

Dairy Trends, Issues and Impact of Feed Prices

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December 11, 2014

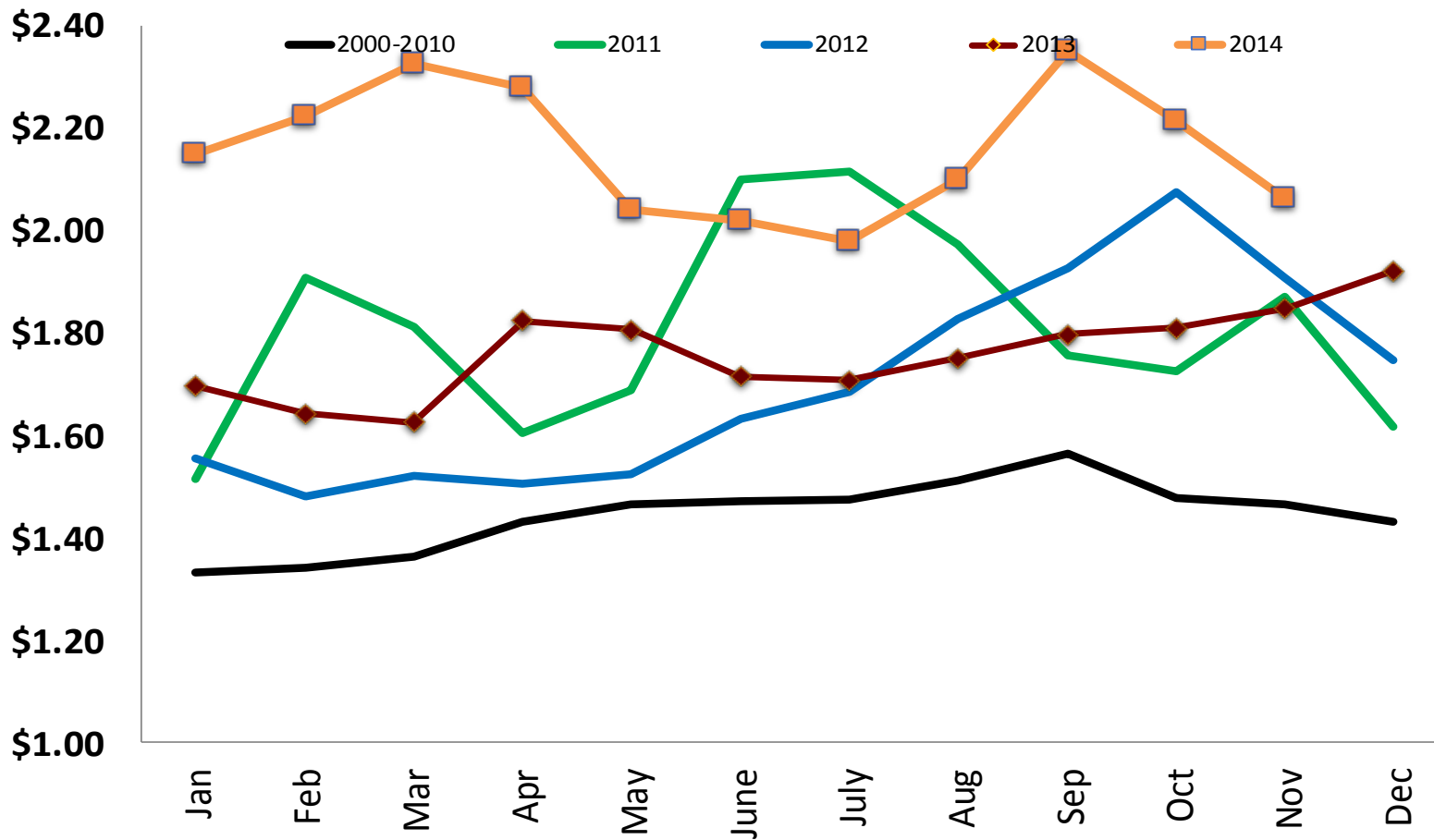


Issues

- 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

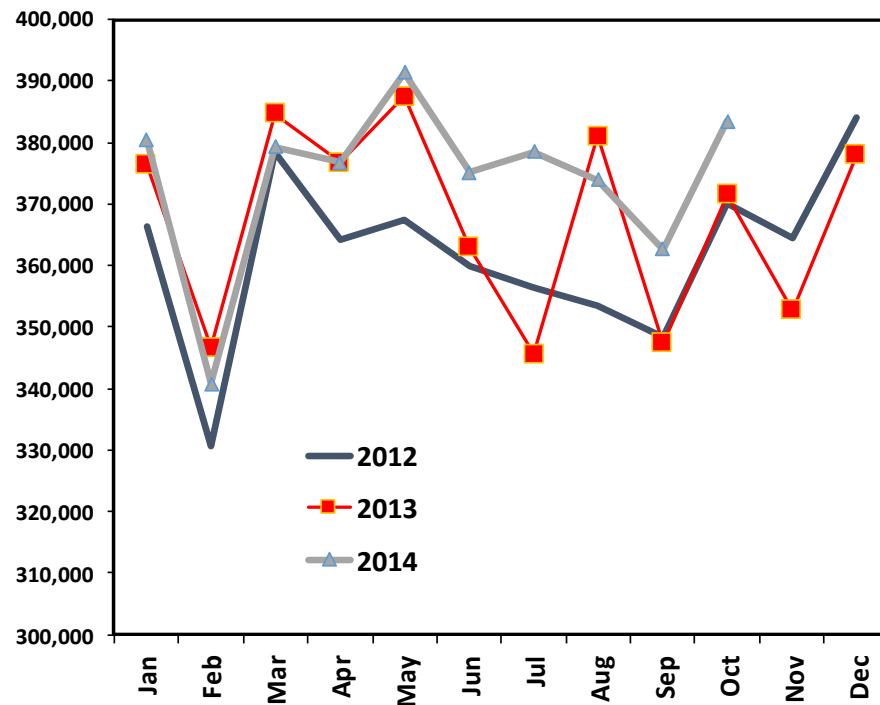


- Block cheese prices are dropping rapidly
- 12.8.14: \$1.58/lb

Cheese Production & Stocks

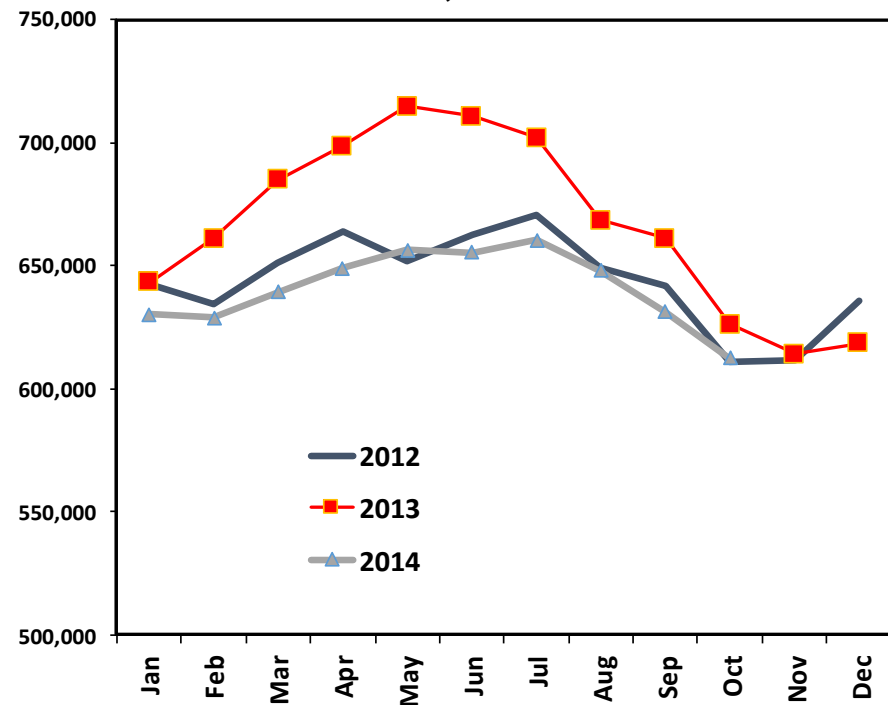
