Dairy Situation and Outlook

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June Milk Production Up 2.7%, April Revised Up 0.3%

June 2010 23 major dairy states milk production increased 2.7%. Production per cow was up by 67 pounds from one year ago. Milk cow numbers were 87,000 less than June 09 but 10000 more than May 2010. May 10 milk production was revised up 0.3%, an increase of 40 million pounds.

Iowa June 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 50 pounds higher than one year ago.

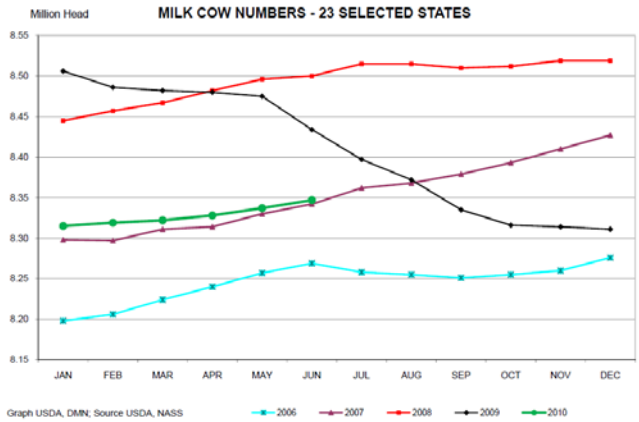
Nebraska 2010 2nd quarter milk production was -1.3% due to 4000 fewer cows. That compares to -1.4% for the first quarter when there were 2000 fewer dairy cows.

Milk Production: Selected Dairy States, June 2010

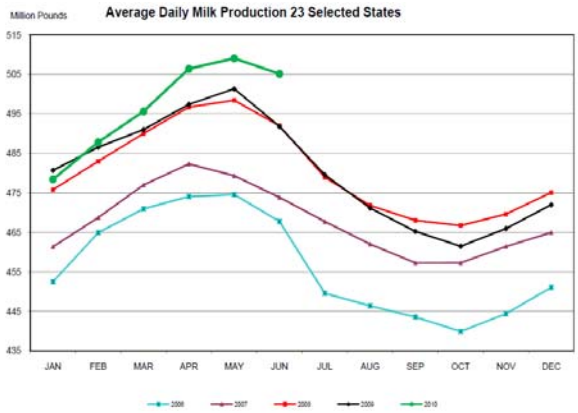
State	thousands 2009 cow numbers	thousands 2010 cow numbers	% change cow numbers	pounds 2009 milk per cow	pounds 2010 milk per cow	% change milk/cow	million pounds 2009 total milk production	million pounds 2010 total milk production	% change total milk
Iowa	215	212	-1.40%	1710	1760	2.92%	368	373	1.49%
MN	469	470	0.21%	1630	1660	1.84%	764	780	2.06%
WI	1257	1262	0.40%	1700	1780	4.71%	2137	2246	5.12%
IL	102	101	-0.98%	1570	1615	2.87%	160	163	1.86%
CA	1804	1751	-2.94%	1820	1940	6.59%	3283	3397	3.46%
CO	126	117	-7.14%	1940	2025	4.38%	244	237	-3.07%
KS	118	118	0.00%	1735	1755	1.15%	205	207	1.15%
ID	549	559	1.82%	1880	1910	1.60%	1032	1068	3.45%
AZ	176	174	-1.14%	1940	2045	5.41%	341	356	4.21%
NM	327	325	-0.61%	2050	2080	1.46%	670	676	0.84%
PA	545	541	-0.73%	1630	1660	1.84%	888	898	1.09%
NY	623	610	-2.09%	1700	1740	2.35%	1059	1061	0.22%
TX	428	410	-4.21%	1710	1775	3.80%	732	728	-0.56%
23-State	8434	8347	-1.03%	1749	1816	3.83%	14751	15158	2.76%
US 2nd quarte	9262	9111	-1.63%				48888	49724	1.71%

This is a broken record but of the 23 dairy states, MO had the largest decline in milk production again, -7.5%; they lost cows, 9000, and but gained 45 pounds milk per cow. The second largest milk drop was CO with -2.9% due to 9000 less cows. WI had 5000 more cows and 80 pounds more milk per cow for a 5.12% total milk increase, which was the largest milk increase. Six states had a total milk increase above 4%.

Second quarter US milk was reported in the most recent USDA Milk Production report. Wyoming had the largest total percentage increase in milk, 28.8%, due to a 20% rise in milk cow numbers. New Jersey was the big loser due a drop of 1000 cows and thus -14.3% less milk.



