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 are dropping rapidly
• 12.8.14: $1.58/lb
Cheese Production & Stocks

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

Oct stocks -2% from 2013, -3% from Sep
DMN survey prices in Oceania: low end at $1.54/lb

12.2.14 GDT: $1.37/lb (+ 7 cents from previous auction)

Source: FAS
World prices are quoted at bottom of range
U.S. Cheese Trade

Oct exports -3% from 2013
Lowest since October 2013

Source: FAS
• Rapid decline from September to November, but prices have recently stabilized
• 12.8.14: $1.9850/lb
BuNer	
  Produc1on	
  &	
  Stocks

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

Oct production +1.5% from 2013, +13.8% from Sep
U.S. Butter Trade

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

Source: FAS
World prices are quoted at bottom of range
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
• 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)
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
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)

<table>
<thead>
<tr>
<th>Western Milling ($/ton)</th>
<th>This week</th>
<th>Prior Week</th>
<th>Year ago</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$201</td>
<td>$199</td>
<td>$219</td>
</tr>
<tr>
<td>Soybean Meal</td>
<td>$525</td>
<td>$535</td>
<td>$540</td>
</tr>
<tr>
<td>Cottonseed</td>
<td>$389</td>
<td>$389</td>
<td>$418</td>
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</tbody>
</table>
MPP Feed Cost: an issue for California?

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

Feed prices for November 2014

<table>
<thead>
<tr>
<th>$/ton</th>
<th>US</th>
<th>California</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corn</td>
<td>$141</td>
<td>$198</td>
</tr>
<tr>
<td>Soybean meal</td>
<td>$440</td>
<td>$489</td>
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<tr>
<td>Alfalfa hay</td>
<td>$184</td>
<td>$225</td>
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</tbody>
</table>

*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

- Class III and IV futures
- US all milk
- Blimling
# Near term price estimate

<table>
<thead>
<tr>
<th>Month</th>
<th>05-11 Average Overbase</th>
<th>2012-13 Overbase</th>
<th>Overbase</th>
<th>Quota</th>
</tr>
</thead>
<tbody>
<tr>
<td>January</td>
<td>13.39</td>
<td>16.60</td>
<td>20.83</td>
<td>22.53</td>
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<tr>
<td>February</td>
<td>13.32</td>
<td>16.66</td>
<td>21.69</td>
<td>23.39</td>
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<tr>
<td>March</td>
<td>13.27</td>
<td>16.33</td>
<td>22.47</td>
<td>24.17</td>
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<tr>
<td>April</td>
<td>13.36</td>
<td>17.29</td>
<td>22.34</td>
<td>24.04</td>
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<tr>
<td>May</td>
<td>13.78</td>
<td>17.43</td>
<td>21.07</td>
<td>22.77</td>
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<td>June</td>
<td>14.58</td>
<td>17.08</td>
<td>21.05</td>
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<tr>
<td>July</td>
<td>14.85</td>
<td>16.85</td>
<td>20.83</td>
<td>22.53</td>
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<tr>
<td>August</td>
<td>14.85</td>
<td>17.31</td>
<td>21.64</td>
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<td>September</td>
<td>14.94</td>
<td>17.74</td>
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<tr>
<td>October</td>
<td>14.93</td>
<td>18.10</td>
<td>21.49</td>
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<tr>
<td>November</td>
<td>14.89</td>
<td>18.61</td>
<td>19.19</td>
<td>20.89</td>
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<tr>
<td>December</td>
<td>14.33</td>
<td>19.28</td>
<td>17.21</td>
<td>18.91</td>
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</tbody>
</table>
Questions?
Thank you!

www.westernuniteddairymen.com