Dairy Situation And Outlook

Bob Cropp
Dairy Marketing and Policy Specialist
University of Wisconsin Cooperative Extension

Compared to a year ago, May milk production for the 20 reporting states showed the greatest relative increase this year, up 2.1% compared to an April increase of 1.3%. Estimated accumulated U.S. milk production January through May is up 1.1% from the same period a year ago. May milk cow numbers were just 0.2% below a year ago, the smallest decrease for more than two years. Milk per cow was up about normal, 2.3%.

A major change in milk production from previous months was a return to increased milk production in California. After a decline in milk production compared to a year ago of 2.0% in April, California had a 3.2% increase for May. This was not due to more milk per cow, which was down 0.5%, but rather more milk cows, up 3.8%. Milk per cow is still suffering from wet weather related problems earlier in the year

California farmers are also running short of high quality hay. The new year hay crop is of low quality due to wet harvesting conditions Some farmers are cutting back on hay fed per cow and substituting other feeds What impact this will have on California's milk production for the immediate months ahead is uncertain, but some nutritionist indicate that even with substitutes for high quality hay, California will be able to maintain an increase in milk production. But it does appear that California's milk production increases will continue to be well below last year's.

Both Idaho and Washington experienced rather poor increases in May milk production per cow, up respectively just 0.6% and 0.8% Because Idaho had 8.2% more milk cows, total milk production was still up 8.7% while fewer milk cows netted Washington 1.1% less total milk production

New Mexico had just 0.6% more milk per cow but 8.0% more milk cows which resulted in 8.5% more total milk production. Texas had 2 6% more milk per cow but fewer milk cows that netted a 0 9% decrease in total milk production Arizona had just 1 3% more milk per cow but more cows increased total milk production 2.3%

Hot weather played a toll on milk production in the south and southeast Florida had a 7.3% decrease in milk per cow and a reduction in total milk production of 7 3%.

Milk per cow was up only 0 4% for both Kentucky and Missouri and total milk production was down respectively, 5.8% and 5 7% Forecast are for a continuation of hot weather in the south and possible drought conditions by late summer This could affect milk production this summer and fall and the amount of Grade A milk the southeast will need to ship in from other states to meet fluid needs This activity does strengthen milk prices.

Milk production in the northeast is mixed. New York had no change from a year ago due to 0.3% less milk per cow offsetting 0.4% more milk cows, while Pennsylvania had 4.0% more milk production because of 4.7% more milk per cow from 0.6% fewer milk cows. Ohio had 1.0% more milk, but Michigan experienced 0.6% less milk.

Wisconsin had 1.8% fewer milk cows but excellent milk per cow, up 4.9% resulted in an increase in total milk production of 3.0%. Minnesota had good milk per cow, up 2.8% but 2.6% fewer milk cows meant only a slight increase in milk production.

Despite milk production running higher than a year ago and commercial disappearance a little soft (up just 0.4% from January-March), butter and cheese prices keep increasing. Cheese prices took a decline April to early May. NASS 40 pound cheddar block prices average about 10 cents less per pound in May than for April.

This lower average NASS cheese price, a lower April base price than what was estimated ($11.82 and not the $12.01 April BFP), plus a relatively high butterfat differential adjustment to 3.5% butterfat teat resulted in a May BFP of $10.88, down $1.13 per hundredweight from April. But both butter and cheese prices have taken a strong turn upward. From May 7 to June 4, CME 40 pound cheddar blocks increased 28.25 cents per pound ($1.21 to $1.4925). CME cheddar barrels increased 24.5 cents per pound ($1.20 to $1.445). Both cheddar blocks and barrels increased another 5 cents per pound on June 11

But the BFP is adjusted by changes in the NASS survey 40 pound cheddar block price and not the CME price. The NASS survey price lags behind the CME prices While the CME block price increased 28.25 cents per pound from May 7 to June 5, the weekly average NASS block prices increased just 11.17 cent per pound from the week ending May 8 through the week ending June 5 Therefore the expected increase in the June BFP is less with NASS prices than what one would anticipate from CME prices

These relatively strong cheese prices exist despite cheese production above a year ago. April production compared to a year ago show production of American cheese up 3 5%, cheddar production up 1.8% and total cheese production up 7.2%.

But strong committed sales when cheese prices dropped in April and May has meant available "fresh" cheese supplies are tight Wholesale buyers are not available to purchase additional cheese and are bidding cheese prices higher

Butter prices increased 20 cents per pound since the end May Both Grades AA and A on the CME are at $1.90 per pound. Cream supplies are tight as ice cream manufacturers compete with butter makers April butter production was down 12 5% from a year ago. Butter stocks are about 68 million pounds But as recent as 1992 when the CCC was purchasing lots of surplus butter stocks stood at 781 million pounds Butter supplies and prices should stay strong until at least late fall.

