Dairy Situation And Outlook

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April milk production for the 20 reporting states was up 1.0% compared to a year ago, the net result of 0.4% fewer milk cows and 1.5% more milk per cow. Parts of the southwest and west experienced rather poor milk production per cow due to adverse wet and warm weather.

California experienced an actual decline from a year ago in its production, down .9%. Although California had 3.7% more milk cows, milk per cow was down 4.5%. This is the second month in a row poor milk production per cow resulted in a reduction in California's milk production.

Compared to a year ago, California experienced a 8% decline in its March milk production. Because of California's significance cheese production, reports of California production problems was part of the reason for added strength in the cheese market. On the CME, 40 pound cheddar blocks, after falling from $1.35 a pound on April 2 to $1 18 per pound on April 30, a decline of $ 17 per pound, prices increased $ 03 per pound on May 4 and another $.02 per pound of May 14 where the price was back to $1 23 per pound What happens in the coming weeks in California is critical to cheese prices and the BFP price for the immediate months. Wet weather not only has caused herd health problems and less milk per cow for California, it has reduced the quality the hay being harvested.

In the southwest, Arizona continues to experience less milk production than a year ago. April's production was down 3 2% because 2.3% more milk cows was more than offset with 5.1% less milk per cow. Although milk per cow was up just 1 5% for New Mexico, 7 0% more milk cows resulted in 8 6% more milk Texas had a slight increase in milk per cow, up 0.7%, but with 3.6% fewer milk cows, milk production was down 3.0%.

In the northwest, Idaho continues to expand milk production, up 11.9% from a year ago in April. Idaho's cow numbers were 7.5% higher, and unlike California's decline in milk per cow, milk per cow was up 3.8%. Washington, however, had 1.5% fewer milk cows and wet weather meant no change in milk per cow.

The southeast continues to experience less milk production due mainly to fewer milk cows, except for Florida, where cow numbers were unchanged in April from a year ago, but milk per cow was down 3.8%. April production was down 3.8% for Florida, 3.6% for Missouri, and 4.8% for Kentucky. Despite Florida having less milk than a year ago, its spring flush still meant that it had much more milk than it needed for Class I needs. Florida had been shipping out of state as much as

100 loads of surplus milk each week Not until this past week has these shipments about stopped as their milk production has started to fall off seasonally

Milk production in the northeast is a mixed bag. Pennsylvania continues to do rather well. Its April production was up 4.8% due to 0 5% fewer milk cows, but 5.2% more milk per cow. The neighboring state of New York, however, experience a 0 4% decline in milk production because a decline of 0.7% in milk per cow more than offset a few more milk cows, 0.3%

Ohio had 1.3% more milk due to excellent milk per cow, up 5.2%. But the decline milk cow numbers more than offset increases in milk per cow in Michigan, resulting in 0.7% less milk production.

Both Minnesota and Wisconsin have less milk cows than a year ago, down respectively, 3.4% and 1.9%. But favorable weather has meant excellent milk per cow, being up 3.0% for Minnesota and 3.8% for Wisconsin. The net result was that Minnesota's April milk production was down slightly, 0.5% while it was up 1.8% for Wisconsin.

As already indicated, cheese prices took a major down turn in April resulting a $0.80 per hundredweight decline in the BFP to $12.01. The April BFP was still $0.57 above April a year ago. Earlier predictions were that the May BFP could drop below $11.00. But, with CME cheese prices increasing $.05 per pound over the past two weeks and butter prices taking big jump on April 25, Grade AA up $0.145 per pound, Grade A up $0.1475, and Grade B up $0.14, along with this April milk production report, the May BFP should stay above $11.00. My estimate is $11.10 per hundredweight May BFP. However, it is the NASS survey 40 pound cheddar block price and not the CME price that is used to adjust the BFP. For the first two weeks in May, the NASS 40 pound cheddar cheese price declined $0.077 per pound. In fact, for 12 consecutive weeks the NASS price has declined. The NASS cheddar barrel price declined for 11 consecutive weeks. But with the strength in the CME, and if these prices hold for the next two weeks, NASS prices should also show some strength over the remainder of AMay. Therefore, I will stick with a May BFP of $11.10. The May BFP a year ago had fallen to alow of $10.70.

The May BFP should be the low for the year with increases starting in June. This increase really depends upon the weather. Weather will affect the corn, soybean, hay and other feed prices as well as how well cows milk during the summer.

With favorable weather, feed prices will remain below a year ago and with milk prices still above year ago levels, the milk feed price ratio is also improved, which is conducive to better milk production. Assuming favorable weather, the BFP will not peak as high as a year ago.

In fact, last year the BFP increased from June through December, peaking at $13.29. This year the BFP may peak around $12.70 to $12.80 in October. The BFP futures are a little higher than this for now. But there is a lot of cheese around, and with favorable milk production its is hard to see a BFP much higher than $12.80. But, if El Nino produces hot and dry weather in the corn belt, and California and other western states also continue experience unfavorable weather, prices could be higher.

But as for now, predictions are still for a bumper corn and soybean crop, an excellent hay supply and favorable summer weather for good milk production per cow. Thus, a BFP below a year ago for the last quarter of this year.

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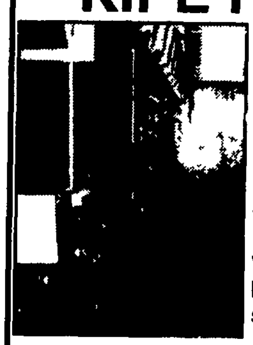

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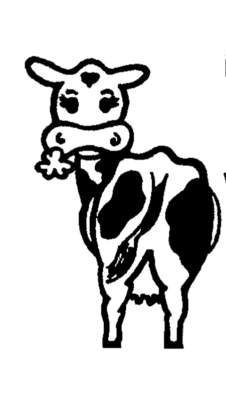

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