Am. Cheese Production

1,000 pounds



American Cheese Inventory

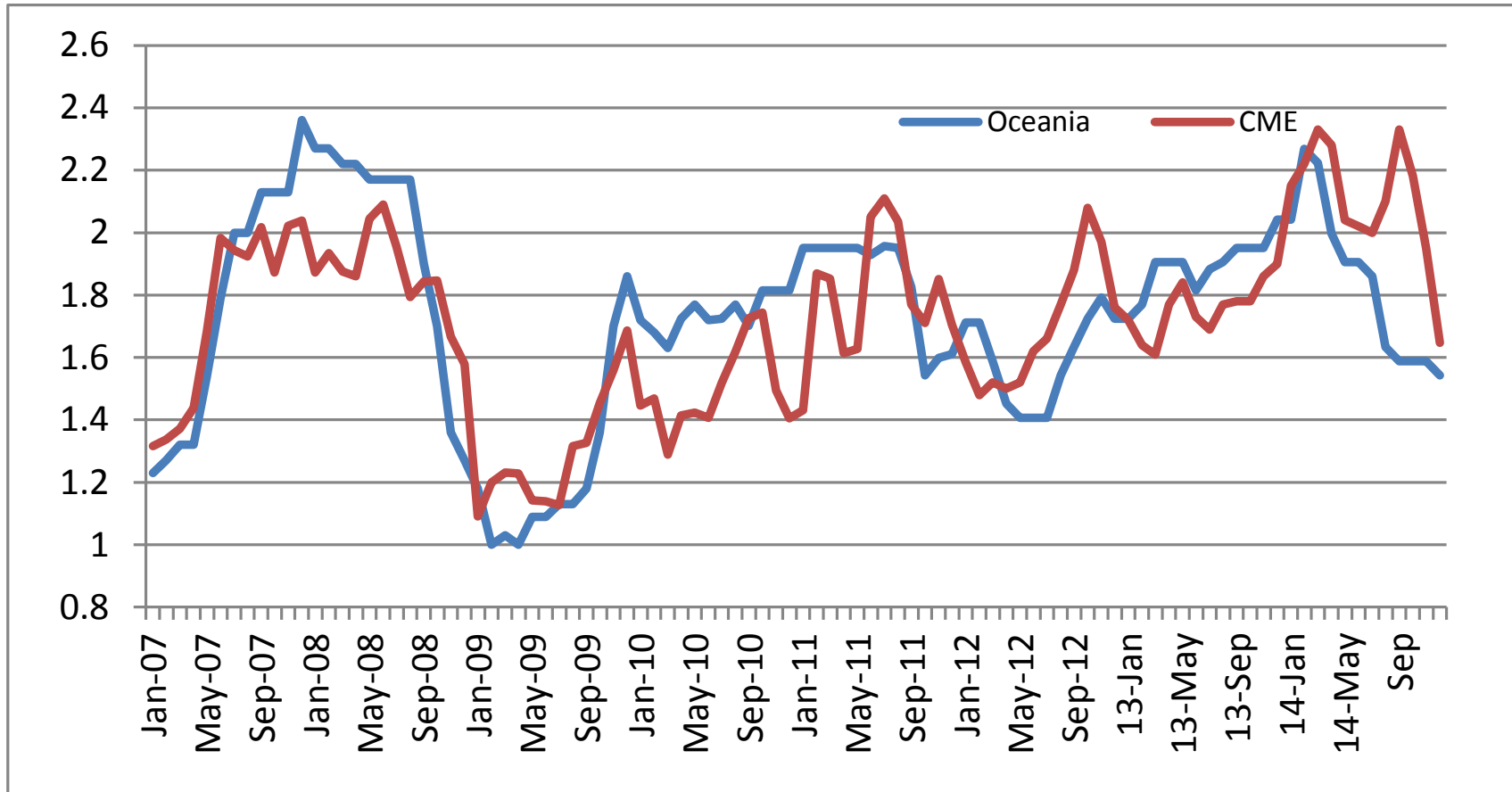
In 1,000 lbs



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

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

CME vs Oceania Cheddar price

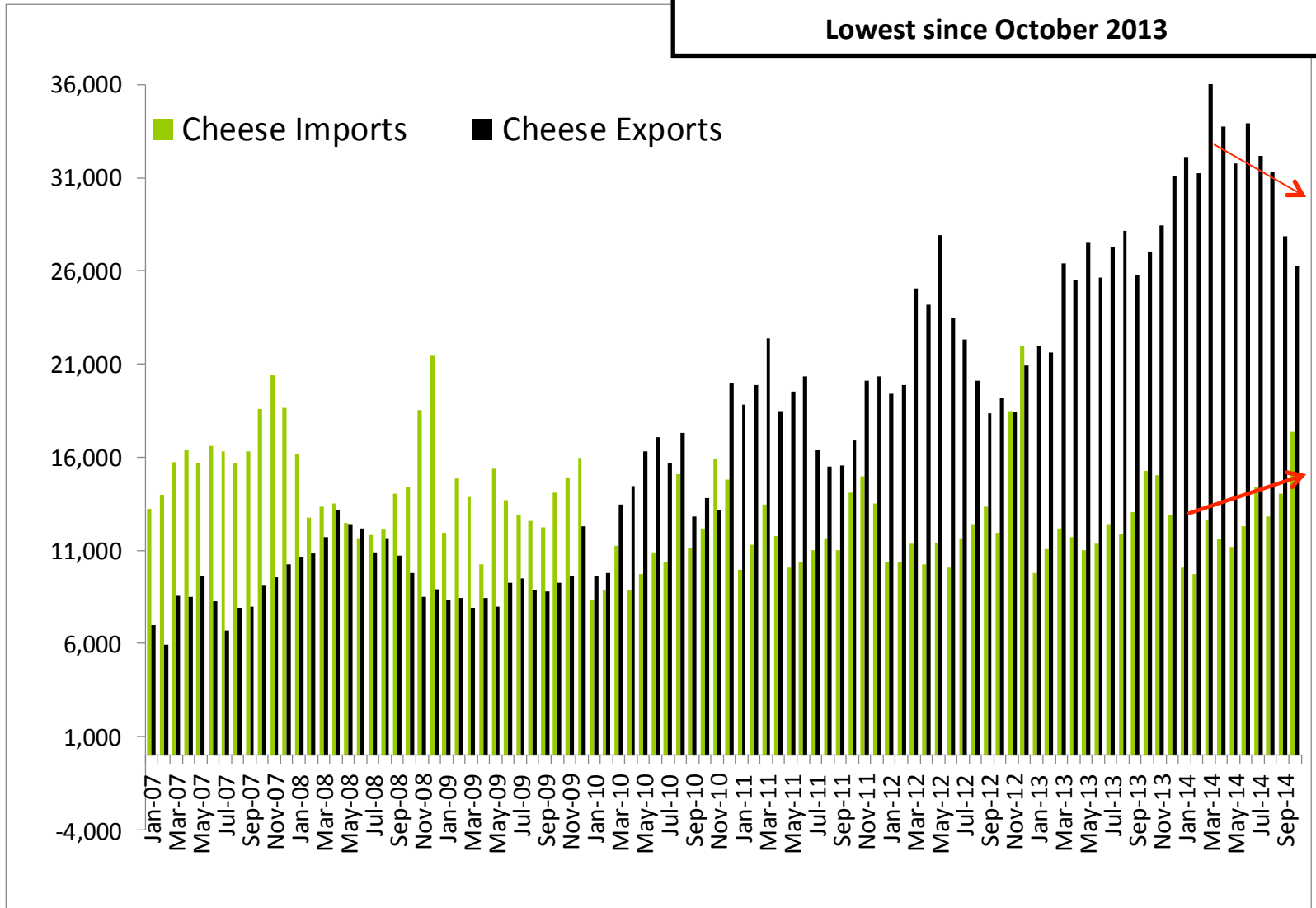


- DMN survey prices in Oceania: low end at \$1.54/lb
- 12.2.14 GDT: \$1.37/lb (+ 7 cents from previous auction)

