Dairy Situation and Outlook

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May Milk Production Up 1.3%, April Revised Up 0.1%

May 2010 23 major dairy states milk production increased 1.3%. Production per cow was up by 55 pounds from one year ago. Milk cow numbers were 143,000 less than May 10 but 4000 more than April 2010. March 10 milk production was revised up 0.1%, an increase of 9 million pounds.

Iowa April 10 milk production was 0.6% higher compared to one year ago. Cow numbers were 3000 less compared to one year ago and milk production per cow was 35 pounds higher than one year ago.

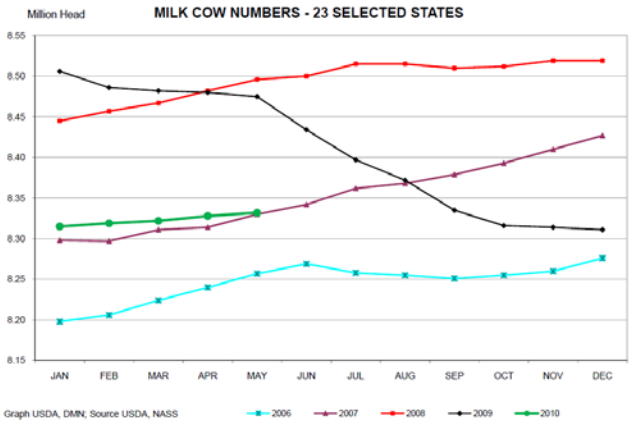
Milk Production: Selected Dairy States, May 2010

State	thousands 2009 cow numbers	thousands 2010 cow numbers	% change cow numbers	pounds 2009 milk per cow	pounds 2010 milk per cow	% change milk/cow	million pounds 2009 total milk production	million pounds 2010 total milk production	% change total milk
Iowa	215	212	-1.40%	1785	1820	1.96%	384	386	0.54%
MN	469	470	0.21%	1680	1740	3.57%	788	818	3.79%
WI	1256	1261	0.40%	1745	1840	5.44%	2192	2320	5.86%
IL	102	101	-0.98%	1670	1720	2.99%	170	174	1.98%
CA	1815	1750	-3.58%	1935	2010	3.88%	3512	3518	0.16%
CO	128	117	-8.59%	2000	2050	2.50%	256	240	-6.31%
KS	121	116	-4.13%	1835	1860	1.36%	222	216	-2.83%
ID	553	557	0.72%	1910	1930	1.05%	1056	1075	1.78%
AZ	184	172	-6.52%	2055	2170	5.60%	378	373	-1.29%
NM	332	324	-2.41%	2145	2160	0.70%	712	700	-1.73%
PA	547	541	-1.10%	1710	1750	2.34%	935	947	1.22%
NY	623	610	-2.09%	1820	1850	1.65%	1134	1129	-0.47%
TX	430	410	-4.65%	1835	1880	2.45%	789	771	-2.31%
23-State	8475	8332	-1.69%	1834	1889	3.00%	15543	15739	1.26%
US 1st quarter	9331	9090	-2.58%				46735	46265	-1.01%

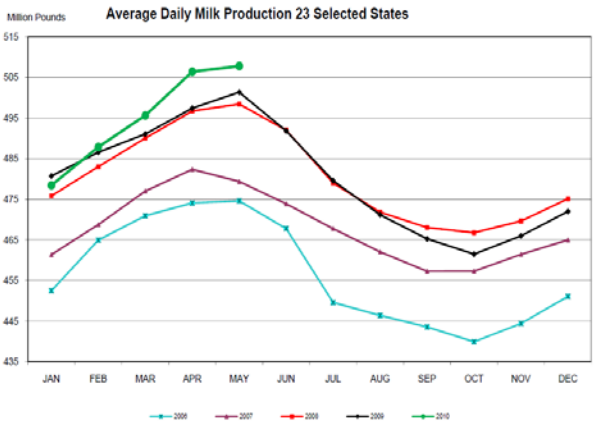
Of the 23 dairy states, Mo had the largest decline in milk production again, -7.5%; they lost cows and only gained 10 pounds milk per cow. The second largest milk drop was CO with -6.3% due to 9000 less cows. WI had 5000 more cows and 95 pounds more milk per cow for a 6.2% total milk increase which was the largest milk increase.