What does this all mean as far as the BFP? At these cheese and butter prices the June BFP will increase from May more than $2.50 surpassing $13.00 per hundredweight to perhaps $13.25 to $13.40 per hunderweight. The BFP futures are trading near these levels. This compares to a June BFP of just $10.74 a year ago. As we look down the road further strengthening of the BFP appears likely. The BFP could peak in September near $14.00 per hundredweight before starting to decline.

At these levels of milk prices and forecasts for relatively cheap corn and soybeans, and excellent quality hay at lower prices, except for the west and northwest, milk production this fall could be fairly strong. If so, cheese and butter prices could fall sharply. There is also concern that the relatively high butter and cheese prices will dampen demand.

But if crop conditions are not as favorable and milk per cow is adversely affected by hot weather, prices will still decline seasonally late fall, but at a slower rate and not as far.Because of this price uncertainty, dairy producers may want to consider protecting milk prices via of dairy futures and options. The BFP futures prices are trading at relatively attractive levels.

Regardless, milk prices for 1998 will average above those of 1997.

Robert Cropp
cropp@aae.wisc.edu
University of Wisconsin-Madison

High School Students Compete In Envirothon

YORK (York Co.) — Twenty-five teams with more than 165 students from 12 schools participated in the 13th annual York County Envirothon at the York Chapter of the Isaak Walton League, outside Dallastown.

This environmental learning competition is organized by the York County Conservation District and tests teams of six students in five areas: soils, forestry, aquatics, wildlife and a current event topic: freshwater watersheds. All students receive a snack, lunch, ribbons, certificates and seedlings. Winners receive trophies and ribbons.

Participating high schools include: Dallastown, Red Lion, Northeastern, Dover, Kennard-Dale, Spring Grove, Central York, Susquehannock, Hanover, Red Land, Northern and Eastern.

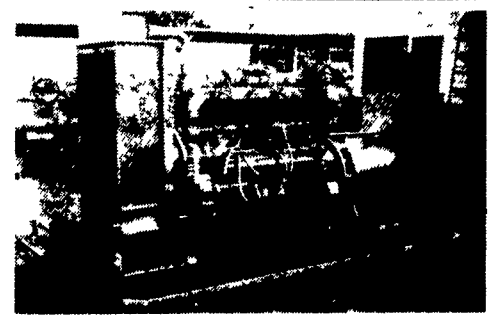
Many businesses and organizations gave their time or money to make the event possible.

The top five winners were: 1st Place team Dallastown "Hellbenders" scoring 448 pts.; 2nd Place team Red Lion "Dirt Wardens" scoring 439.5 pts.; 3rd Place team Northern "I" scoring 397 pts.; 4th Place team Red Lion "Roadkill" scoring 397 pts.; and 5th Place team Northeastern "I" scoring 376 pts.

Category winners were aquatics: Red Lion "Dirt Wardens" scoring 90 pts.; current events: Dallastown "Hellbenders" scoring 96 pts.; forestry: Dallastown "Hellbenders" scoring 85 pts.; soils: Red Lion "Dirt Wardens" scoring 92.5 pts.; and wildlife: Red Lion "Dirt Wardens" scoring 94 pts.

FARM BUILDINGS NEED PAINTED?
Let Gahring's BRIGHTEN Up Your Life
"The Farm Painting Specialist"

WE ARE THE FUSSY ONE'S
OUR SPECIALTIES ARE.
AGRICULTURE - COMMERCIAL - INDUSTRIAL - CHURCHES
• Barn Painting • Milk House • Roof Coating
• Water Proofing Silos • Stucco Farmhouses
The Job Must Be Done To Your —Satisfaction—
For FREE Estimate CALL
Gahring's
PAINTING & WATERPROOFING
636 East End Ave., Lancaster, PA
717-397-4187

MARTIN MACHINERY

GENERATORS
Sales ★ Service ★ Rentals
* Complete Generator Systems
* PTO * Portables * 2-1600 KW
"We Service It If You Have It And Sell It If You Need It"
34 W. Mohler Church Rd.
Ephrata, PA 17522
Tel: 717-738-0300
Fax: 717-738-4329

VA-North Carolina Select Sires Inc.
Learn To Breed Your Own Cows
A Select Sire A.I. School has been scheduled at New Holland Sales Stables
A Three Day School
Classes 9:00 a.m. to 4:00 p.m.
July 28, 29 & 31
Deadline, July 25th
Non-Refundable $25 Deposit
Registration Fee Requested
Contact:
Clair High
717-442-0950

BUY FACTORY DIRECT!

UP TO 40% OFF
SUPER HEAVY STEEL:
▪ Equipment storage & workshops
▪ Hay and animal shelters
▪ 100% made in U.S.A.
SIZES AVAILABLE
2 (25 x 40) 2 (42 x 70)
3 (30 x 50) 3 (45 x 80)
2 (40 x 64) 1 (55 x 120)
Limited time offer
AMERICAN STEEL SPAN
800/825-5059