

Dairy Trends, Issues and Impact of Feed Prices

Michael Marsh

December 11, 2014

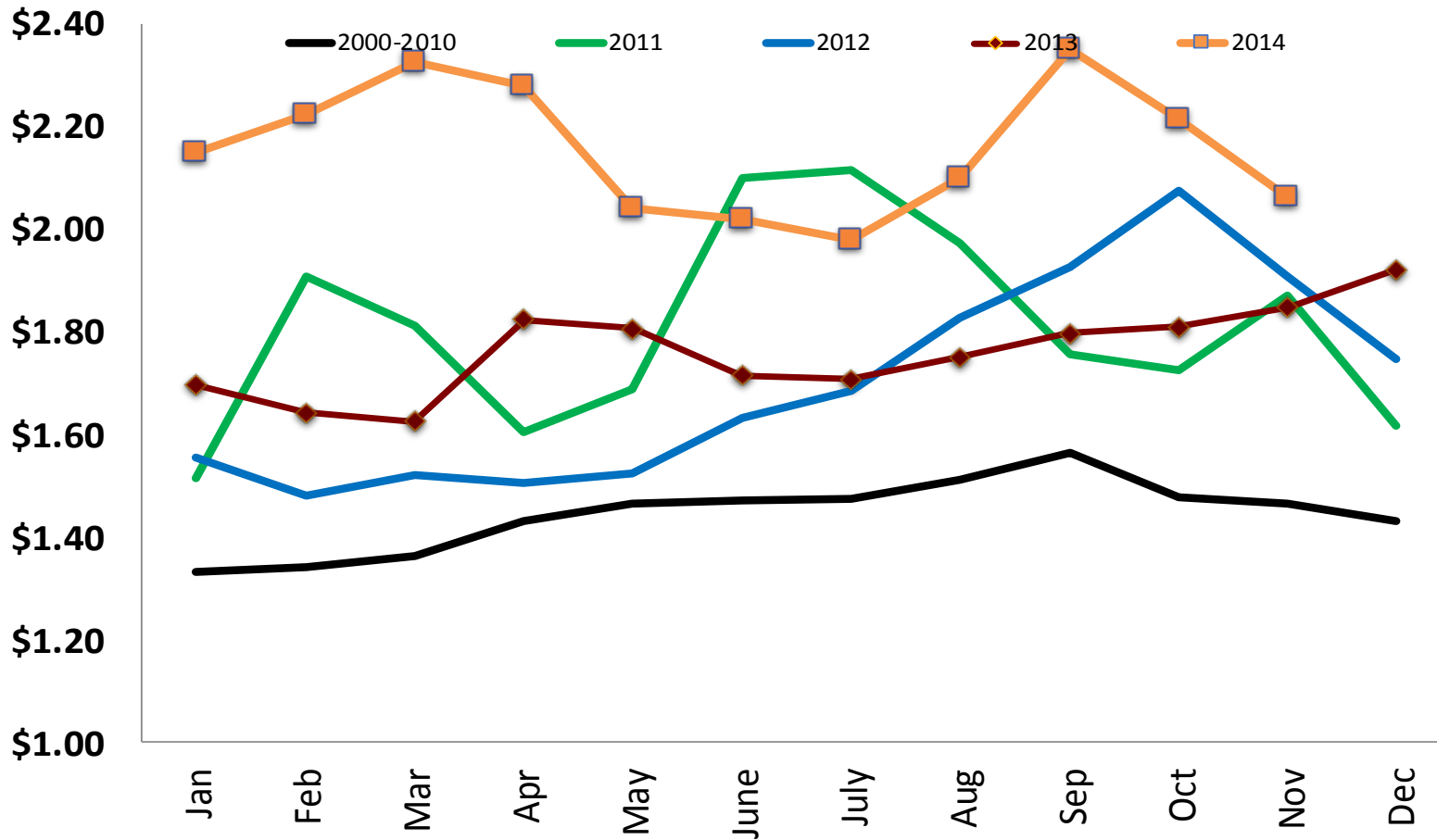


Issues

- Farm Bill
 - New dairy safety net
 - MPP
- Milk prices
 - US
 - CA Cheese milk
 - New Zealand
 - China
 - European Union
 - Russian sanctions
 - Quotas 3/31/15
- Congress
 - Immigration reform
 - Ethanol
- Sacramento



