

Dairy & Food Market Analyst

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Trends, analyses & forecasts by Jerry Dryer

As Yogi said: It's déjà vu all over again

Another week of huge volumes - blocks and barrels - in the cheese market; another week of lower prices.

Eighty-four loads of cheese traded at the Exchange this week. During the five trading weeks ending in Aug, 186 loads of blocks changed hands as the price fell 36.50 cents and 143 loads of barrels traded as the price declined 33.75 cents.

There is now a seven-cent spread. The block price should move lower to narrow the gap to its more typical three to four cents.

Foodservice sales are reasonably good. Branded retail sales are in the tank. Private label sales at the store level are ho-hum. Retailers and foodservice operators are buying; however, they're simply stocking up at lower prices and then orders will soften up.

Exports are nil as buyers keep one eye on the sinking US price and the other eye on supplies that will be available from the Southern Hemisphere soon.

It all adds up to cheese prices continuing lower; albeit, slowly.

After climbing above \$1.60 early this month, the butter price has bounced around between the low to mid \$1.60s. I expect more of the same during Sep.

The NASS whey price fell a couple of cents this month, but still doesn't reflect the lower trading prices being reported elsewhere. The NASS nonfat dry milk price gave up about a penny and a half this month; but, it too, has failed to reflect lower prices being reported by both sellers and buyers.

World prices for all four products - cheese, butter, nonfat dry milk and whey - spent the entire month in a waning phase and there is more to come.

The new make allowances won't be implemented on Sep 1, as originally announced. A lawsuit has stalled the effective date until at least 01 Oct 08.

Per capita cheese consumption inched higher during 2007; up just 0.12 lbs, according to USDA

29 Aug 08

Current Cash Prices At-A-Glance...

CME Cheese

Block.....\$170.25 (-1.00)
Barrel.....\$163.25 (-3.00)

CME Butter

AA.....\$161.25 (+0.25)

CME Nonfat Dry Milk

Extra Grade.....\$138.00 (-6.00)
Grade A.....\$138.00 (-4.50)

FMMO Class I Base Price

Sep.....\$17.65 (-0.82)

CA Class 1 (Sep)

Northern.....\$19.23 (-0.56)
Southern.....\$19.51 (-0.56)

Class II Price

Jul.....\$16.81(+0.62)

Class III Price

Jul.....\$18.24 (-2.01)

California 4b

Jul.....\$17.77 (-1.35)

Class IV Price

Jul.....\$16.60 (+0.68)

California 4a

Jul.....\$16.08 (+0.47)

(Cheese, butter and powder prices and changes are reported in cents/lb. Class I, II, III and IV prices and changes are reported in dollars/cwt. Numbers in parentheses are changes from previous week/month.)

Support Purchase Prices for Dairy

Barrels.....\$1.1014
Blocks.....\$1.1314
Butter.....\$1.0500
Nonfat Dry Milk.....\$0.8000

estimates. During 2006, per capita use increased 0.97 lbs.

Cheddar cheese usage declined during 2007 to 10.03 lbs vs 10.37 lbs in 2006. Mozzarella cheese consumption climbed from 10.53 lbs in 2006 to 10.95 lbs during 2007. There were very slight changes for other varieties.

Per capita milk and cream consumption totaled 206 lbs last year vs 207 lbs during 2006. Thank you Starbucks, et al as retail grocery milk sales slumped about 3% last year. Complete details are available at: <http://www.ers.usda.gov/publications/ldp/LDPTables.htm>.

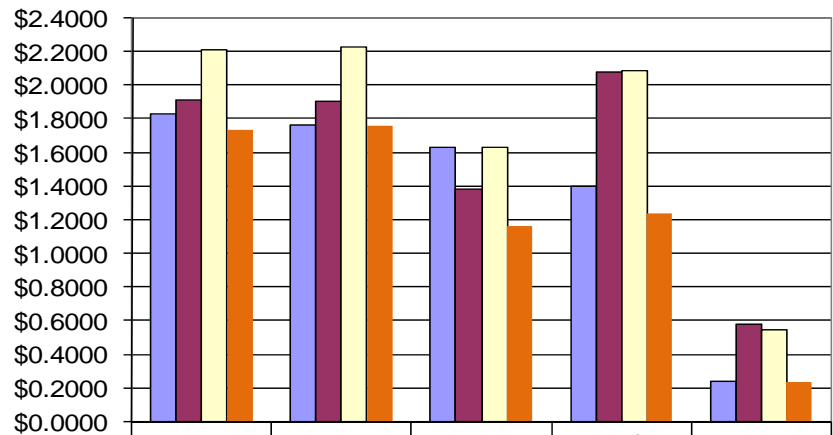
Kraft continues to lose market share in the retail cheese business, according to AC Nielsen data made available to *Dairy & Food Market Analyst*, and private label has gained share.

In Aug 2006, Kraft controlled a little more than 35% of the market, by Aug 2008, less than 32%. On the flip side, the private label share grew from 32% to about 36% over the same period. Kraft's share declined about 3 percentage points over the past year; private label's share increased about 3 percentage points.

Price was a big factor contributing to the shift. Kraft's most-recent three-month rolling price was pegged at about \$4.50 per lb; the private label price, \$3.50.