The 2009 Annual Milk production analysis made by Progressive Dairyman puts Iowa milk per operation in 29th place, $305,835. That is down $1011 per cow from 2008. Iowa milk production was 1.39% higher in 2009 than 2008. Nebraska was ranked 18th in milk value per

operation, $565,621. That is $886 less than 2008. Nebraska milk production was up 11.08% from 2008. 1.203 billion pounds of milk were produced in NE during 2009.



Source: Dairy Market News



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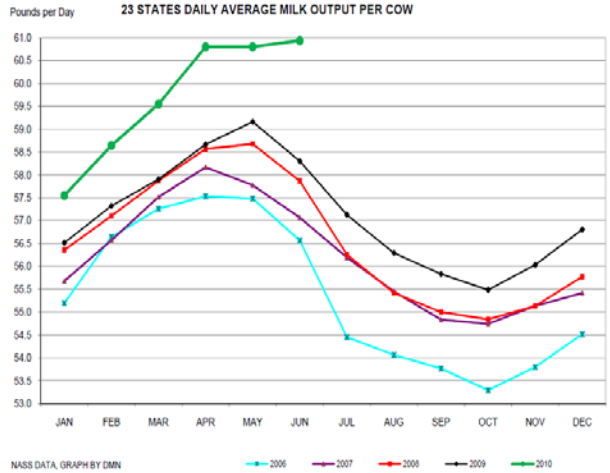

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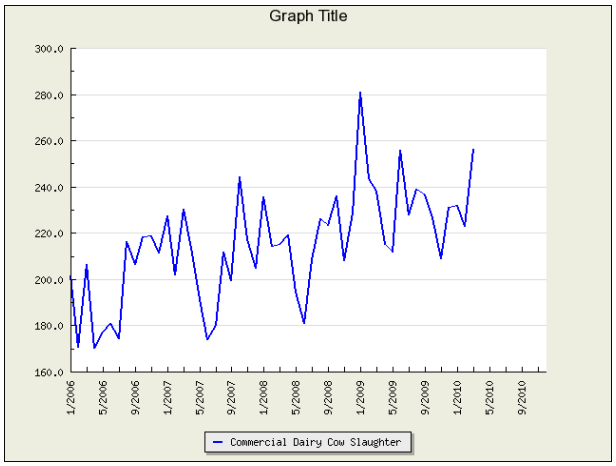


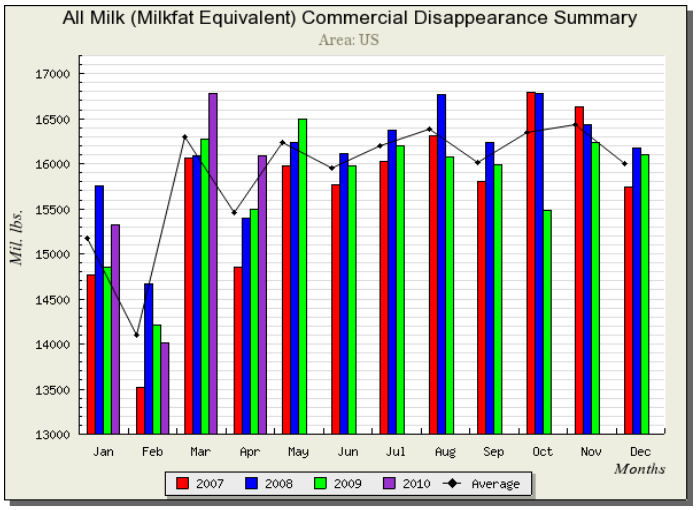
Source: Understanding Dairy Markets, U of WI

USDA's "Livestock Slaughter" report said dairy producers sent 209,100 dairy cows to slaughter during May 2010, less than April 2010. During the first 5 months of 2010 total culling is 2.9% below the same period one year ago. So far June culling is less than one year ago when a CWT retirement was underway.