Block cheese prices

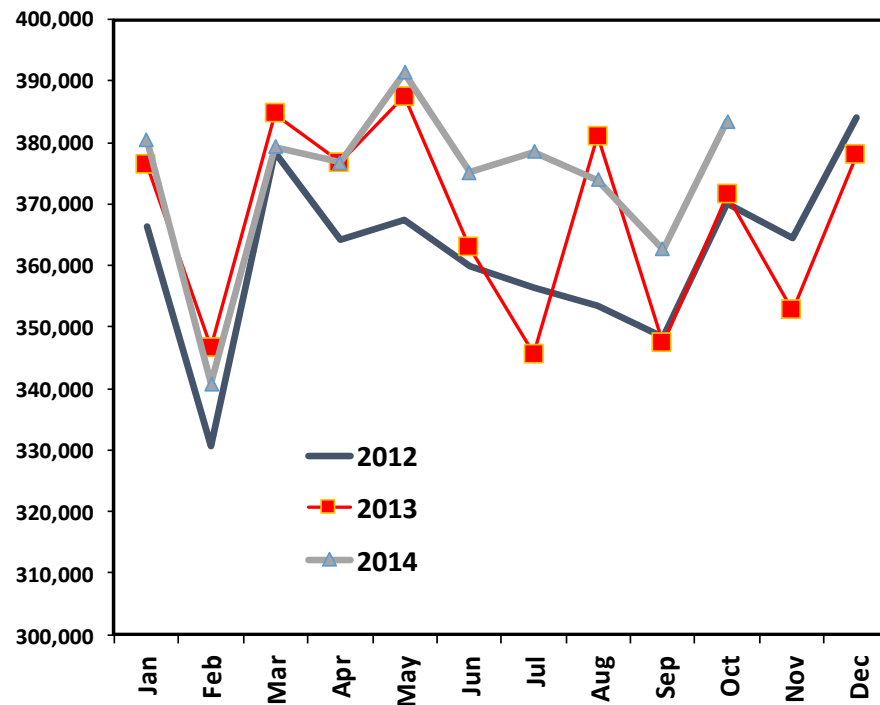


- Block cheese prices are dropping rapidly
- 12.8.14: \$1.58/lb

Cheese Production & Stocks

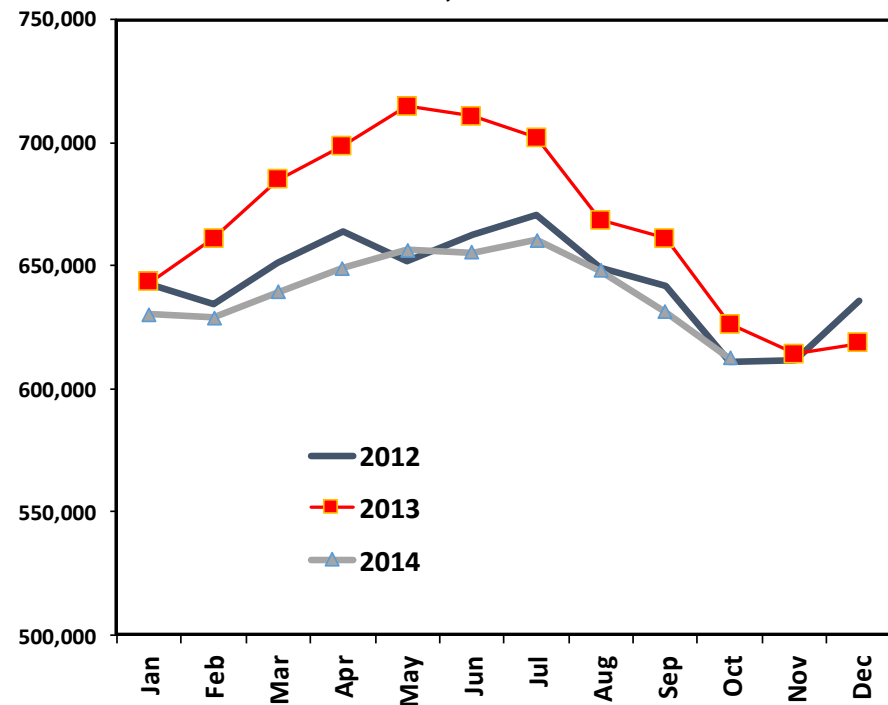
Am. Cheese Production

1,000 pounds



American Cheese Inventory

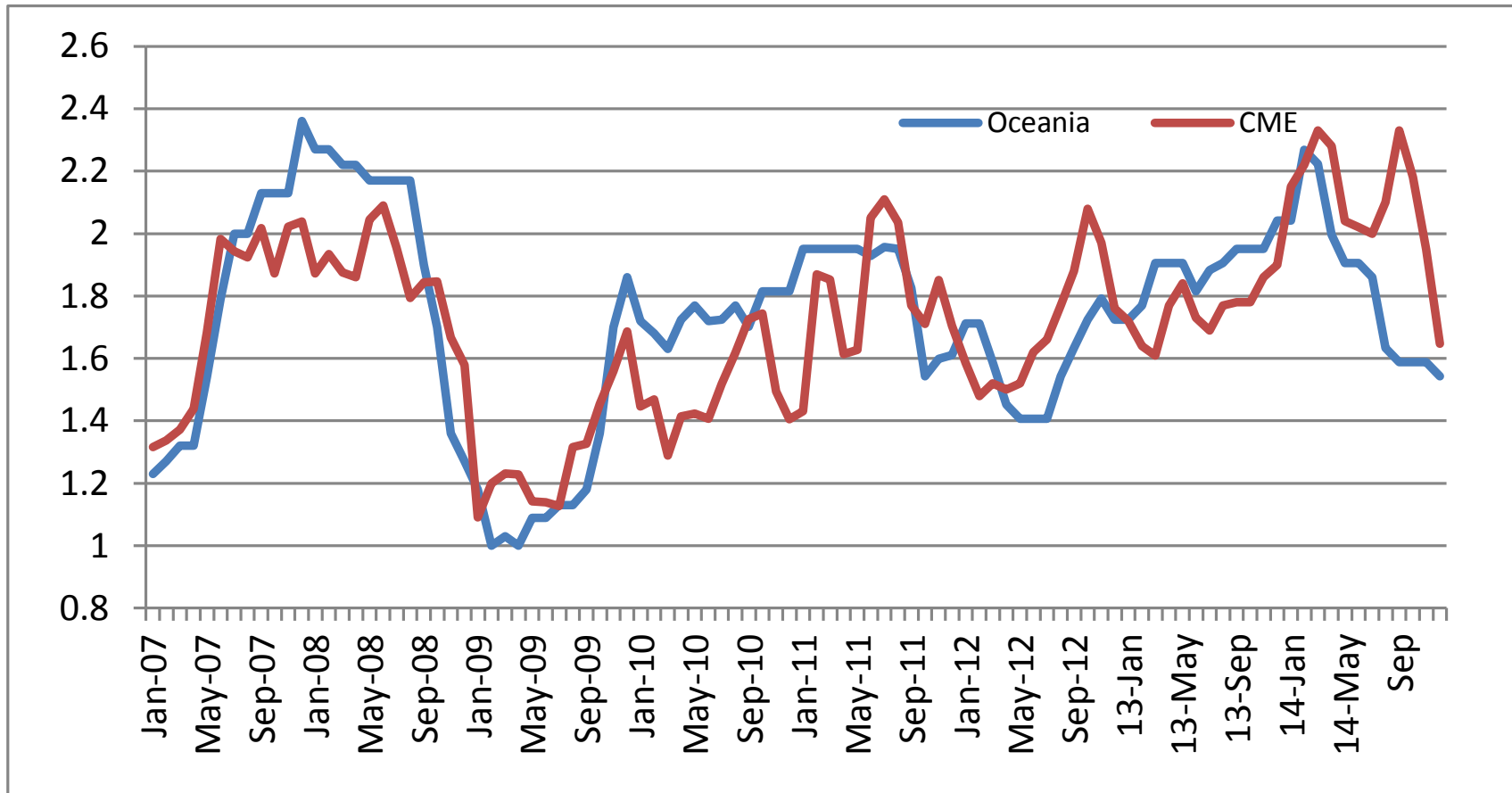
In 1,000 lbs



**Oct production +3.2% from 2013,
+5.8% from Sep**

**Oct stocks -2% from 2013, -3%
from Sep**

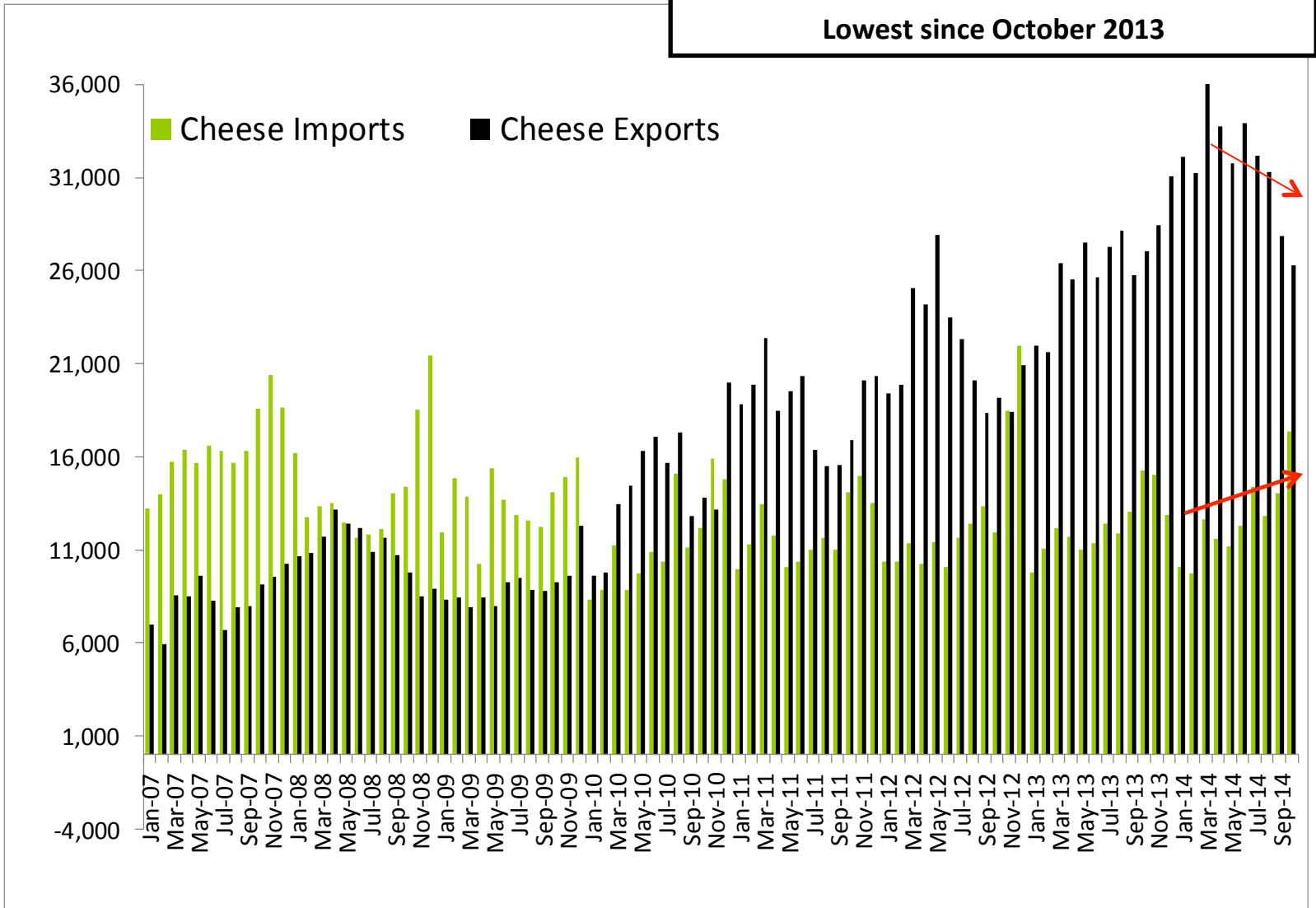
CME vs Oceania Cheddar price



- DMN survey prices in Oceania: low end at \$1.54/lb
- 12.2.14 GDT: \$1.37/lb (+ 7 cents from previous auction)

