



CENTER FOR Dairy EXCELLENCE

Dairy Week In Review

Dated Dec. 8 2011



Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Milk Price (Dec) **	\$20.24/cwt.	▼ 3.0 %	▼ 1.8 %	▲ 23.5 %
Corn (Dec)	\$5.82/bushel	▼ 3.2 %	▼ 12.0 %	▼ 2.3 %
SBean Meal (Jan)	\$284.0/ton	▼ 3.1 %	▼ 7.5 %	▼ 23.7 %
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.*

- The USDA Dairy Products report shows butter production up 19.6 percent from a year ago to 146.1 million pounds in October, while total cheese production was up 1.7 percent to 896.1 million pounds. Cheddar cheese production was down 5.8 percent, while mozzarella cheese production was up 1.4 percent. The gain in total cheese production was driven by an 8 percent gain in output of other varieties, driven mainly by increases in Colby and Monterey jack. Dry whey production was down 1.4 million pounds from a year earlier to 76.5 million lbs. in October, the lowest October production level since 1984.
- The November Class III price is \$19.07, up \$1.04 from October and up \$3.63 from a year ago. The Class IV price was down 54 cents from October to \$17.70 per hundredweight, up \$1.19 from a year ago. Class III future prices for the first half of 2012 are up nearly a dollar in the past four weeks.

Government/Industry:

- Recent increases in Class III milk price futures, along with a decline in corn and soybean meal prices on the Chicago Mercantile Exchange, have produced expected margins above \$13 for all ten months of the LGM Dairy policy period in 2012. Expected margins for next summer are still at historically high levels. Funds for LGM Dairy are nearly exhausted, so sales opportunities in December will be minimal. However other risk management strategies are available through milk cooperatives and brokerage firms. For help in developing your risk management strategy, contact Alan Zepp, risk management program coordinator of the Center for Dairy Excellence, at 717-346-0849 or azepp@centerfordairyexcellence.org.



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