Demand or Disappearance

Fluid milk demand continues to weaken. YTD fluid milk consumption is off by 0.9% compared to one year ago, 0.3% more than the previous report. April 10 fluid milk consumption was -1.6% from April 09 and -0.9% year to date. Jan 10-April 10 total commercial disappearance is up 1.7%, much improved compared to last month's report. Total fluid milk sales include organic milk.

Total Organic milk product sales are up 10.7% for April and up 4.6% year to date.

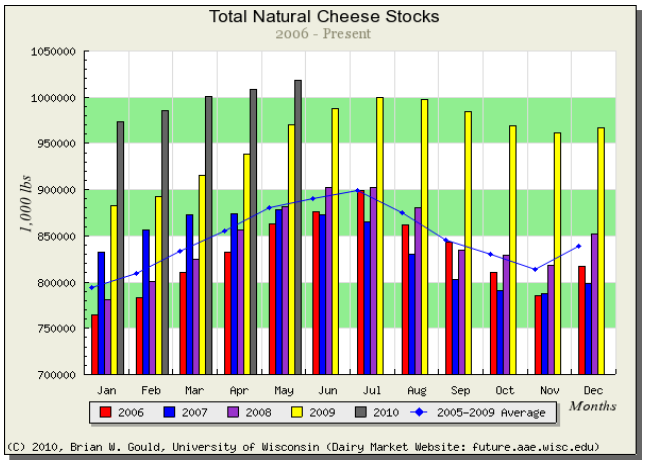


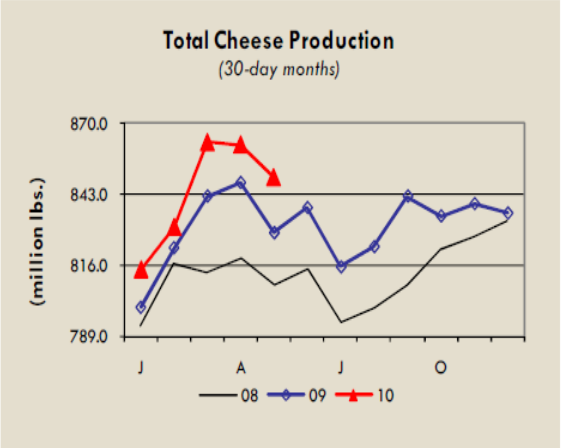
Dairy Product Manufacture: May 2010

Product	thousands pounds	May 09 % change	April 10 % change
Butter	139,178	-5.60%	-1.3
Cheese, total	856,100	2.50%	1.8
Cheddar	287,422	-0.40%	5.7
Other American	80,599	2.90%	-5.3
Swiss	27,487	5.00%	1.5
Italian Style	345,905	6.80%	0.08
NDM	150,452	2.60%	1.3
Sour Cream	91,775	-1.80%	1.2
Yogurt	339,917	3.30%	7.5
Dry Whey, total	87,125	2.90%	-1.2
Lactose	71,655	6.30%	3.6
WPC	34,705	3.40%	0.6
Frozen	1000 gal		
Ice cream, regular	80,604	2.00%	4.7
Ice cream, lowfat	36,115	3.30%	-3.3

Source: Understanding Dairy Markets, U of WI

Source: Dairy Products





Source: Understanding Dairy Markets, U of WI

Source: Daily Dairy Report.Com

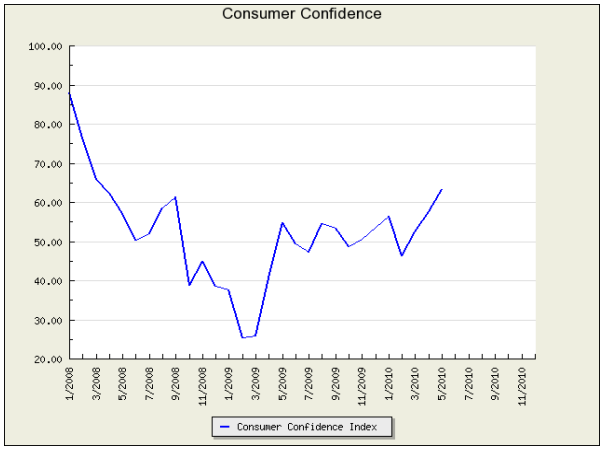
"Cheese stocks have remained large compared to the 5-year average. And at just over 1 billion pounds, the largest inventory since Nov 1984." That was my comment from the last two month's dairy note. And guess what; we have added more cheese when the May stocks report came out. Excellent milk per cow and weaker fluid milk production means more cheese is getting made.