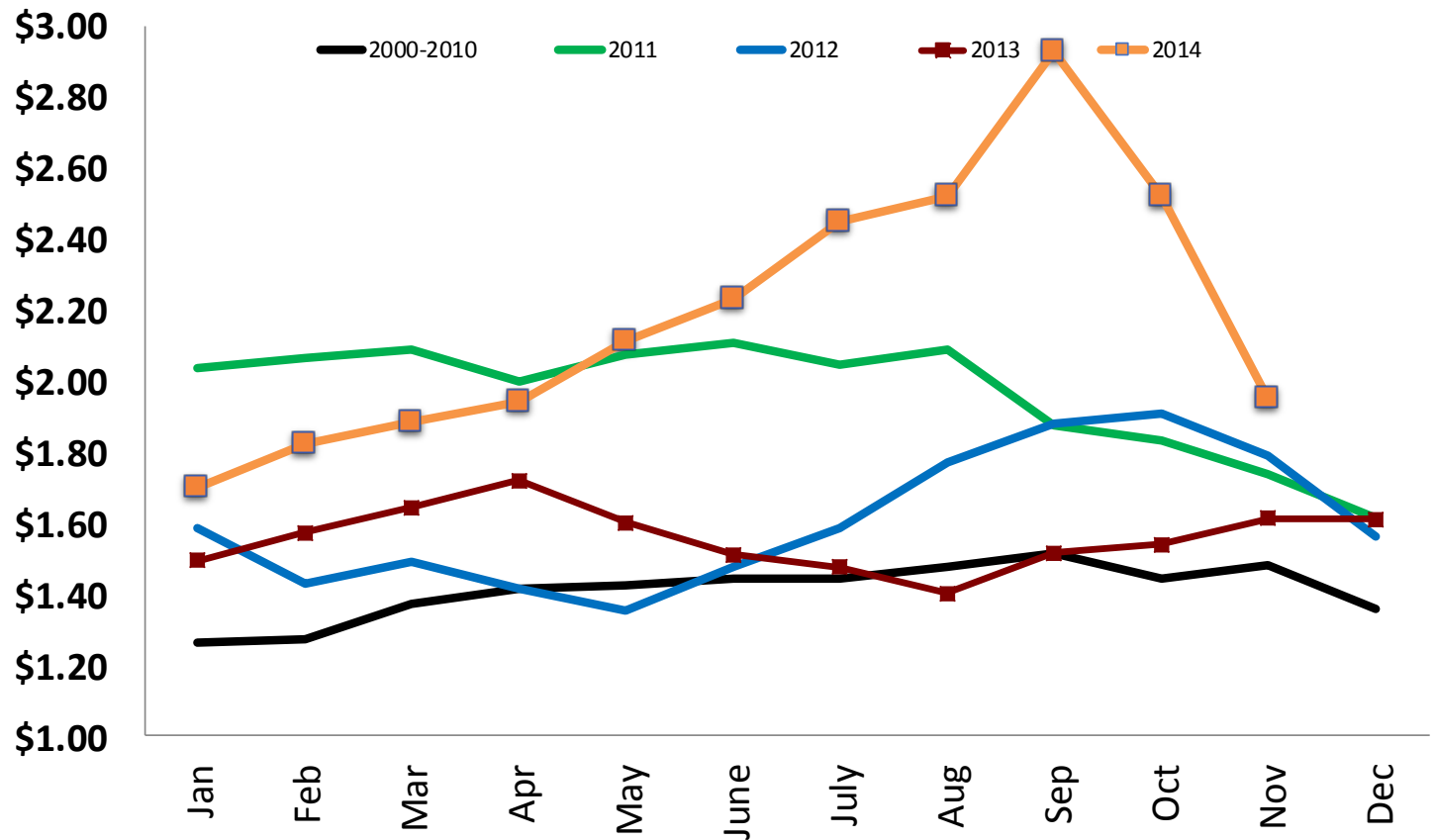
U.S. Cheese Trade

Oct exports -3% from 2013
Lowest since October 2013



Source: FAS

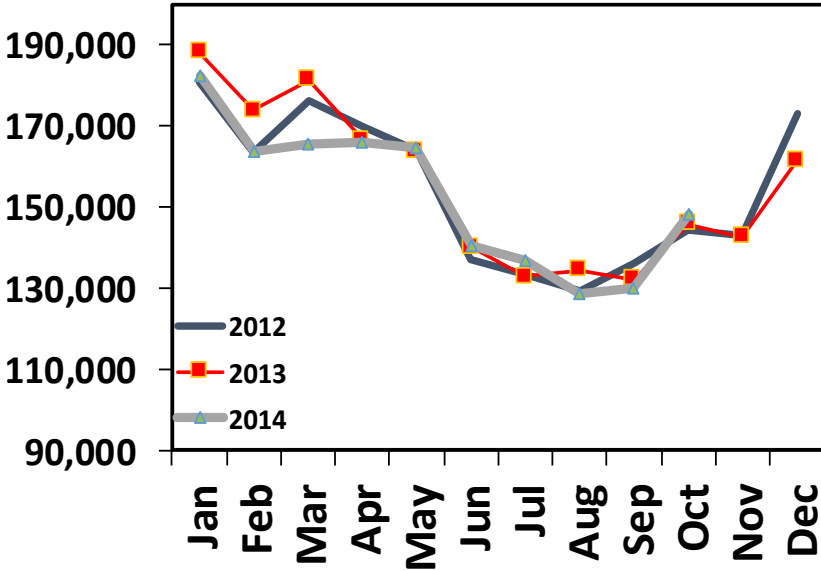
Butter prices



- Rapid decline from September to November, but prices have recently stabilized
- 12.8.14: \$1.9850/lb

