



Dairy Week In Review

Dated September 1, 2010

Markets:

Dairy Prices	Price	Chge. from Week Ago	Chge. from Month Ago	Chge. from Year Ago
Milk Price (Aug) **	\$16.90/cwt.	—	▲ 9.0 %	▲ 16.2 %
Corn (Sept)	\$4.32/bushel	▲ 9.0 %	▲ 13.0 %	▲ 32.5 %
SBean Meal (Aug)	\$302.5/ton	▼ 3.5 %	▲ 0.5 %	▼ 21.0 %
Milk Margin*	\$11.64/cwt.	—	▲ 1.02 %	▲ 70.67 %

*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 \$1.75, an estimate of what you can expect to see on your milk check next month.

- On-farm dairy profitability improved for the fourth straight month in August, according to USDA's *Ag Prices* report. The all-milk price for August is estimated at \$16.60 per hundredweight, up 60 cents from July and the highest since November 2008. Feed costs increased about 2 percent from the prior month. Corn prices were up 16 cents to \$3.65/bushel, while soybean prices increased 31 cents to \$10.10/bushel. Income over feed costs was up \$9.57 per hundredweight, up 47 cents from July.
- *Dairy Market News* reports that the 2010-11 production season is getting under way in New Zealand and Australia, with farmers optimistic for a strong start to the year. Strong demand for whole milk powder from China over the last two years has put pressure on New Zealand's milk supply, leaving less available for butter and skim milk powder. Stocks of all commodities are low.

Government & Industry:

- The USDA issued a final rule last week amending the definition of Class I fluid milk products, now that it has been approved by producer referenda in all the Federal Milk Marketing Orders. It becomes effective Jan. 1, 2011, and will maintain the current 6.5% nonfat milk solid standard, while incorporating an alternative 2.25% true milk protein criterion to determine whether a product meets the compositional standard for fluid milk products.
- "Fuel Up to Play 60" is kicking off its second year. An in-school nutrition and physical activity campaign initiated by the National Dairy Council and National Football League, the program encourages schools to take action on getting healthy and eating right. It will be implemented in more than 60,000 schools during the 2010-11 school year, reaching 36 million students.
- USDA's Risk Management Agency announced approved revisions to the Livestock Gross Margin for Dairy (LGM Dairy) insurance plan. The revisions will be implemented later this fall and include revisions to the timing period, an addition of a premium subsidy for multiple months, updated feed values and an increase in the maximum deductible.
- Last week, Cooperatives Working Together approved two bids to provide assistance on exports of 291,000 pounds of butter. Delivery will take place in September and October. Since late March, CWT has agreed to bonuses for 41.9 million pounds of cheese and 33.1 million pounds of butterfat.
- Fonterra, New Zealand's largest company which controls 30 percent of the world's dairy exports, has expanded U.S. operations with rental of a 500,000-square-foot warehouse near Chicago's O'Hare Airport. The warehouse will serve as a distribution point for products shipped from New Zealand to U.S. ports.