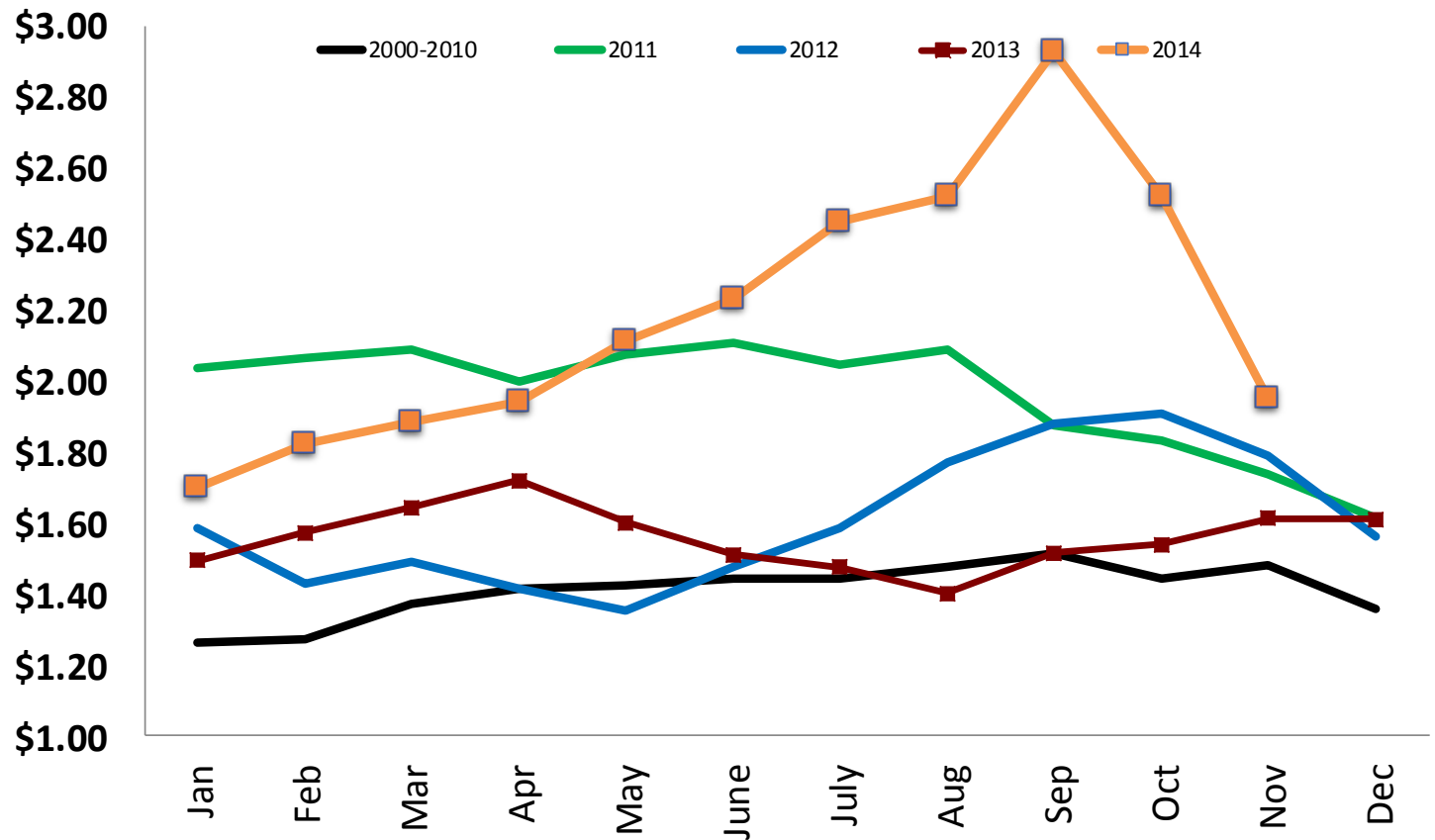
U.S. Cheese Trade

Oct exports -3% from 2013

Lowest since October 2013



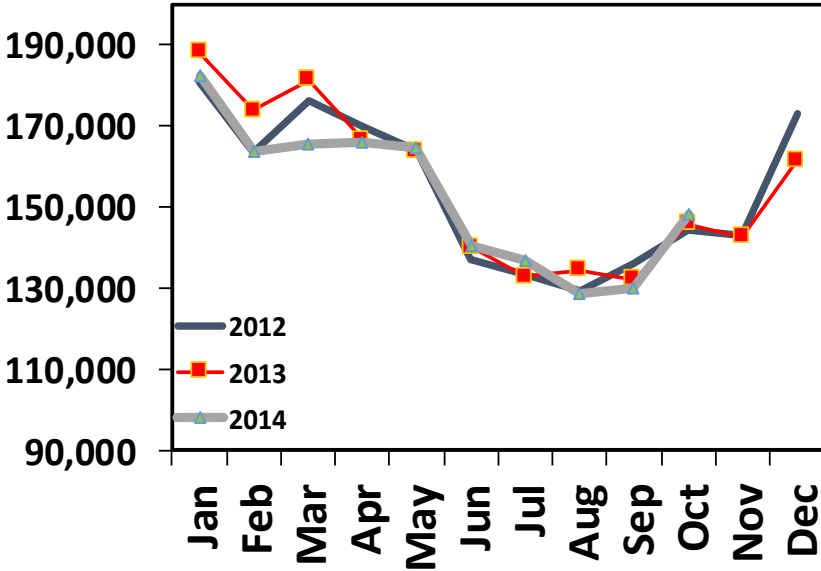
Butter prices



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

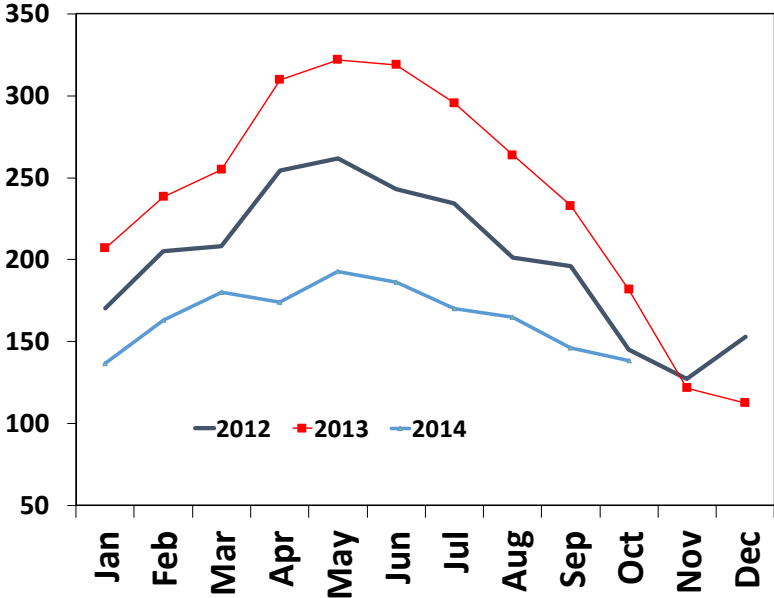
Butter Production & Stocks

**Butter Production
1,000 lbs**



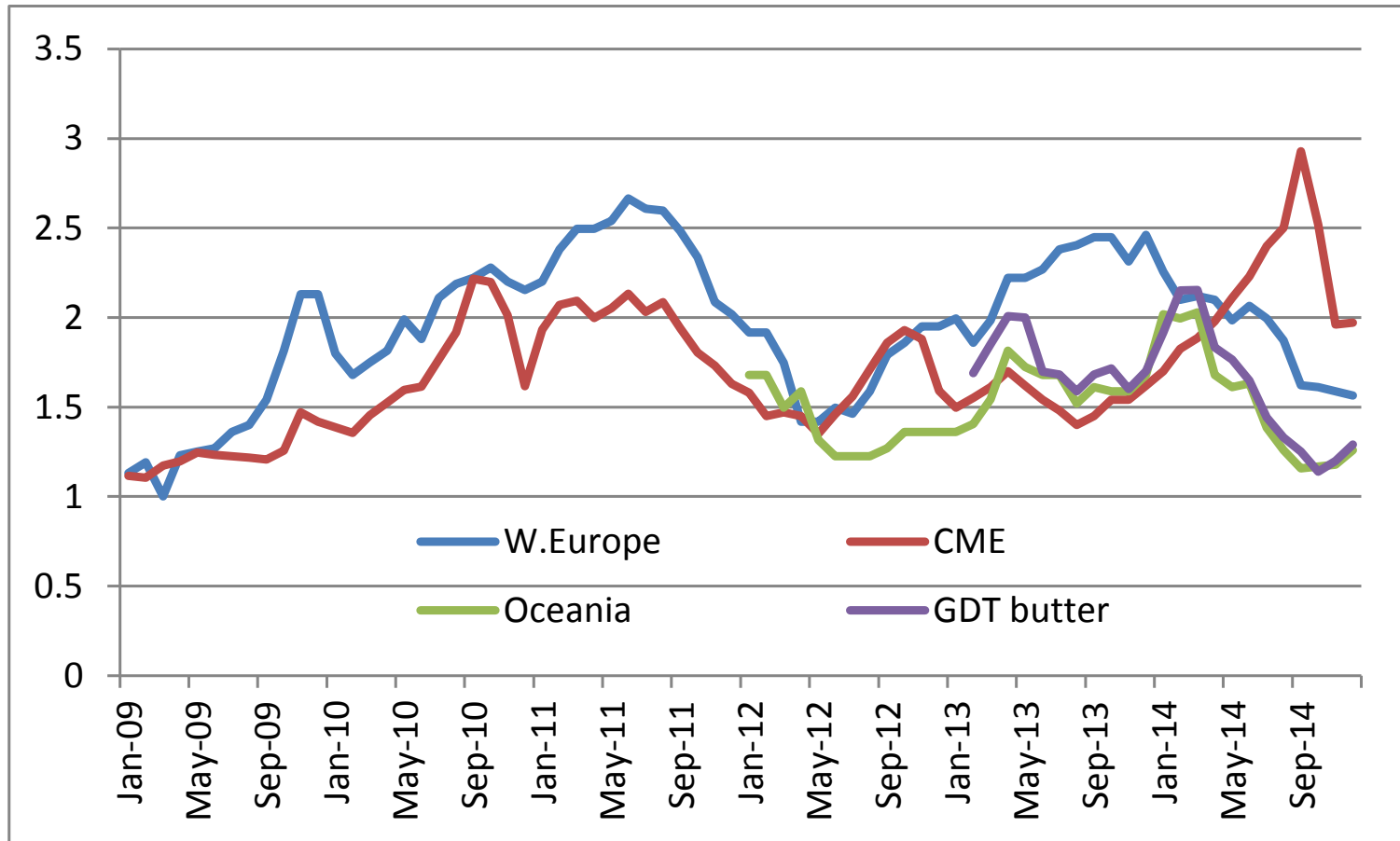
Oct production +1.5% from 2013, +13.8% from Sep