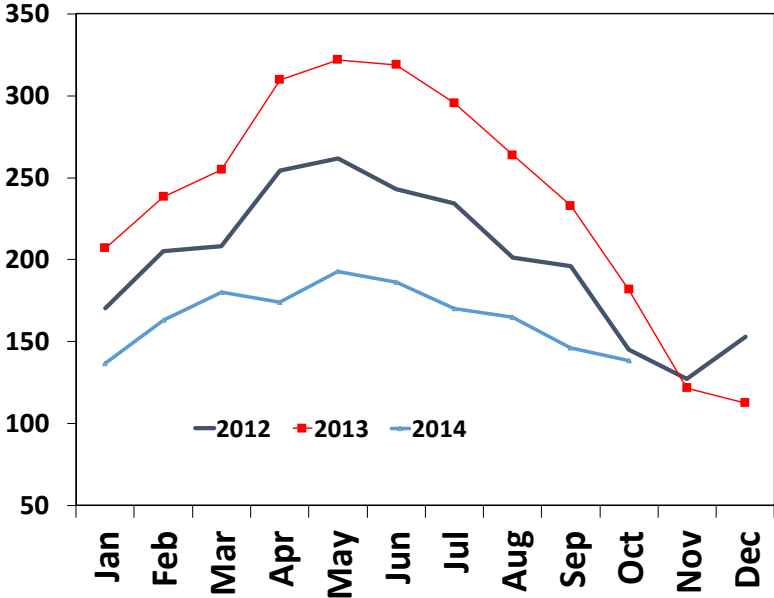
Butter Production & Stocks

**Butter Production
1,000 lbs**



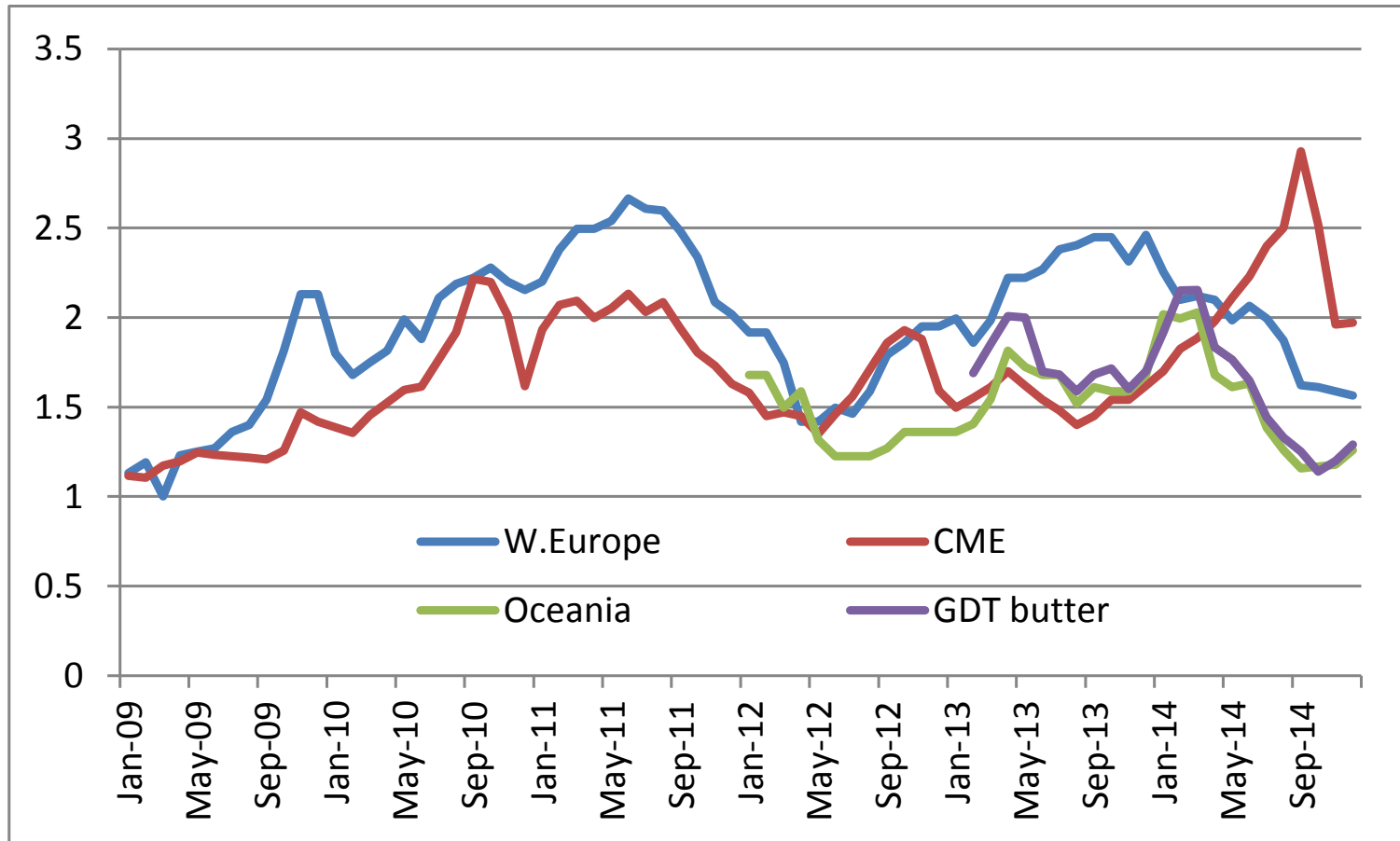
Oct production +1.5% from 2013, +13.8% from Sep

