

MILK MARKET COMMENTS – JOHN CAMPBELL – U. T. EXTENSION (10/20/09)

Milk production in the 23 major states during September totaled 13.9 billion pounds, down 0.7% from September 2008. Production per cow was 1,672 pounds in September, up 22 pounds from September a year ago. There were 8.34 million cows, 168,000 less than September 2008, and 32,000 less than August. August production has been revised to down 0.1% from August 2008. For milk production in the top 5 producing states, California was down 6.4% from September a year ago; Wisconsin up 5.2%; New York down 1.4%; Idaho down 2.3%; and Pennsylvania up 1.0%. Indiana was up 5.8%; and Texas up 4.9%. Twelve of the 23 states had production lower than a year ago, while two states had production equal to a year ago. Arizona was down 10.8%; Colorado down 7.1%; Missouri down 4.1%; Florida down 1.4%. At Smith Grove, Kentucky on October 13 supreme springers sold \$1,300 to \$1,460, up about \$100 from month ago.

The Southeast Uniform milk price for September was \$14.12, up 82 cents from August and \$6.51 lower than September 2008. September's Class III price was \$12.11, up 91 cents from August, and \$4.17 lower than September a year ago. The Class IV price was up 77 cents from August to \$11.15, and \$4.30 under September 2008. Class I utilization was 73.08%, up 2.29% from August. The butterfat price was \$1.2549, up slightly from last month. The September Class I price was \$14.73. The October Class I price is \$16.15, up \$1.42 from September and \$3.18 lower than October 2008. Regional supplies are tightening some as handlers gear up for holidays. Futures prices were up today, pushing them above month ago levels. Class III futures prices on October 20: October \$12.76, up 5 cents from a month ago; November \$13.88, up 18 cents; December \$14.65, up 37 cents; January 2010 \$14.70, up 40 cents; February \$14.75, up 25 cents; March \$15.01, up 47; April \$15.00, up 41 cents; May \$15.05, up 45 cents; June \$15.10, up 20 cents; July \$15.35, up 25 cents; and August \$15.53, up 8 cents. Larger inventories than expected were reported for August. Total cheese stocks usually decline in August, but this August' decline was the smallest since 1992. American cheese stocks on August 31 were 53.9 million pounds more than a year ago. Commercial butter inventories increased in August for the first time since 1990. Butter stocks usually decline during July and August, but increased this year. August 31 powder stocks are down 28% over the last two months. August cheddar cheese production declined seasonally and was up 1.6% from a year ago. Total cheese production was up 2.6%. August butter production was down 13.6%, the lowest August production in three years. August NDM/SMP production was down 18%, the lowest since September 2007. August whey product was up 3.3% over a year ago. August export volume was the highest of 2009, but 44% less than August a year ago. The dollar value of August exports was down 49.1%. June through August fluid sales were up 2.2%. August cow slaughter was 238,900 head up slightly from July.

FSA has announced the MILC payment for August at \$1.6425. Preliminary September feed prices released on September 30 were \$3.32 per bushel for corn, \$9.85 per bushel for soybeans, and \$110.00 per ton for alfalfa hay, resulting in a preliminary MILC estimate for September near \$1.24. The base price for October has been announced at \$12.35, the highest since January. October MILC payment will be a minimum of \$0.60.

Technically speaking – November futures \$13.88 up 18 cents from a month ago. Support at \$13.50 and \$13.20. Resistance at \$14.00 and \$14.70. The RSI is 51.10. December futures \$14.65 up 37 cents from a month ago. Support at \$14.00 and \$13.80. Resistance at \$14.65 and \$15.00. The RSI is 59.51. February futures \$14.75 up 25 cents from a month ago. Support at \$14.40 and \$14.10. Resistance at \$14.60 and \$14.80. The RSI is 60.42.