**Butter Stocks
million lbs**



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

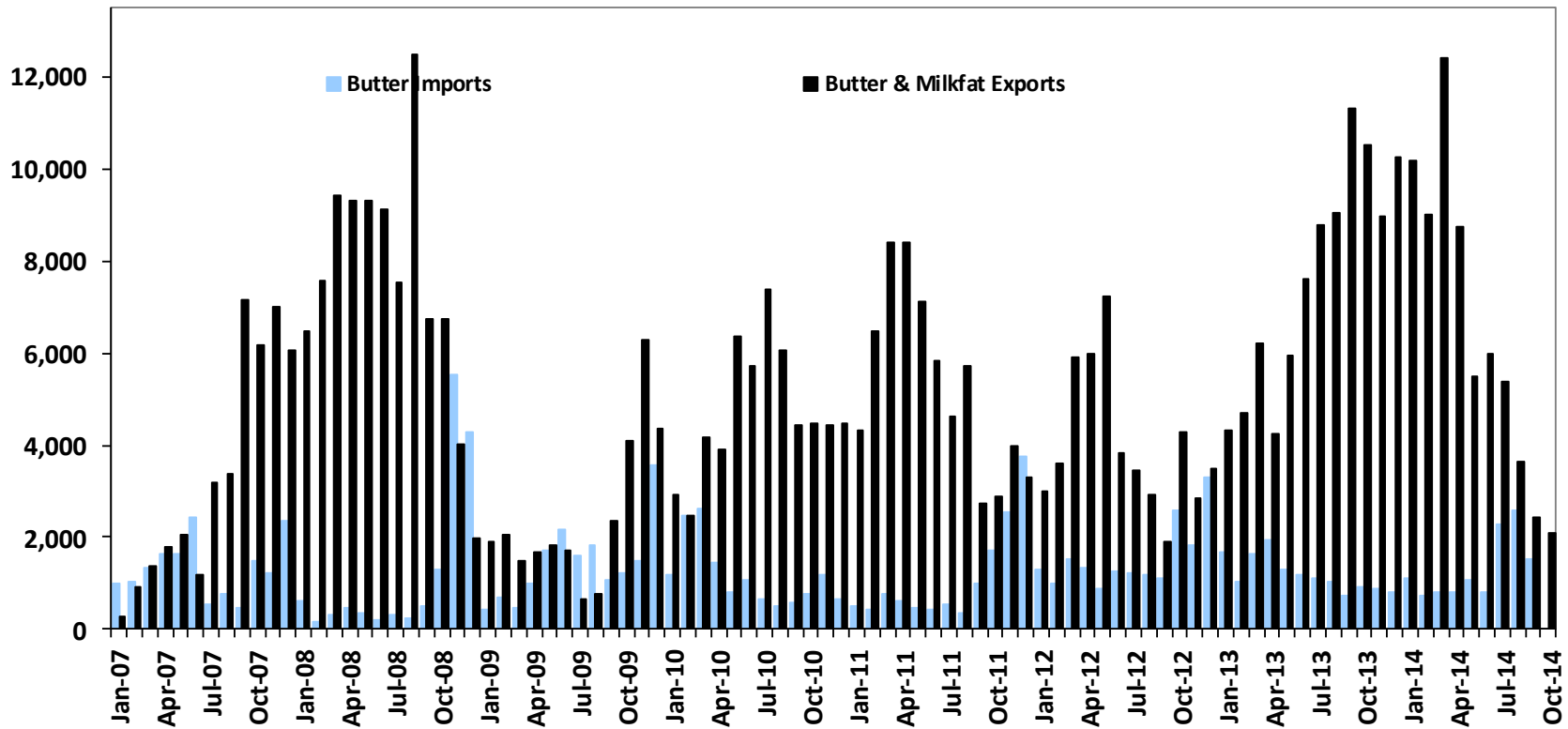
U.S. Butter Trade



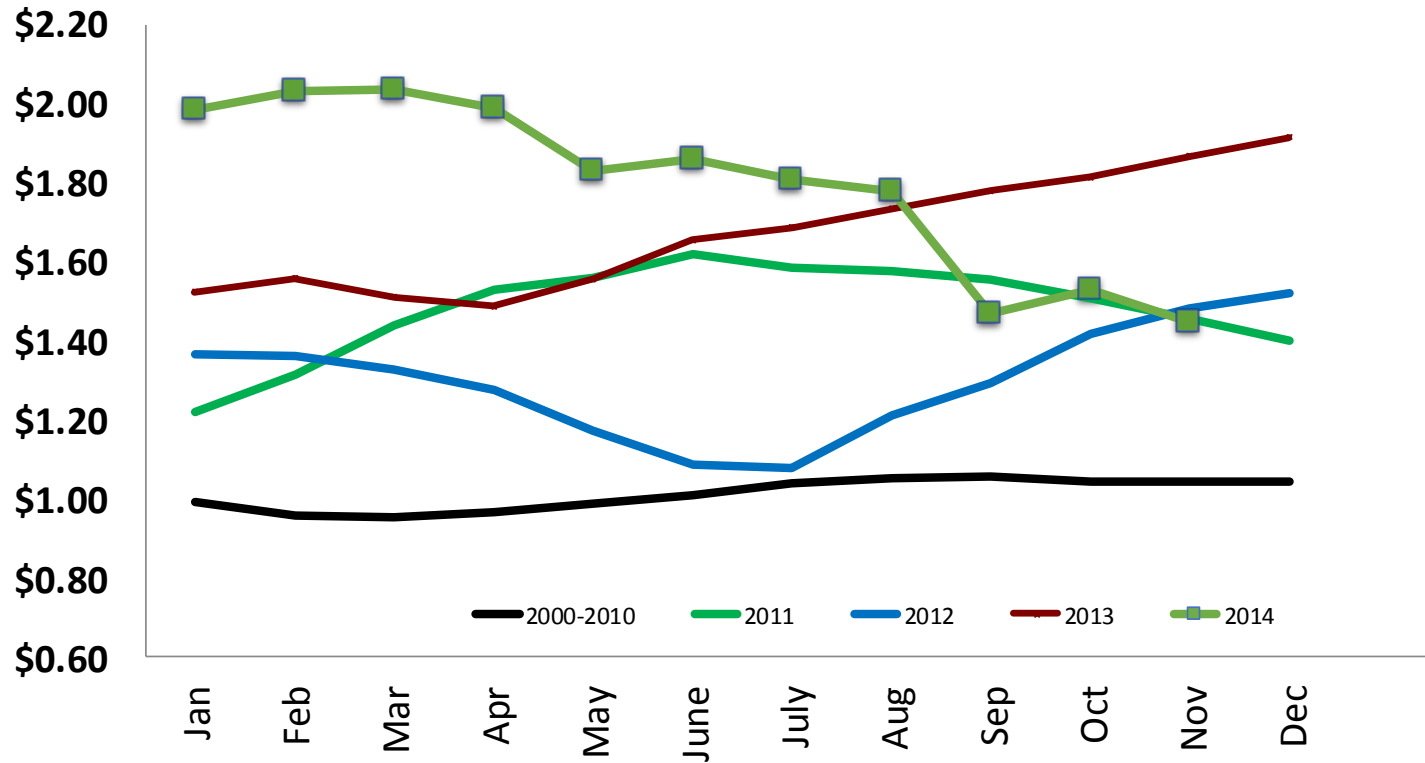
- Europe: \$1.57/lb
- 12.2.14 GDT: \$1.20 (+ 9 cents from the last auction)