**Butter Stocks
million lbs**



Oct stocks -24% from 2013, -5% from Sep

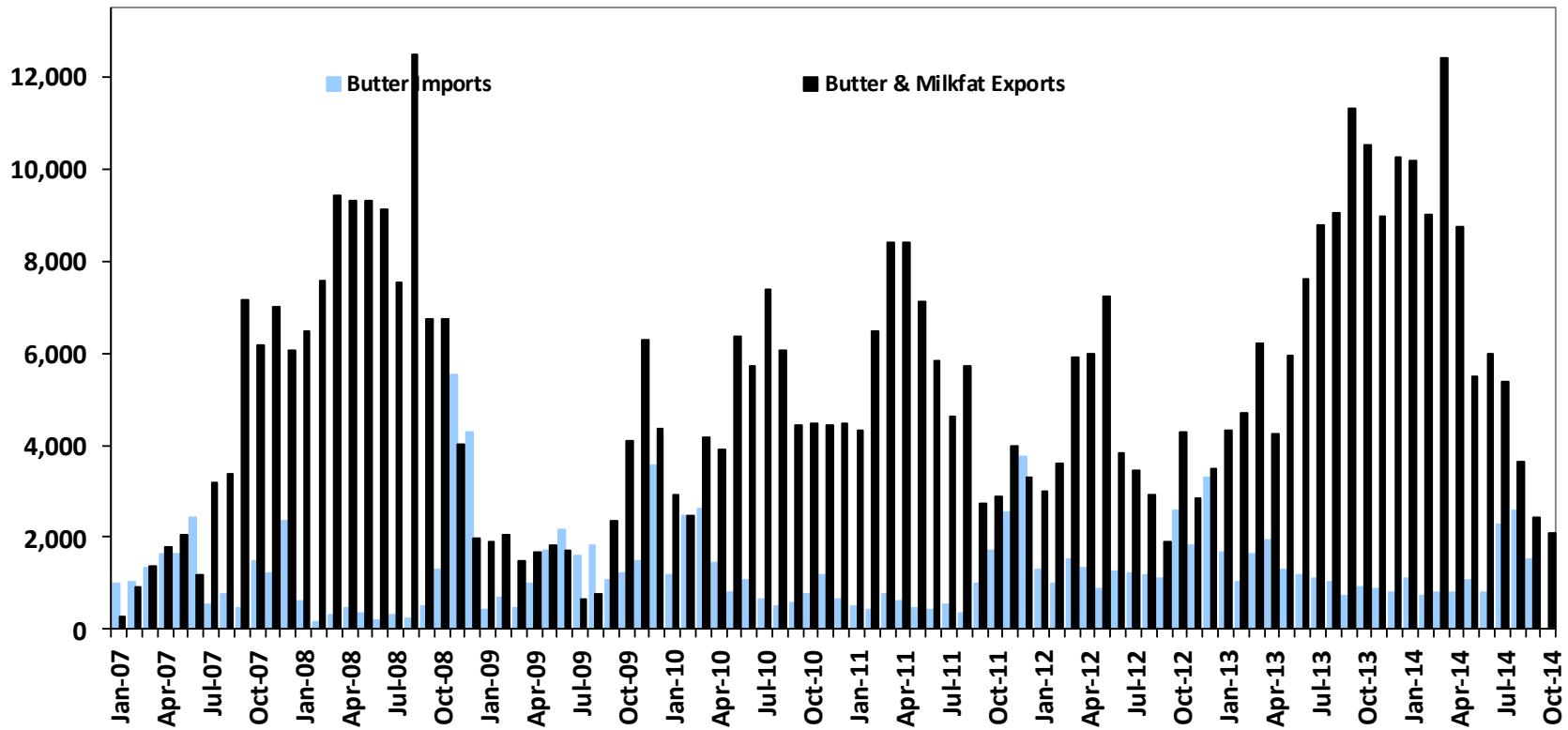
U.S. Butter Trade



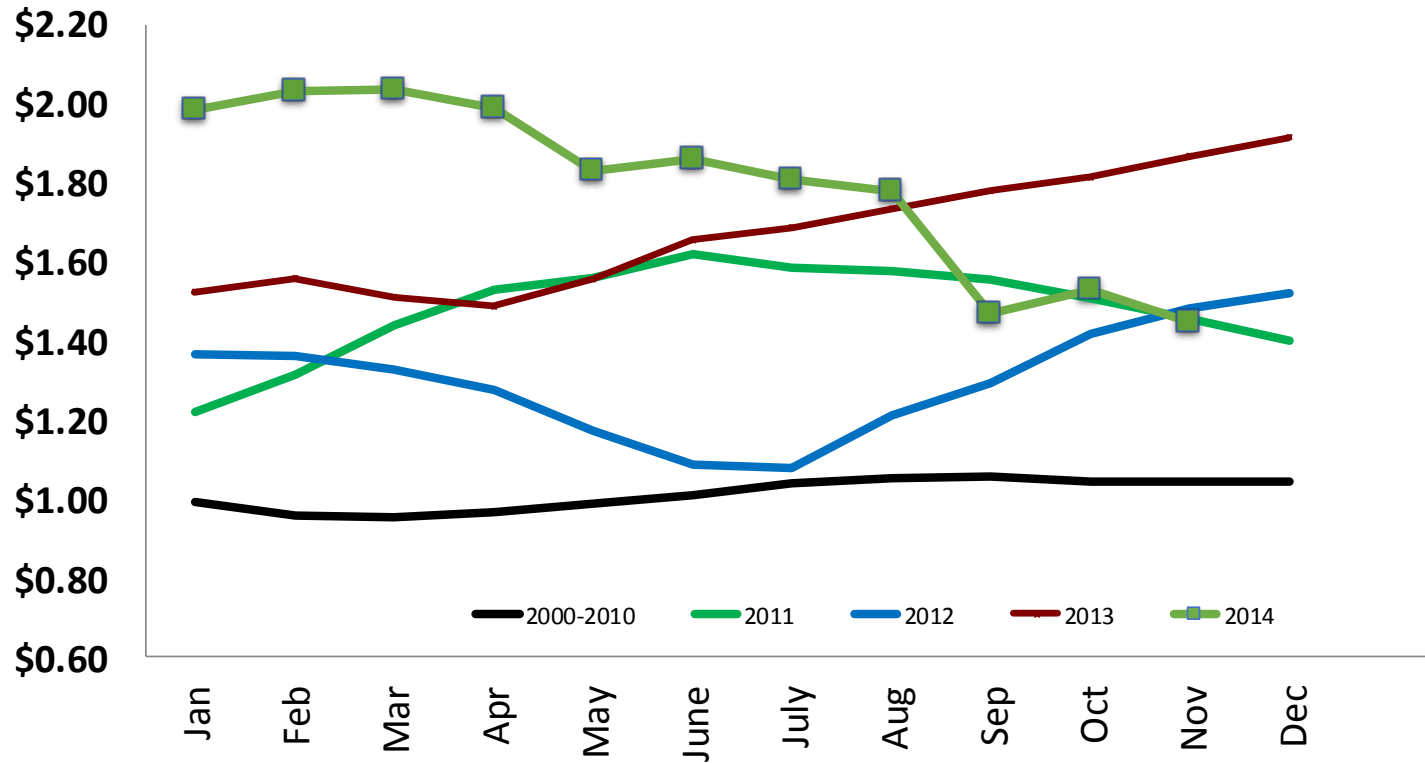
- Europe: \$1.57/lb
- 12.2.14 GDT: \$1.20 (+ 9 cents from the last auction)

