsylvania Dairy Profitability Forum will be held in two locations this week. Held at the PA Farm Show Complex in Harrisburg on Oct. 27 and at the Clarks Mills United Methodist Church near Mercer on Oct. 28, the event will address what has happened in the marketplace and what policy changes are being pursued on behalf of producers, while offering low-cost ideas for enhancing returns. Participation in the event is free. Call 717-346-0849 to register.