U.S. Butter Trade

Oct'14 -80%

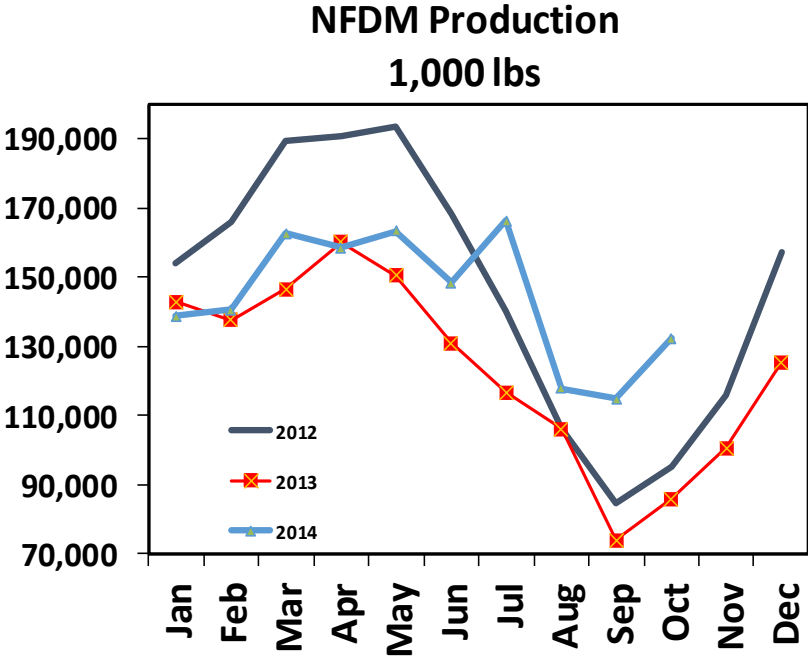


NFDM prices

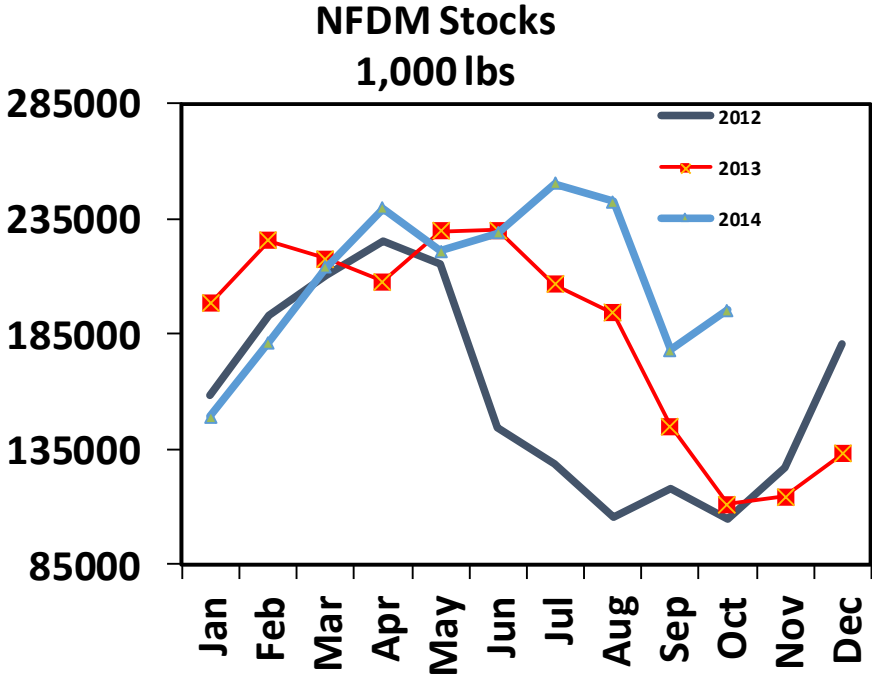


→CWAP (week ending 11.28.14): \$1.3501/lb

NFDM Production & Stocks



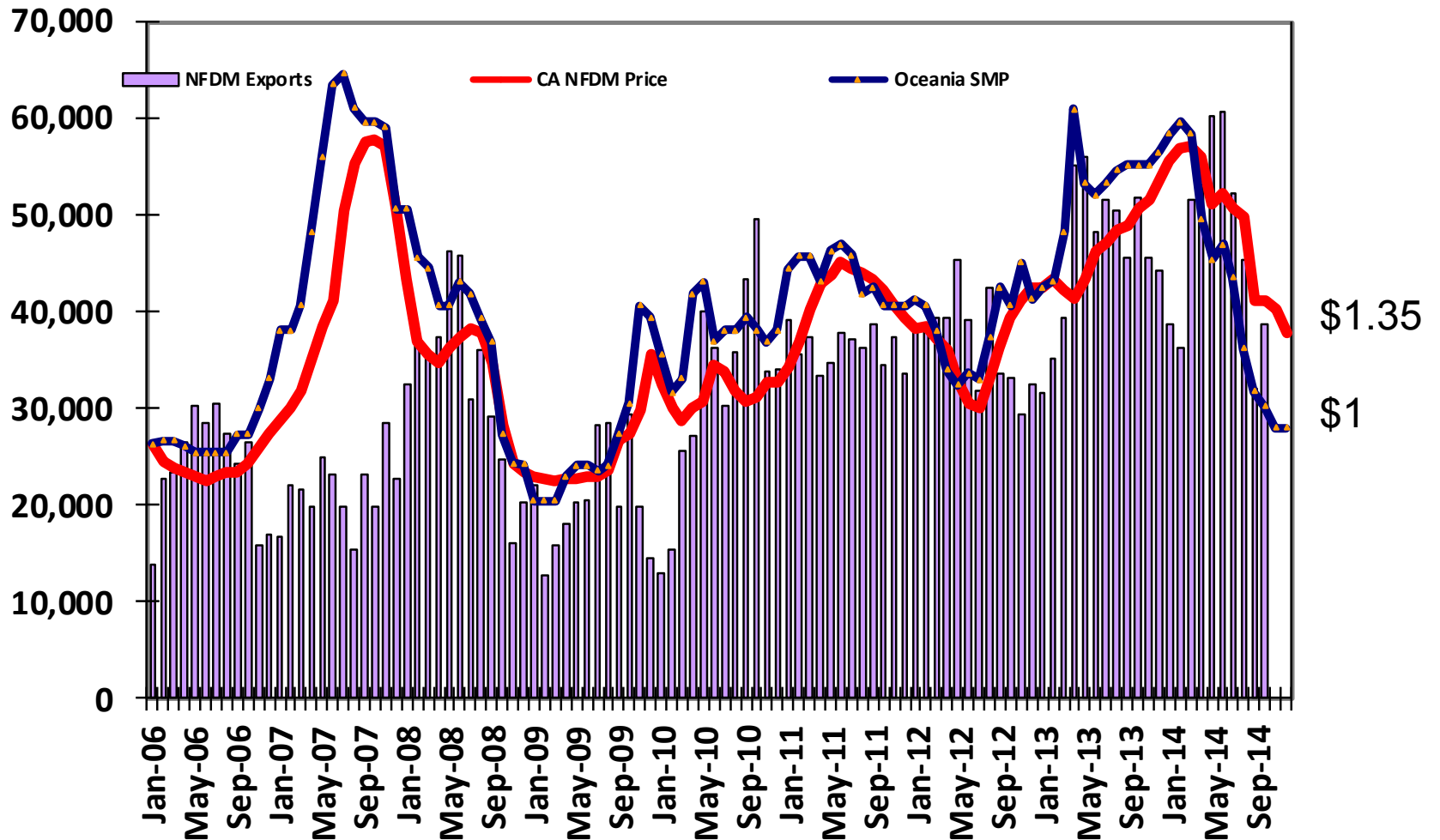