Analysis

USDA's most recent Dairy Outlook continues projections of higher milk production due to moderate feed costs. USDA also describes slowing liquidation of the US dairy herd. A large

inventory of dairy heifers are being freshened and with lower feed prices milk per cow will increase. It is projected to increase by 2% for 2010.

USDA projects commercial disappearance by 1.2% for 2010 and 1.5% for 2011. They believe domestic cheese use will increase for the last half of 2010 and during 2011. USDA does expect some increase in milk price over the next few months. Based on their projected cheese prices, Class III prices for 2011 may average near $15. That does not help in the short run where Dec 2010 Class III futures prices are closing around $14.50.



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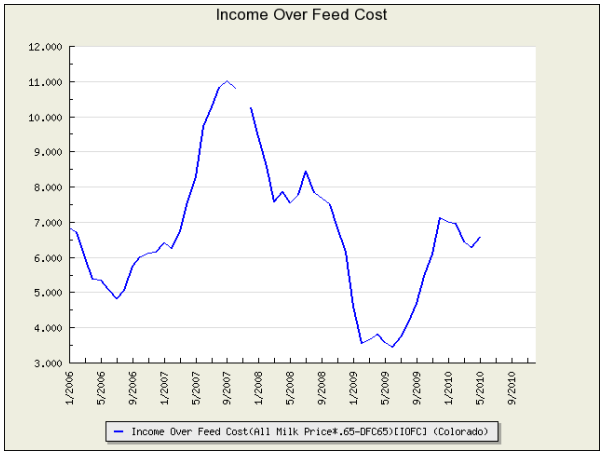

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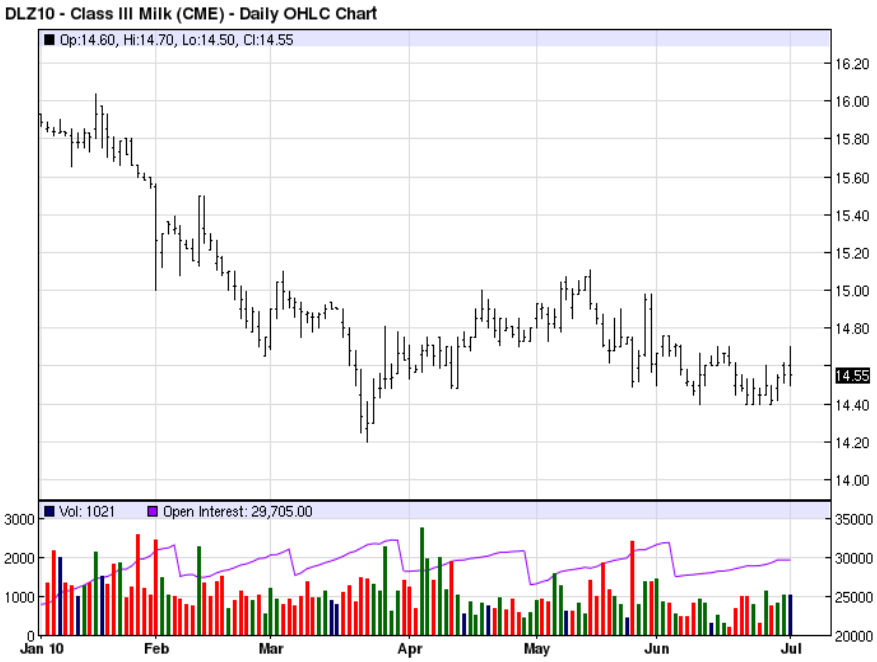

Source: Barchart.com