Source: Dairy Market News



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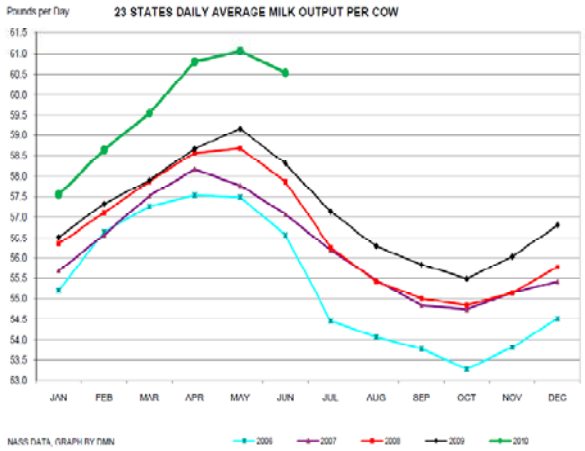

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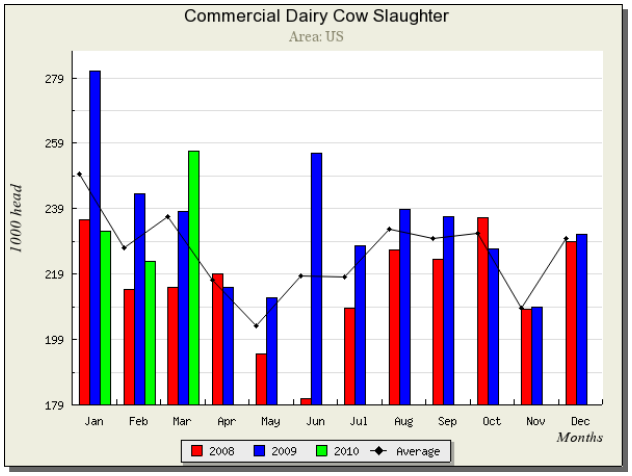


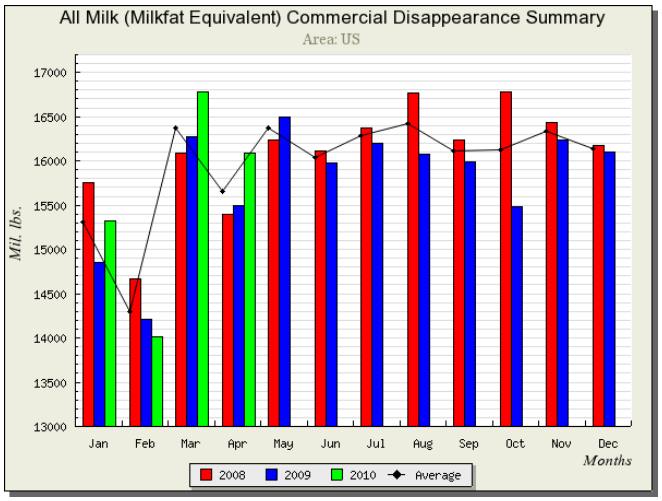
Source: Understanding Dairy Markets, U of WI

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, the same as the previous report. May 10 fluid milk consumption was -0.9% from May 09. Total fluid milk sales include organic milk. Total Organic milk product sales are up 16.5% for May and up 8.5% year to date.

USDA recently corrected their commercial disappearance report. The correct Jan 10-April 10 total commercial disappearance is up 2.2%. Butter consumption is up 3.6%, total American cheese demand down 0.6% and other cheese consumption is up by 4.1%.

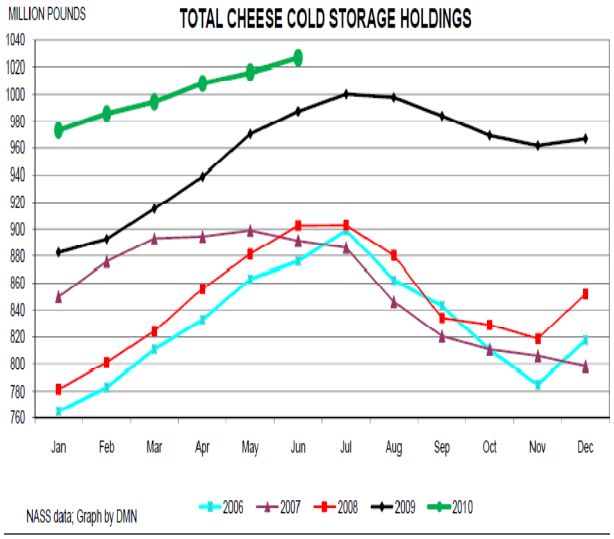


Source: Understanding Dairy Markets, U of WI

Dairy Product Manufacture: May 2010

Product	thousands pounds	May 09 % change	April 10 % change
Butter	131,436	-5.60%	-1.3
Cheese, total	877,880	2.50%	1.8
Cheddar	286,331	-0.40%	5.7
Other American	82,936	2.90%	-5.3
Swiss	28,867	5.00%	1.5
Italian Style	369,511	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	89,674	2.90%	-1.2
Lactose	75,064	6.30%	3.6
WPC	35,889	3.40%	0.6
Frozen	1000 gal		
Ice cream, regular	82,208	2.00%	4.7
Ice cream, lowfat	37,317	3.30%	-3.3