Oct production +54% from 2013, +15% from Sep



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

U.S. NFDMS/SMP Trade

• Oct '14 -25%



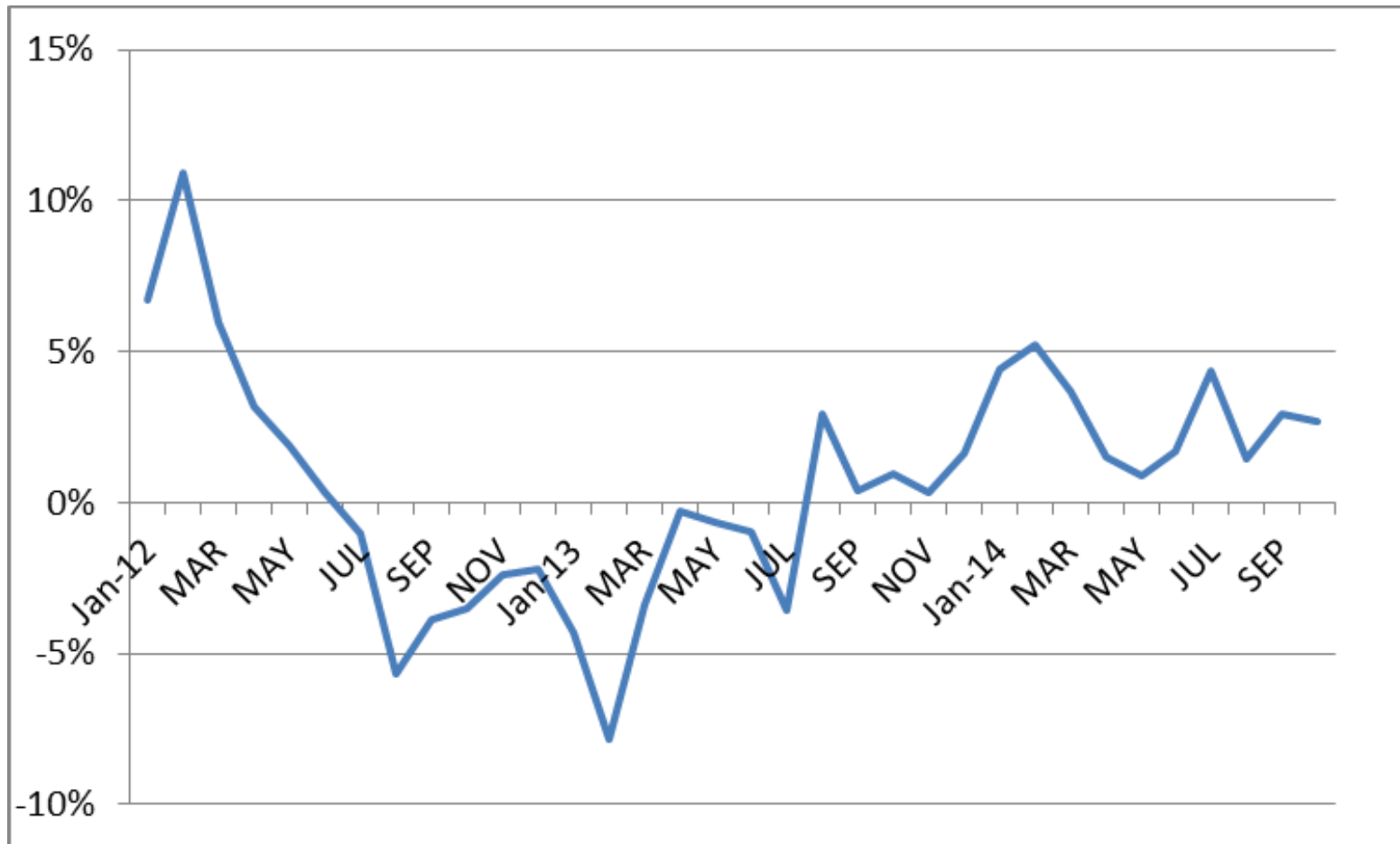
- 12.2.14 GDT skim milk powder: \$1.10/lb (+ 6 cents)