U.S. Butter Trade

Oct'14 -80%

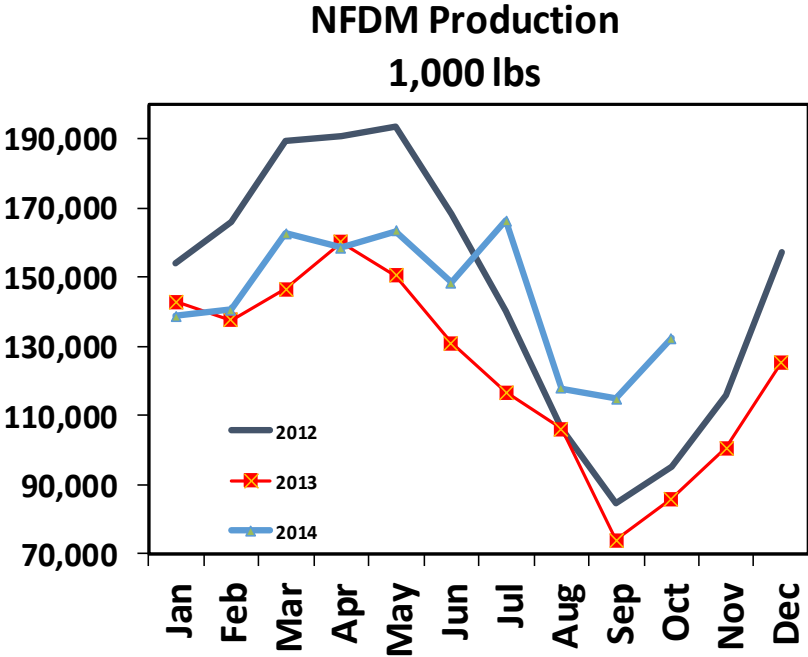


NFDM prices

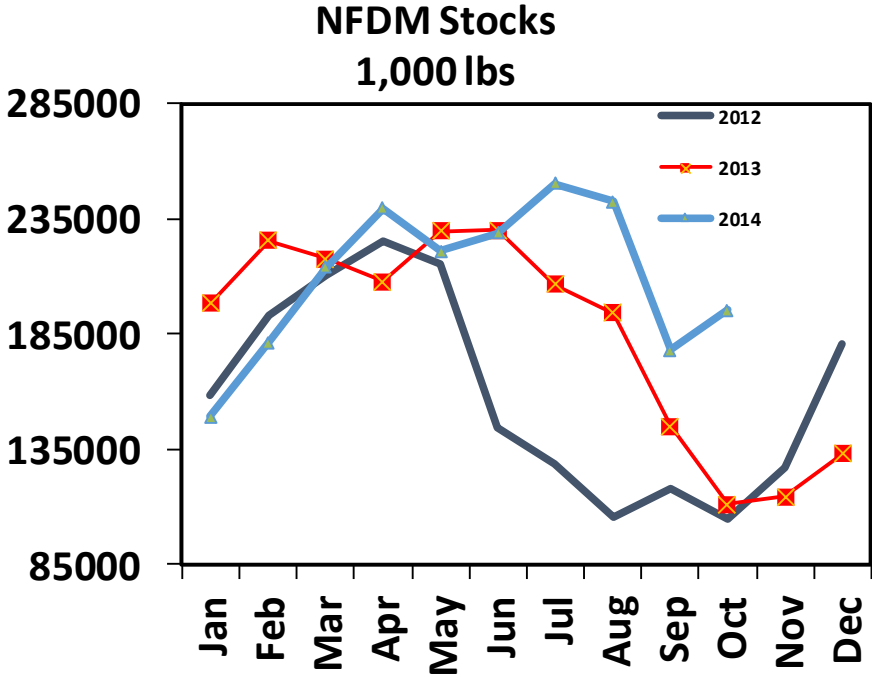


→CWAP (week ending 11.28.14): \$1.3501/lb

NFDM Production & Stocks



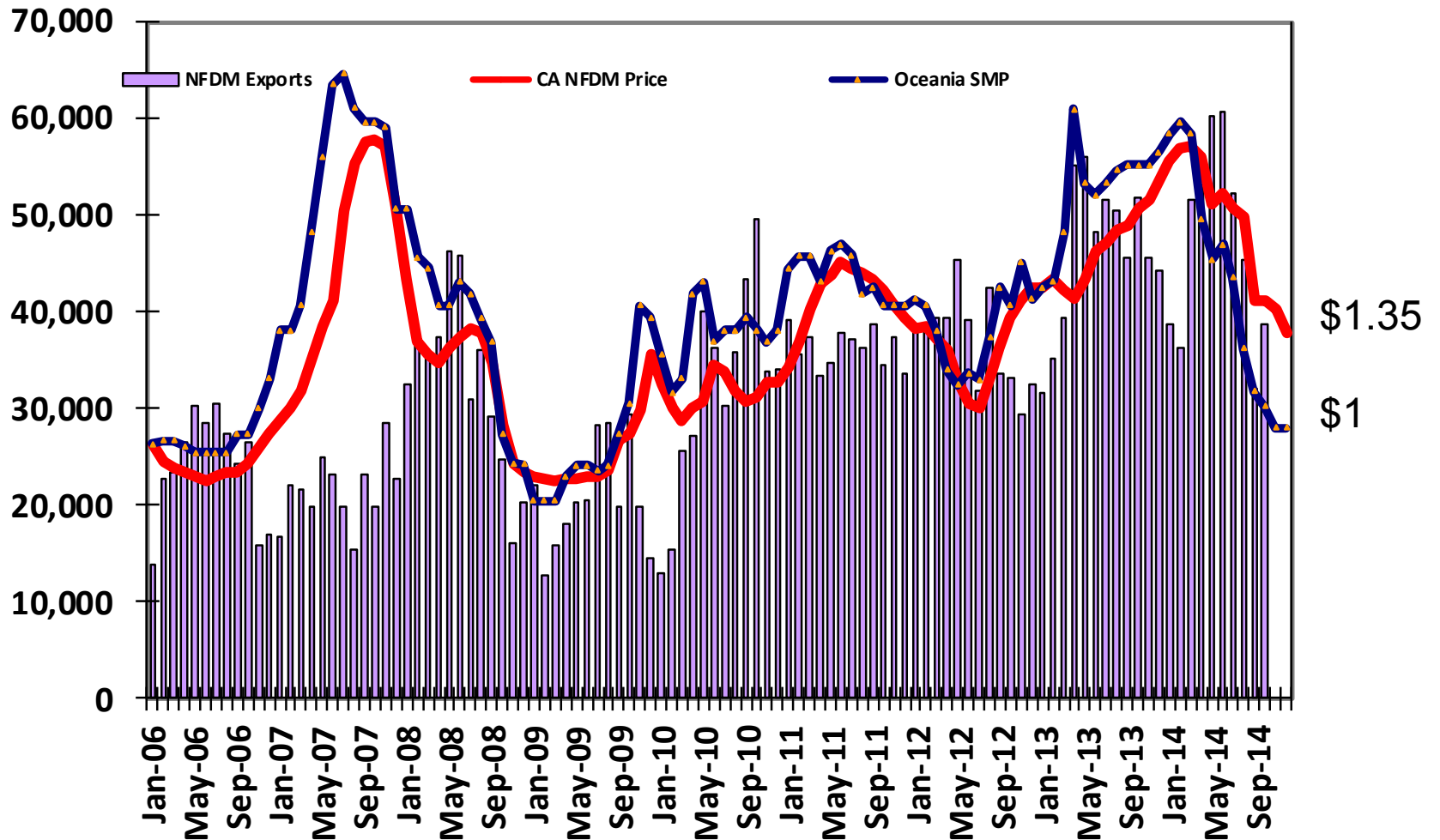
Oct production +54% from 2013, +15% from Sep



Oct stocks +76% from 2013, +10% from Sep

U.S. NFDM/SMP Trade

• Oct '14 -25%



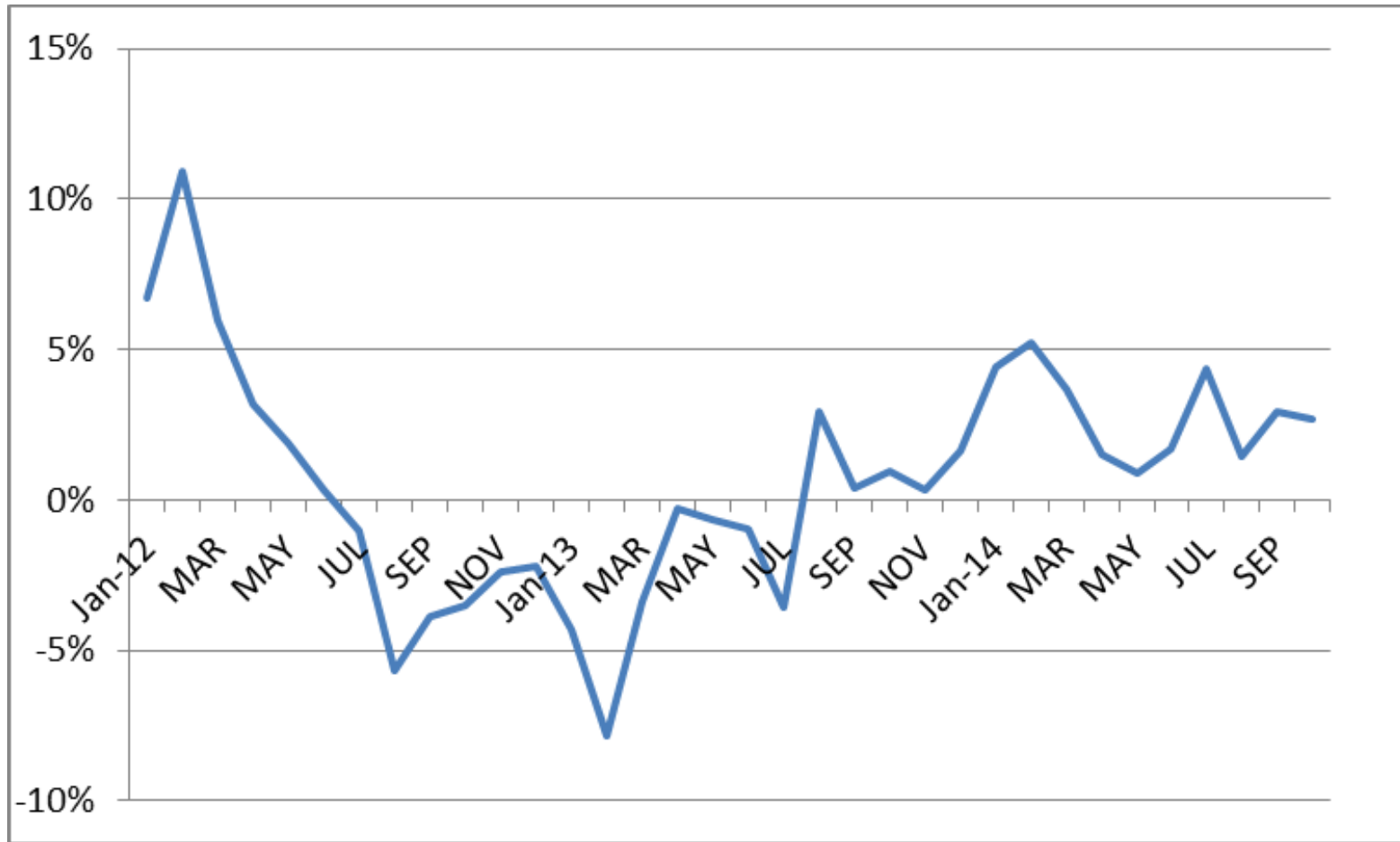
- 12.2.14 GDT skim milk powder: \$1.10/lb (+ 6 cents)

Source: FAS
World prices are quoted at bottom of range

Euro/USD (one year)