Source: Dairy Products



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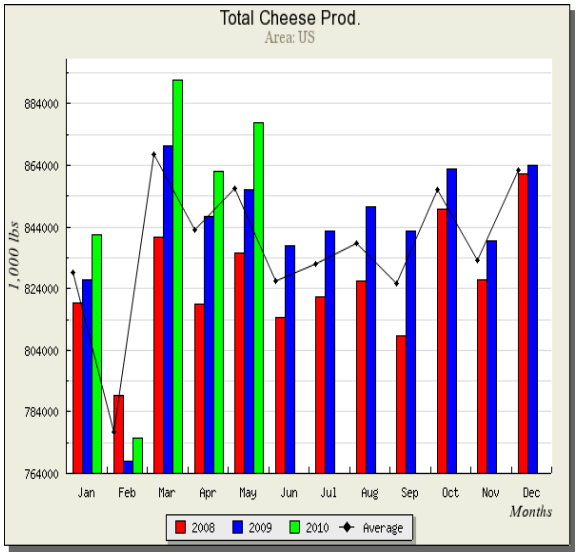


Source: Understanding Dairy Markets, U of WI

"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 three month's dairy notes. And guess what; we have added more cheese when the June Cold Storage report from USDA came out. Excellent milk per cow and weaker fluid milk consumption means

more cheese is getting made. Even though consumption is up so far this year, we continue to add to cheese in storage.

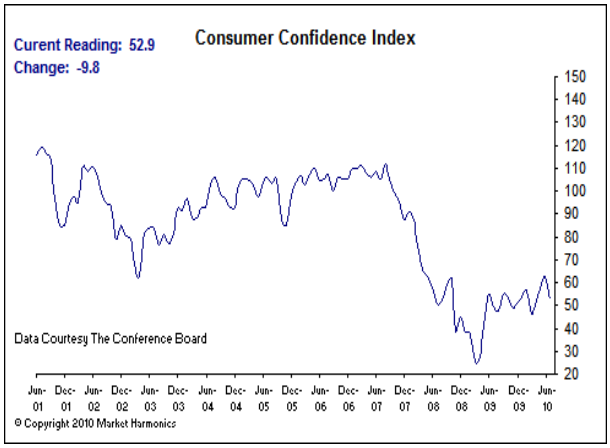
Analysis

YTD feed prices have been much more favorable to increase milk production per cow, compared to 2009 but not as good as 2008. IOFC has retreated some since February 2010 but it is much better than Oct 09. The Milk-Feed Price ratio is just over 2.3. This ratio would indicate that dairy herd expansion is unlikely, but we have continued to add cows to the dairy herd for several months. The July 2010 Cattle report from USDA indicates that milk cow replacement heifer inventory is 3% higher than July 09. The heifers are available to milk so dairy producers, who have already sunk costs into raising them, will freshen them and try to recapture those costs. USDA is projecting slower dairy cow losses moving forward.

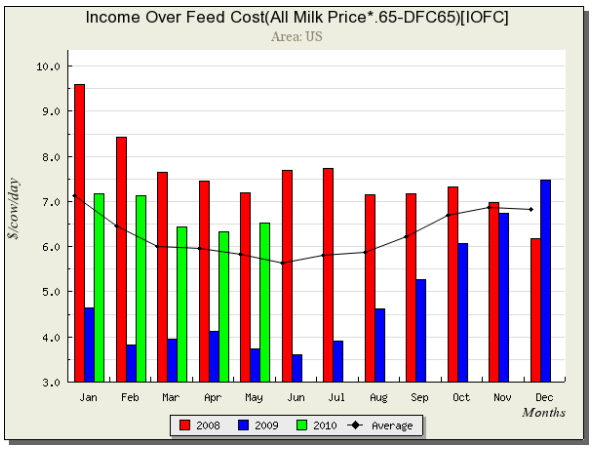
The Fluid Milk and Cream Review reports that milk intakes are declining and some manufacturing interests are looking for additional supplies. It also projects much lower total July intakes.

Oceania cheese markets are mostly steady, with sales negotiations winding down. Other Oceania product prices, butter, are weakening. NZ is projected to increase 3-14% in milk production while Australia is projected up 1-2% for the 2010-2011 production season.

Dec 10 Class III milk has traded in a very tight range on the CME this June and July. We have a lot of cheese in inventory and it is hard to imagine that the US economy will pick up in activity in the near future to change the psychology of the marketplace. Production declines are necessary in the short-run to affect that psychology. CWT recently announced that 194 July bids were accepted, fewer than some reports were expecting.