Source: FAS
World prices are quoted at bottom of range

Euro/USD (one year)



California milk production year-over-year change

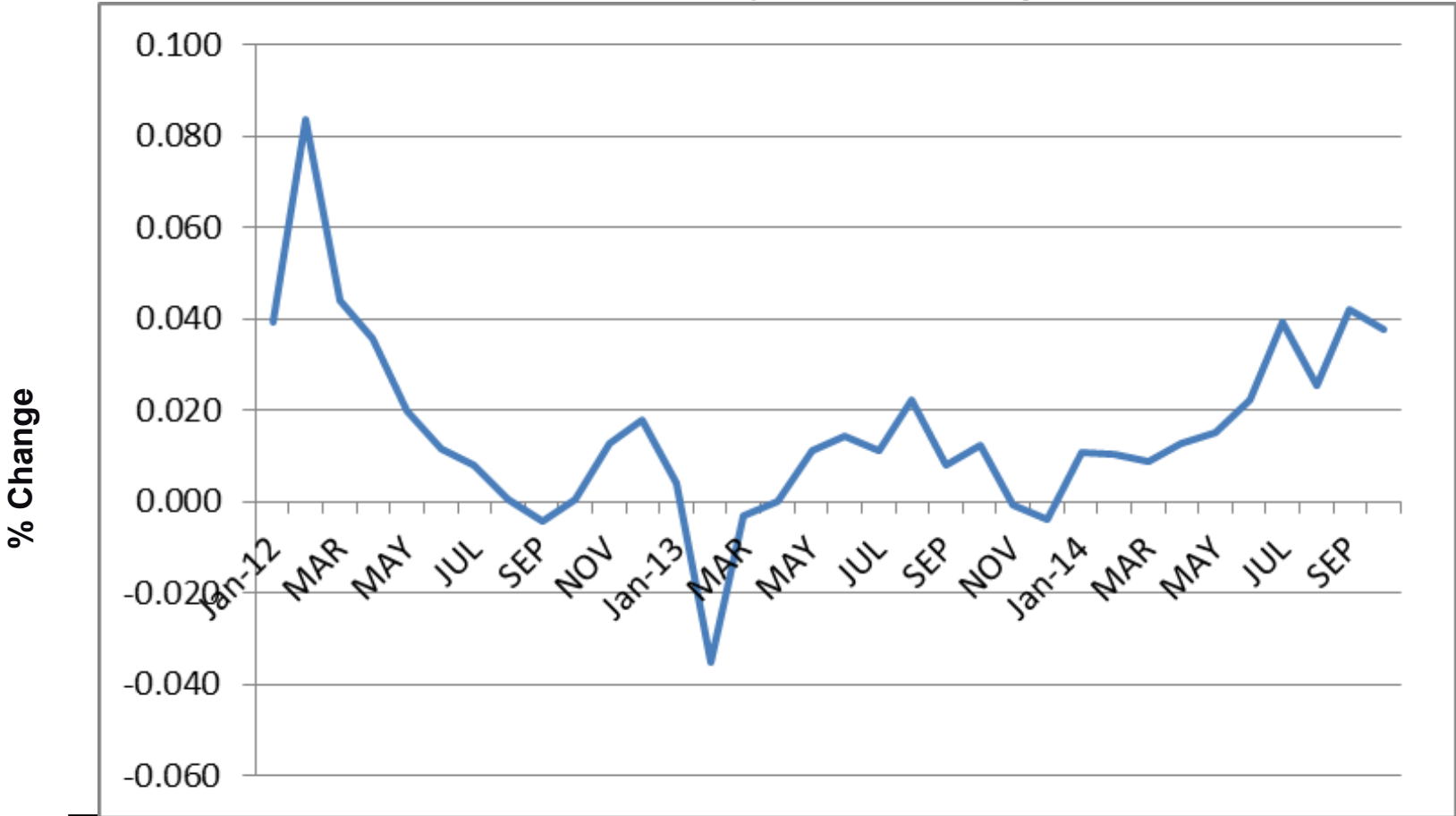


October production up 2.7%

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

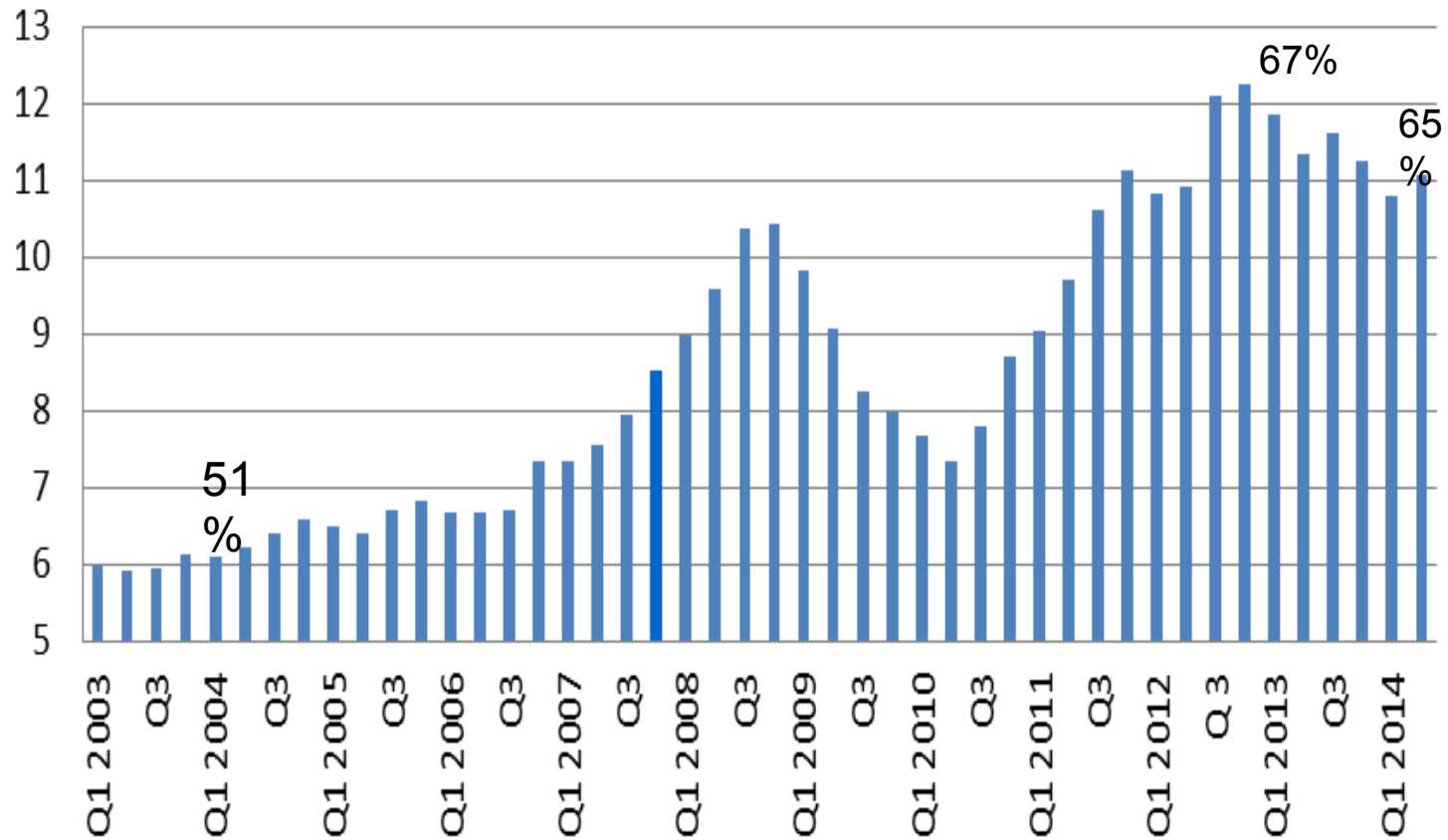
+77,000 head from last year; +52 pounds/cow