California milk production year-over-year change

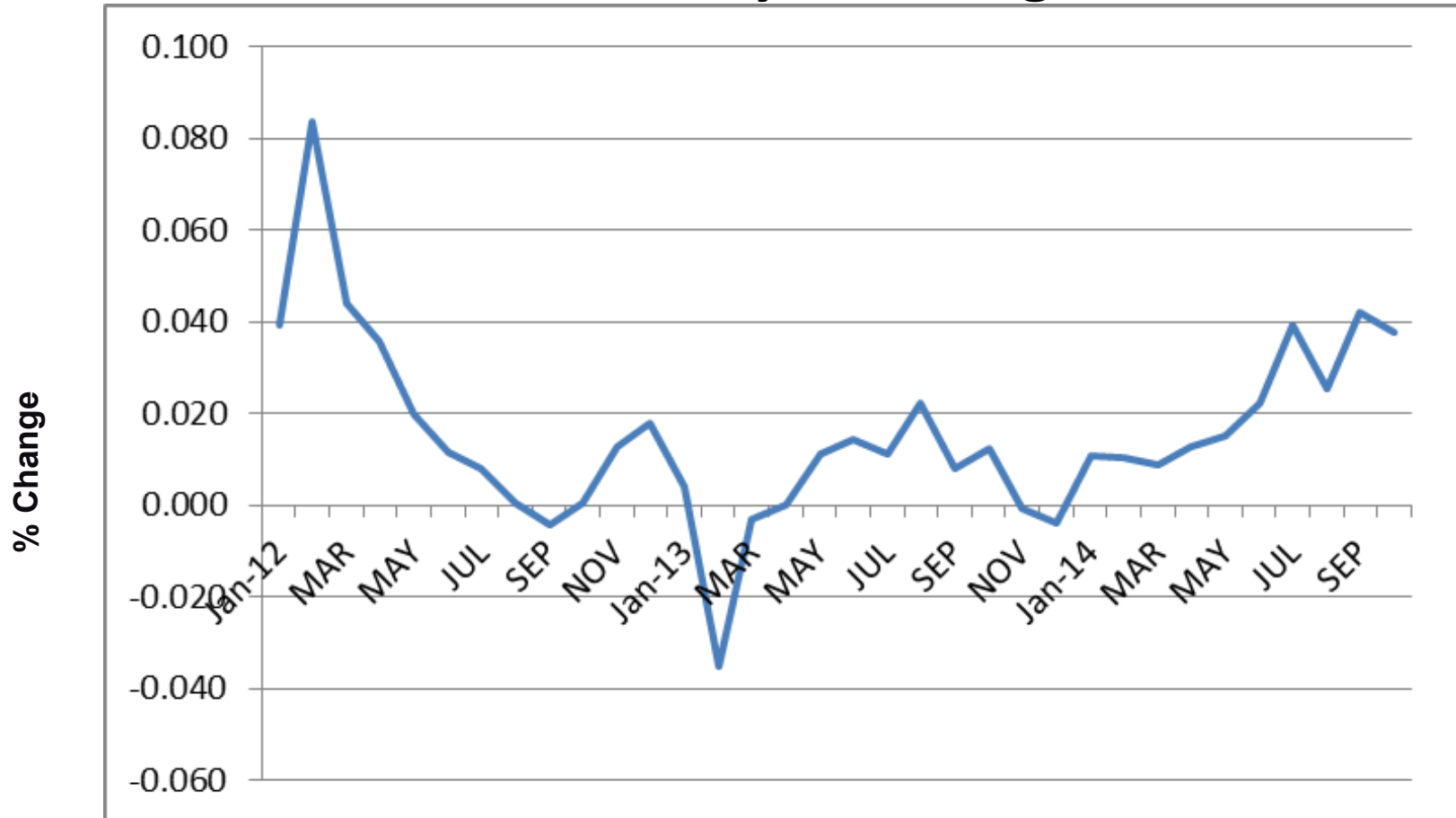


October production up 2.7%

No change in cow number, up 40lbs/cow (+1000 head from last month)

Milk Production (U.S.)

Year-over-year change



+3.8% in Oct

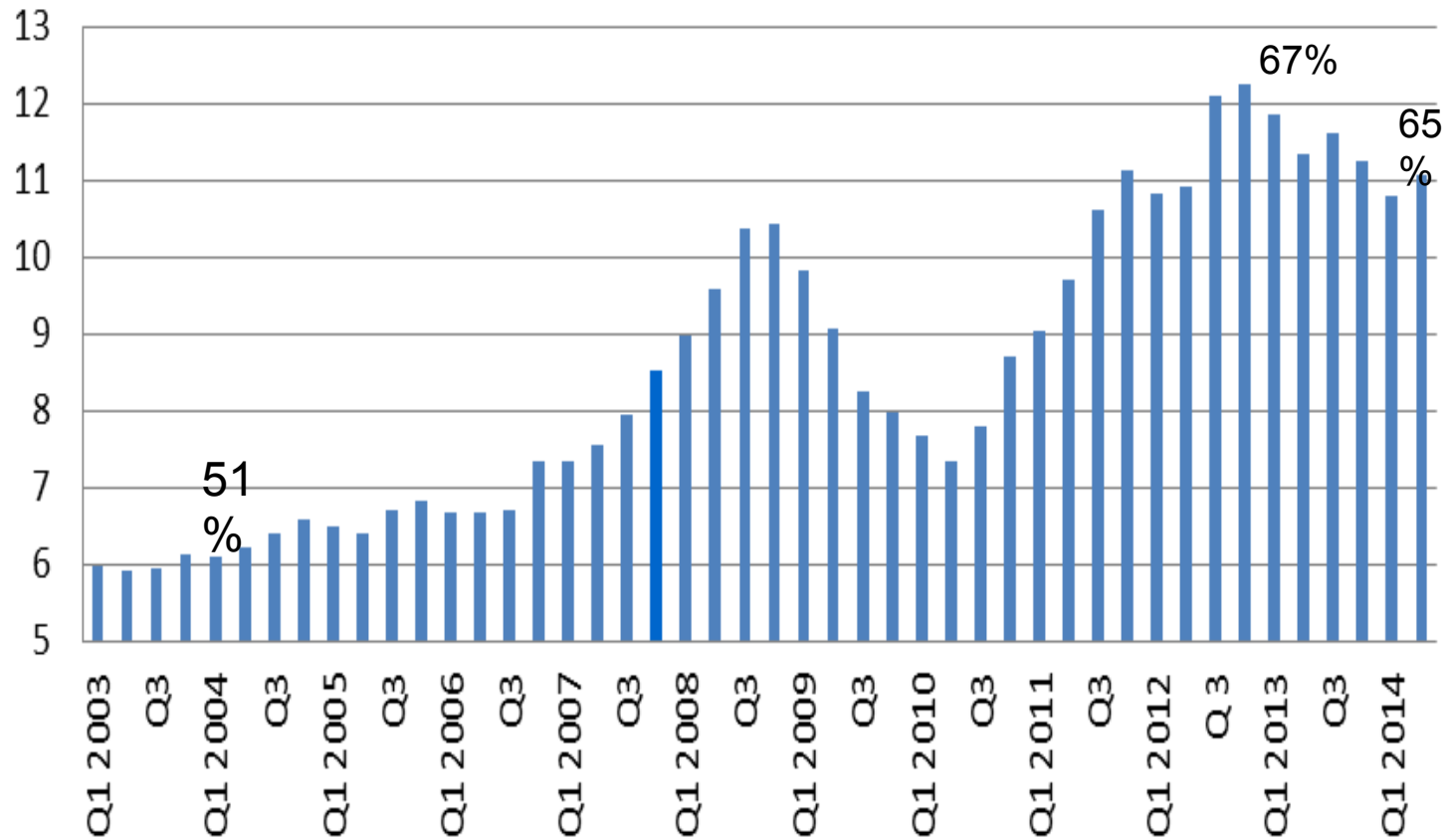
+77,000 head from last year; +52 pounds/cow