Source: Market Harmonics.com



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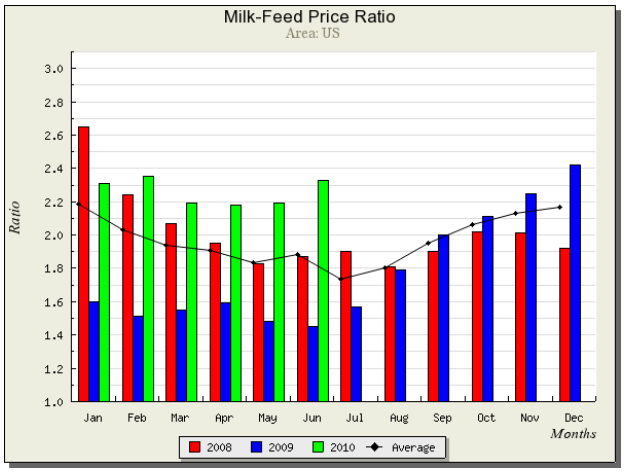

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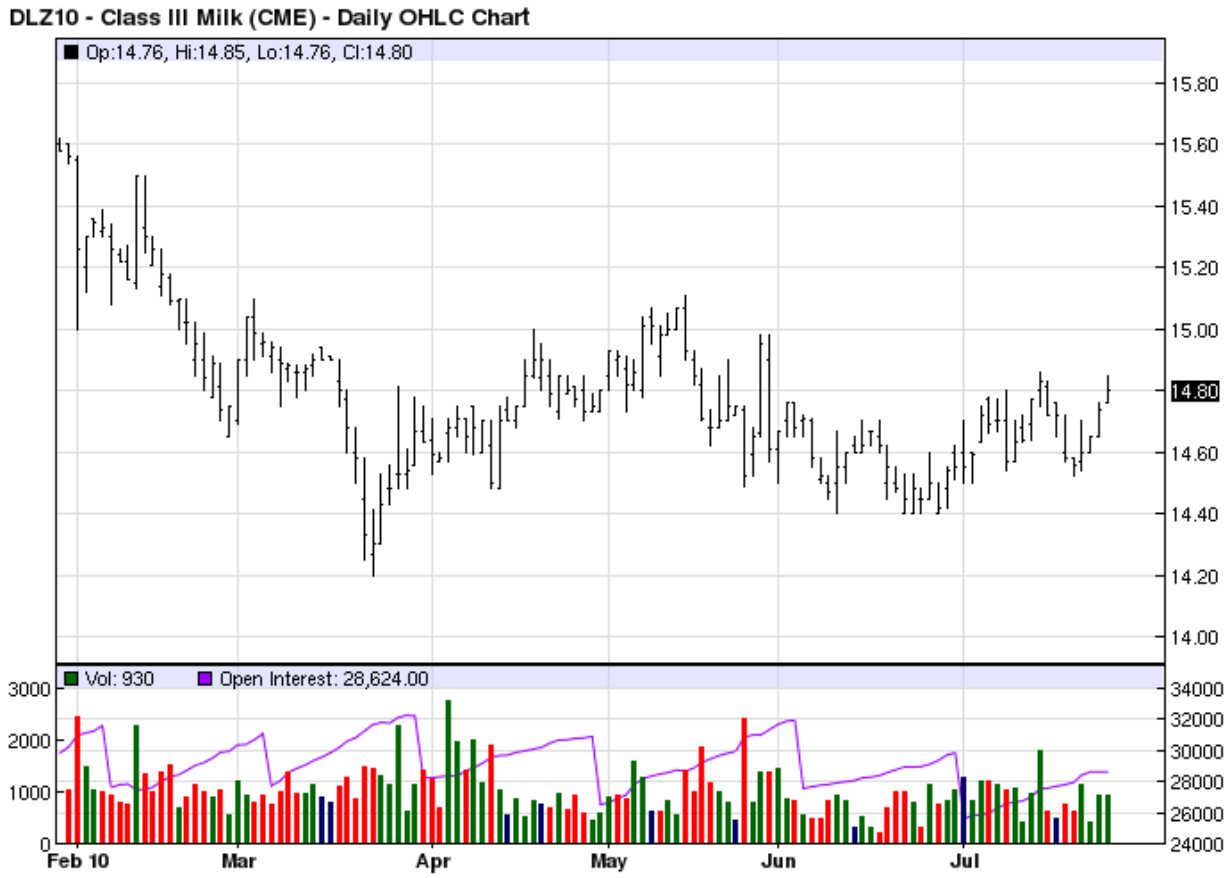

Source: Barchart.com