

Weekly Dairy Market Outlook

(Continued from Page A16)

or 0.9 percent from a year ago, and up 6,000 head from December 1999.

Milk production in January grew just about everywhere (see Table 3). Of course the West was up: Arizona up 9.1 percent, California up 11.0 percent, Idaho up 14.5 percent, and New Mexico up 10.2 percent. Several other states were also up: Indiana up 6.5 percent, Kentucky up 3.5 percent, Michigan up 8.1 percent, Pennsylvania up 3.1 percent, Texas up 4.4 percent, and Virginia up 5.1 percent.

All this extra milk appears to be moving into the production of butter, nonfat dry milk, and cheese. That is resulting in greater growth in stocks of dairy products. The Cold Storage Report (see Table 4) indicates that butter stocks grew from 25.1 million pounds on December 31, 1999 to 29.1 million pounds by January 31, 2000. Butter stocks in January grew 30.1 percent from a year ago. Stocks of American cheese grew from 458.0 million pounds in December 31, 1999 to 481.1 million pounds by January 31, 2000. =

American cheese stocks in January grew 6.4 percent over a

year ago. Total cheese stocks grew 7.5 percent in January over a year ago.

It is normal to see stocks of dairy products grow in January since there is a lot of extra milk available, particularly cream. Many butter processors build inventory this time of year since they don't have to compete for available cream supplies from ice cream makers. Growth in the milk supply, however, is adding to greater levels of dairy product production.

The markets for dairy commodities remained depressed this week at the Chicago Mercantile Exchange. Barrel prices showed some strength, rising from \$1.08 per pound on Monday, February 14 to \$1.10 per pound by Friday, February 18. Prices for 40-pound blocks fluctuated between \$1.11 and \$1.1050 per pound. Grade AA butter rose from \$0.8750 per pound on Monday to \$0.9100 by Friday. This rise in price is unusual given the strong growth in butter stocks. According to USDA, "producers and handlers are once again questioning whether price firmness is being influenced by factors other than supply/demand."

The Commodity Credit Corporation (CCC) purchased 11,358,551 pounds of nonfortified nonfat dry milk and 235,694 pounds of fortified nonfat dry milk during the week of February 14-18 from the West and Midwest under the dairy price support program. No cheese was purchased this week.

The Class III milk futures at the Chicago Mercantile Exchange settled at the following prices as of February 18, 2000: February--\$9.60; March--\$9.82; April--\$9.99; May--\$10.10; June--\$10.85; July--\$11.70; August--\$12.25; September--\$12.39; October--\$12.50; November--\$12.20; and December--\$12.05.

Finally, USDA announced the advanced prices and Class I and II prices for March 2000 for all federal orders. The two-week average commodity prices applicable for March were: butter--\$0.9105 per pound; nonfat dry milk--\$1.0104; cheese--\$1.1084; and dry whey--

\$0.1800. The base price for Class I milk is \$10.84 per cwt and is \$0.13 per cwt higher than the February price. Class I differentials are added to the base price to form the Class I price. The March base price for Class I milk is derived from the advanced Class IV skim milk pricing factor of \$7.71 per cwt and the advanced butterfat pricing factor of \$0.9713 per pound. The Class II skim

milk price for March is \$8.41 per cwt and the Class II nonfat solids price is \$0.9344 per pound. The complete Class II price will be available in early April.

For more information on market and federal order data, see my Penn State Dairy Outlook website at: <http://www.aers.psu.edu/dairyoutlook/>.

Chester Club

(Continued from Page A21)

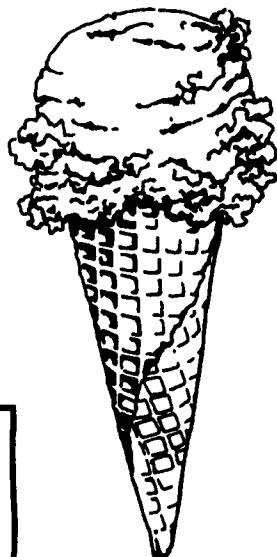
Dairy purpose each year. The Scott Cooper farm boasts a herd average of 28,000 and features longevity. They currently have 6 cows over 200,000 lifetime and have several cows with 8-11 generations of VG or EX behind them. Some current animals in the herd are sired by Mandel, Iv-Ann, Luke, and Duster and currently have close to 30 VG or better.

You also will meet the home of Winchester which is My Ladys Manor farm. They have

270 cows and farm over 1000 acres and keep the crops in Ag Bags. Several animals worth looking at are an 88 point Prescott and a 94 point Blackstar along with daughters of Patron, Mandel, Astre, Mason, and other current sires. The Frey Dairy Farm features 900 cows with the capacity of up to 1500 cows. They have a double 24 parlor with a basement under it and milk directly into a milk truck.

For reservations please call one of these persons by March 1, 2000. Bob Hewitt 610-495-7927, Glenn Ranck 610-932-3309 or Dick Hostetter 610-857-2780.

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