Feed

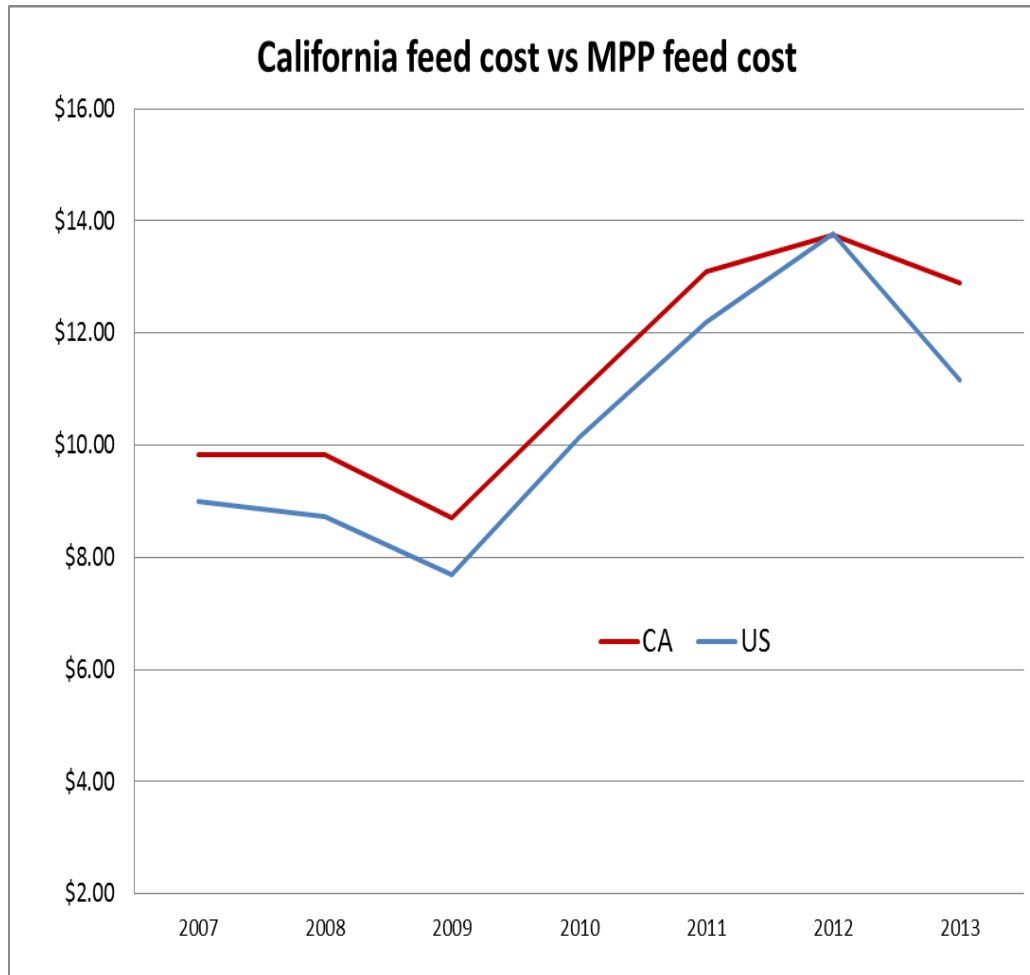
| Western Milling Dec 8 (\$/ton) | This week | Prior Week | Year ago |
|-----------------------------------|------------------|-------------------|-----------------|
| Corn | \$201 | \$199 | \$219 |
| Soybean Meal | \$525 | \$535 | \$540 |
| Cottonseed | \$389 | \$389 | \$418 |

Corn production is forecast 68 million bushels lower, but still a record at 14,407 million bushels. USDA forecast 2014-15 corn \$3.20-\$3.80 (increased 10 cents on lowered ending stocks; higher corn use)

California feed costs, \$/cwt



MPP Feed Cost: an issue for California?



In California, feed costs represent 65% of the cost of production.

Feed prices for November 2014

| \$/ton | US | California |
|--------------|-------|------------|
| Corn | \$141 | \$198 |
| Soybean meal | \$440 | \$489 |
| Alfalfa hay | \$184 | \$225 |

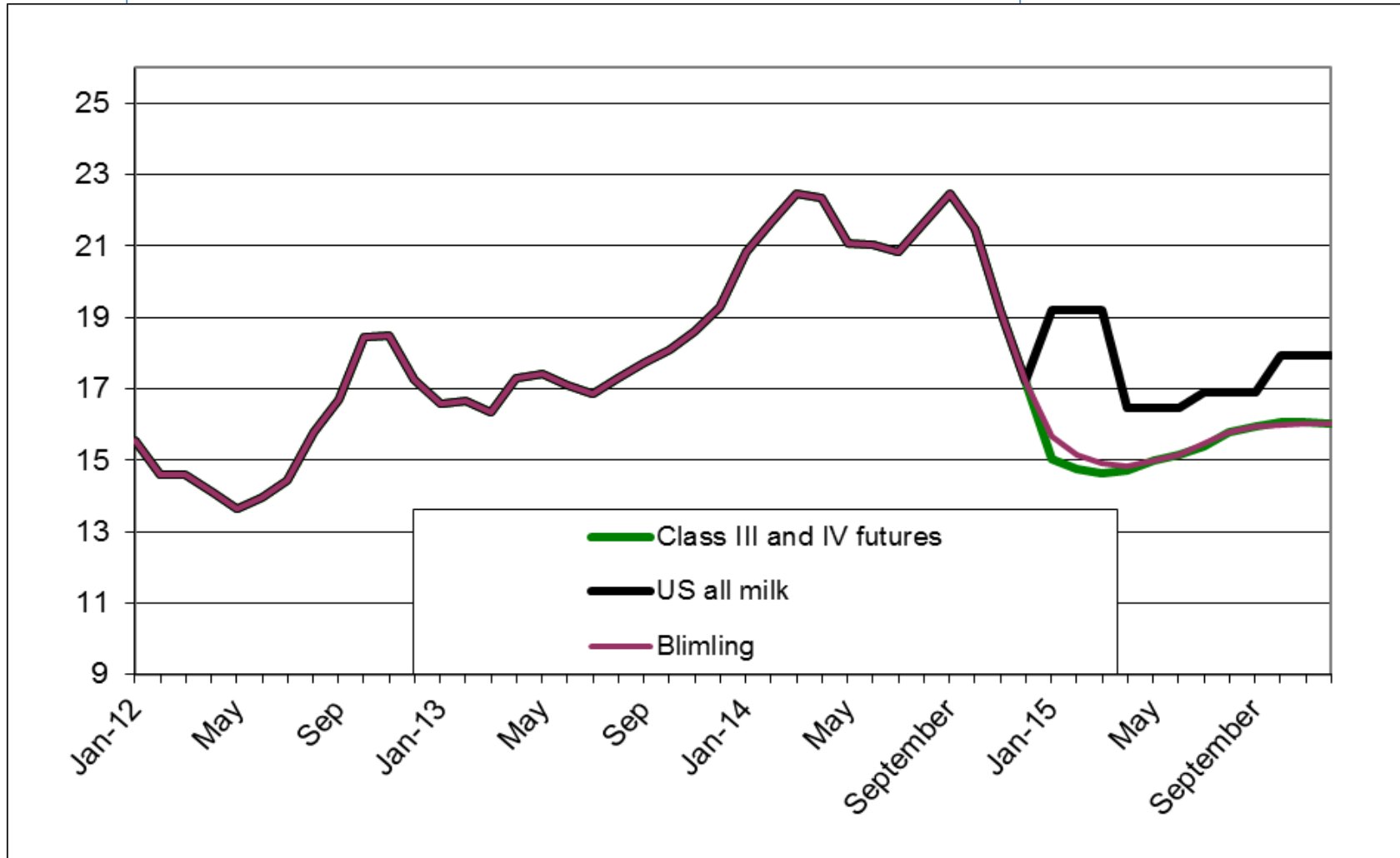
*The California corn price comes from Western Milling because USDA does not release a monthly California corn price.

Source: USDA NASS, AMS.

Yearly price average based on corn marketing year because USDA does not release a monthly corn price for California

CA overbase price estimates

Actual overbase price



Near term price estimate

| Month | 05-11 Average Overbase | 2012-13 Overbase | Overbase | Quota |
|--------------|---------------------------------------|-----------------------------|-----------------|--------------|
| January | 13.39 | 16.60 | 20.83 | 22.53 |
| February | 13.32 | 16.66 | 21.69 | 23.39 |
| March | 13.27 | 16.33 | 22.47 | 24.17 |
| April | 13.36 | 17.29 | 22.34 | 24.04 |
| May | 13.78 | 17.43 | 21.07 | 22.77 |
| June | 14.58 | 17.08 | 21.05 | 22.75 |
| July | 14.85 | 16.85 | 20.83 | 22.53 |
| August | 14.85 | 17.31 | 21.64 | 23.34 |
| September | 14.94 | 17.74 | 22.44 | 24.14 |
| October | 14.93 | 18.10 | 21.49 | 23.19 |
| November | 14.89 | 18.61 | 19.19 | 20.89 |
| December | 14.33 | 19.28 | 17.21 | 18.91 |

Questions?

Thank you!

www.westernuniteddairymen.com