



News

For Immediate Release
June 11, 2007
Contact: Robert Wellington
Direct Line: 978-687-4934 or
Doug DiMento
Direct Line: 978-687-4936

Agri-Mark expects record farm milk prices this summer and fall

The co-op's dairy economist says farm milk prices will rise above \$20.00/cwt.

Methuen, Mass. -- Agri-Mark dairy economist Robert Wellington says he expects record farm milk prices this summer and fall. This is good news for the region's dairy farmers, who have experienced record high production costs for the past 18 months. On top of that, prices paid to farmers by USDA last year were less than they were 25 years ago.

Agri-Mark is a dairy farmer owned cooperative that markets a substantial amount of the farm milk in New England and New York to both fluid bottler and dairy manufacturers.

"Farm milk prices will likely exceed \$20.00 per cwt. this summer and could even approach \$22.00 in some months," says Wellington. "And early indicators are that 2008 could average close to \$20 per cwt."

Neal Rea, a dairy farmer from Cambridge, N.Y., who serves as the co-op's Chairman of the Board, cautions that most dairy farm families lost thousands of dollars in 2006, so higher income is sorely needed on the farm. Many dairy farmers have gone out of business in recent years throughout the region due to the volatile nature of farm pricing.

"The year 2006 was especially difficult, given record high prices for fuel, feed, fertilizer and other inputs that are trucked to Northeast dairy farms like mine," says Rea, who milks 160 cows with his wife and two sons. "I literally spent more than \$3,200 more on fuel for my farm in 2006 than I did in 2005 and I will be paying more than that in 2007. Despite better prices, higher feed and crop expenses this year will further accelerate dairy farm closings in the Northeast."

Rea says he purchases 12 to 14 tons of dairy grain for his cows each week and the cost of that grain has risen more than \$40 per ton in the past three years alone. That's an increase of more than \$25,000 per year. He also says that this year a real challenge will be to pay off the interest on the loans and innovative financing measures that he took in 2006 to keep his farm business afloat.

Economist Wellington says the record farm prices during the second half of 2007 will be caused by a number of factors working in conjunction. Domestically, U.S. milk production growth has slowed due to low farm prices and higher milk production costs incurred last year. Energy related prices remain high and these cost problems are compounded by the high costs of corn and other dairy feed as a result of corn being diverted to ethanol use.

For the first time, international demand for U.S. milk production is playing a large role in driving domestic farm milk prices upward. Demand for dairy proteins like nonfat dry milk and whey powder, are booming overseas for a number of reasons. Some of these factors include:

- ❑ Australia is a leading supplier of international dairy products but has had a fifth

(more)

year of drought and many dairy farmers have gone out of business permanently. 2007 milk production is expected to be 15% to 25% below 2006.

- ❑ Record heat waves hit Europe last summer and has had long term impacts on milk production since then.
- ❑ During the past two years, the European Union has just about eliminated export subsidies of most dry milk products, including nonfat dry milk, whole milk powder, casein and caseinates. Almost no nonfat and whole milk powder has been exported by the EU since May 2006.
- ❑ Earlier this year, India, the world's largest producer of milk (bovine and buffalo), suspended nonfat dry milk exports in order to protect domestic demand.
- ❑ Rising per capita income in China, India, Russia and Brazil in the past three years has led to greater adoption of Western diets containing more dairy products as well as prepared foods that use dairy products as ingredients. China is also considering establishing a school lunch program which would likely include dairy products.
- ❑ The worldwide demand for highly functional milk proteins has grown just as supplies have fallen and further declines in production is expected due to ethanol driven higher feed prices (corn prices, a primary ingredient in dairy feed, including corn seed, are higher due to demand for corn for ethanol).

“In addition to these factors that affect world, U.S. and regional markets for dairy products, another one is often the most significant of all -- that one is weather,” says Wellington. “If we have a hot summer and national milk production tightens further, milk prices could soar even higher.”

Wellington notes that Agri-Mark has been an active participant and supporter of the national Cooperatives Working Together (CWT) program that has helped U.S. dairy farmers to better align national milk production with demand over the past few years. He says that program is also part of the reason for the higher farm price outlook.

The dairy economist notes that strong and stable milk prices that allow for farmers to prosper and provide an abundance of milk and dairy products to consumers is important to everything from maintaining agricultural open space to assuring homeland food security.

- 30 -

Editor's Note: Black and white digital photos of Robert Wellington, dairy farmer Neal Rea or the text of this release are available by contacting Doug DiMento directly at 978-687-4936 or ddimento@agrimark.net.

Agri-Mark, with approximately \$680 million in 2006 sales, markets more than 300 million gallons of farm fresh milk each year for 1,375 dairy farm families in New England and New York. The cooperative has been marketing milk for dairy farmers since 1916, and also actively represents their legislative interests in the Northeast and in Washington, D.C. In addition to the McCadam brand of New York Cheddar, Muenster and other cheeses, Agri-Mark also owns the award-winning Cabot brand of Vermont Cheddar, butter and other dairy products. Agri-Mark has also invested in operations to manufacture and market valuable whey proteins and sells fluid milk from its farmers to the region's largest dairy processors. For more information about Agri-Mark, visit our web site at www.agrimark.net.