Feed

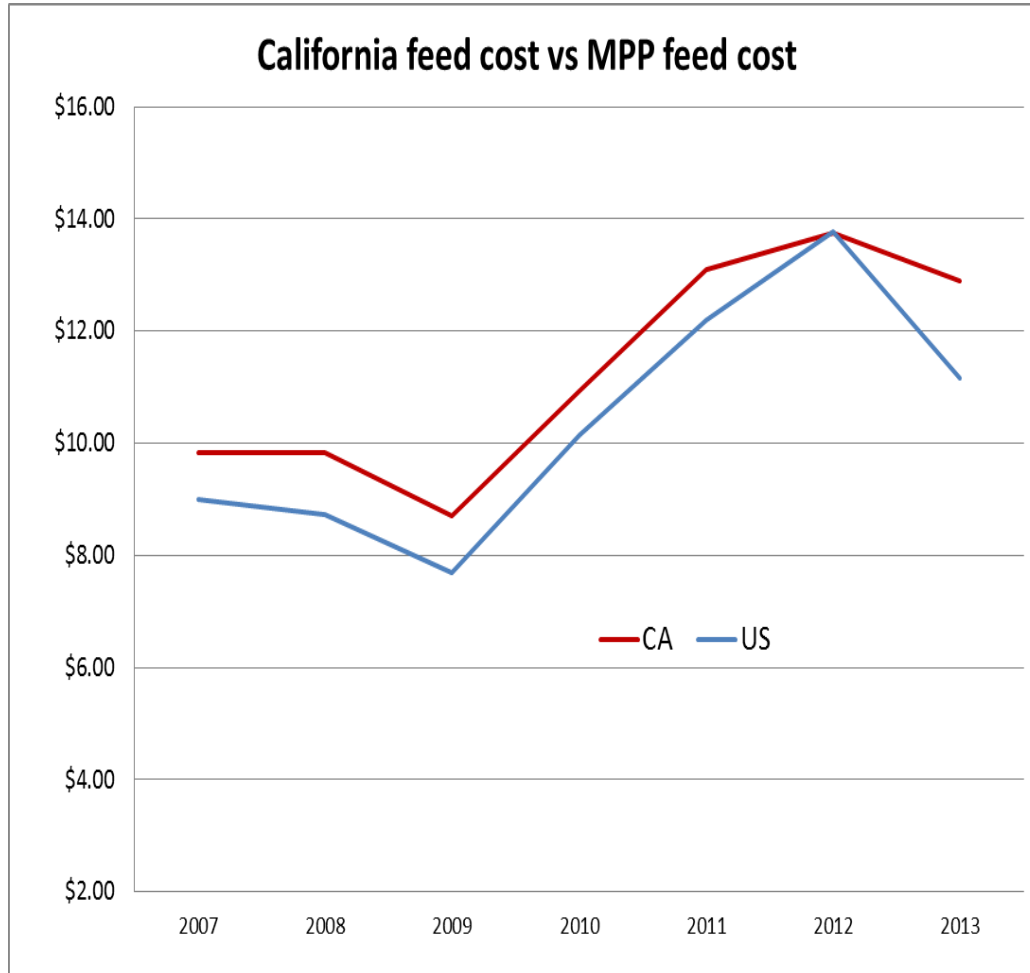
Western Milling Dec 8 (\$/ton)	This week	Prior Week	Year ago
Corn	\$201	\$199	\$219
Soybean Meal	\$525	\$535	\$540
Cottonseed	\$389	\$389	\$418

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

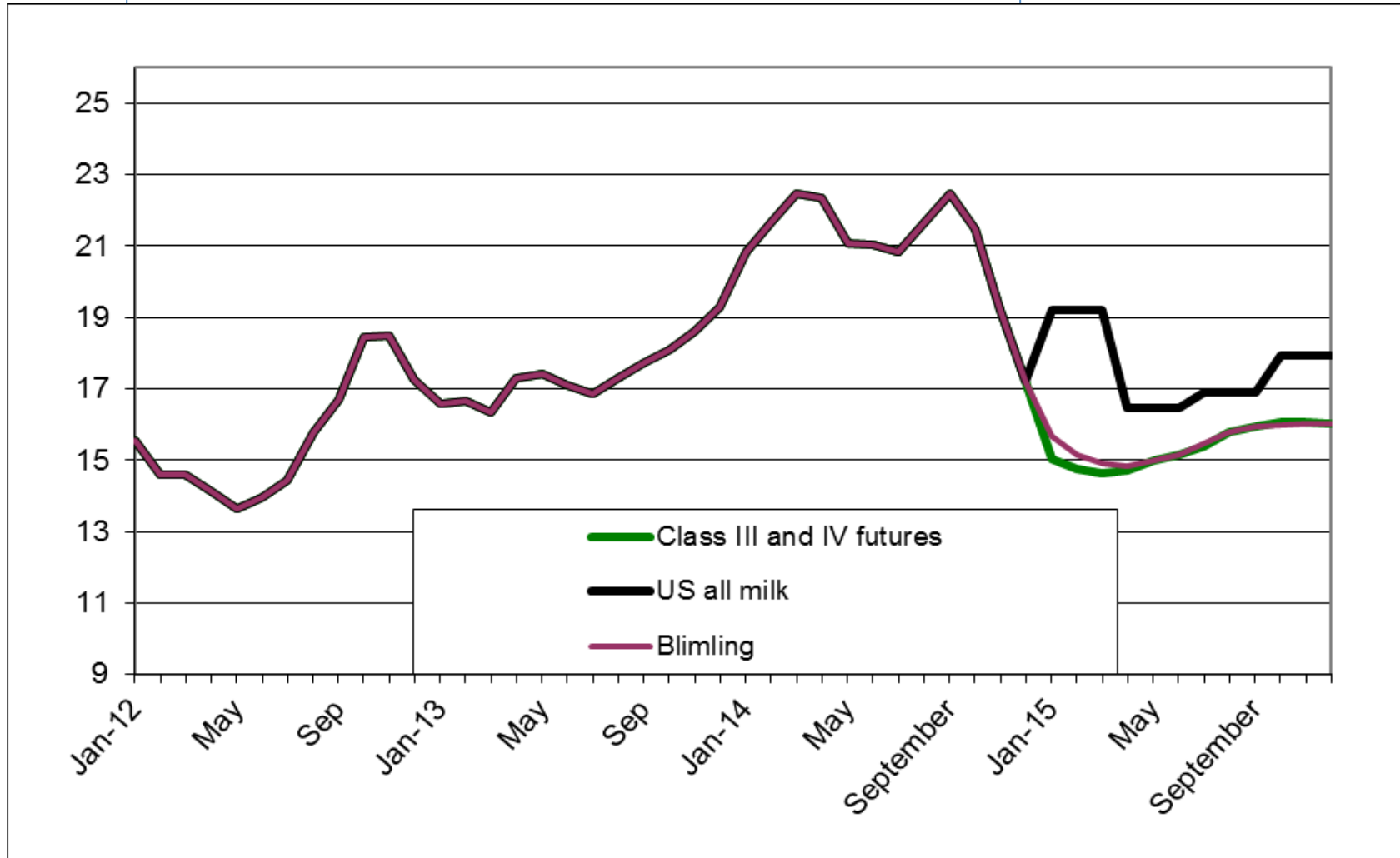
*The California corn price comes from Western Milling because USDA does not release a monthly California corn price.

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