Coupon usage is on the rise, according to a new study which states, 72% of the consumers surveyed are using more coupons than they were six months ago. Three-quarters of

Nass Price Analysis



	Block	Barrels	Butter	Nonfat	Whey
08/23/08	\$1.8257	\$1.7638	\$1.6329	\$1.3971	\$0.2428
1 Year Ago	\$1.9093	\$1.9060	\$1.3803	\$2.0780	\$0.5789
52-Week High	\$2.2129	\$2.2265	\$1.6329	\$2.0855	\$0.5503
52-Week Low	\$1.7339	\$1.7638	\$1.1687	\$1.2379	\$0.2366

the respondents said the economy made them do it.

Taking aim at McDonald's: Wendy's has rolled out three sandwiches, each priced at 99 cents: A Double Stack Cheeseburger, a Junior Bacon Cheeseburger and a Crispy Chicken Sandwich. **Burger King** has added two items to its "Value Menu" and its "Breakfast Value Menu": One has American cheese and "Smokey" cheese sauce; the other, a three-cheese blend. Both are priced at \$1.39. **Jack in the Box** has introduced Pita Snacks; all four choices include shredded Cheddar cheese and are priced at \$1.99.

Pizza Hut has added another item to its take-out/home delivery pasta menu: Bacon Mac 'n Cheese; three lbs with five bread sticks for \$12.99. **Wendy's** has introduced lowfat Nestle **Nesquik** milk and "Squeezerz", a lowfat, strawberry yogurt in a squeezable tube. Chocolate and plain, one-percent milk will re-

THIS WEEK'S PRICES			
	CME Cash Weekly Close 29 Aug	CME Cash Weekly Average 29 Aug	NASS survey, Week Ending 23 Aug
Cheddar Blk	170.25 (-1.00)	170.65 (-0.90)	182.57 (-7.54)
Cheddar BII	163.25 (-3.00)	165.40 (-1.55)	176.38 (-2.99)
Butter AA	161.25 (+0.25)	160.75 (-1.55)	163.29 (+3.14)
NFDM, Extra	138.00 (-6.00)	141.60 (-2.40)	
NFDM, Grade A	138.00 (-4.50)	140.70 (-1.80)	
NFDM, All			139.71 (+3.60)
Dry Whey			24.28 (-0.32)

Prices and changes in ¢/lb. Numbers in parentheses are changes from previous week. Changes reflect revised prices from previous week.

CME's Friday Futures' Settling Prices (with changes from previous week)

CLASS III	BUTTER	NFDM
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	Price	Chge	O/I 08/28	Price Cash Settled	Chge	O/I 08/28	Price	Chge
Aug-08	17.28	0.10	4,607	157.300	-0.200	639	139.000	-0.500
Sep-08	15.81	-0.49	5,814	159.000	0.000	794	135.000	0.000
Oct-08	16.11	-0.64	4,636	158.500	-1.500	930	133.250	-2.750
Nov-08	16.45	-0.55	4,038	158.000	-2.000	785	125.500	-5.500
Dec-08	16.66	-0.42	4,263	157.500	-0.500	464	123.500	-2.250
Jan-09	16.55	-0.45	2,274	156.000	-0.250	69	124.000	-1.250
Feb-09	16.74	-0.36	1,810	156.000	1.000	70	125.000	-3.000
Mar-09	16.84	-0.34	1,580	156.500	0.750	67	125.000	-3.000
Apr-09	17.10	-0.33	1,472	159.000	2.000	46	124.500	-3.500
May-09	17.10	-0.36	1,406	159.000	1.000	27	124.000	-4.000
Jun-09	17.63	-0.22	1,360	159.000	-1.000	22	124.000	-4.000
Jul-09	17.78	-0.27	1,042	161.500	-0.500	7	133.000	-3.000
Aug-09	17.83	-0.24	1,040	164.000	0.000	7	135.500	-2.500
Sep-09	18.07	-0.30	1,042	165.750	0.000	7	136.500	-1.500
Oct-09	18.11	-0.29	962	165.750	0.000	11	137.500	-3.500
Nov-09	18.03	-0.33	939	165.000	0.000	2	134.000	0.000
Dec-09	18.10	-0.34	987	166.000	0.000	2	133.000	0.000
Jan-10	18.11	-0.34	124	157.000	0.000		133.000	0.000
Feb-10	18.14	-0.32	84	157.000	0.000		133.000	0.000
Total			39,642			3,949		

place earlier milk offerings. The company says it has been selling about 40 million bottles of milk annually. Customer traffic at **casual-dining** restaurants has continued to slow, according to the Knapp-Track. Visits were down another 4% during the first seven months of this year after being down more than 3% last year and down nearly 3% during 2006.

The **Foster Farms** brand name has been retired and replaced by Crystal label following Foster's acquisition of Crystal Cream & Butter Co. earlier this year.

Economic Calendar thru 12 Sep 08:
 Labor Day, Markets Closed, Mon, Sep 1;
 CDFA Class 4a & 4b Prices, Tue, Sep 2,
 not later than 4:00 pm PT; NASS Dairy
 Products Prices, Fri, Sep 5, 8:30 am ET;
 AMS Class & Component Prices, Fri,
 Sep 5, 10:00 am ET; NASS Dairy Prod-
 ucts, Fri, Sep 5, 3:00 pm ET; CDFA
 Class I Prices, Wed, Sep 10, not later
 than 4:00 pm PT; FAS Dairy Exports
 posted to FAS website, Thu, Sep 11;
 NASS Dairy Products Prices, Fri, Sep
 12, 8:30 am ET and WAOB World Agri-
 cultural Supply & Demand Estimates,
 Fri, Sep 12, 8:30 am ET. These and
 other reports are available at
www.dairymarketanalyst.com immedi-
 ately following release by USDA.

Have a safe and happy long holiday weekend, but don't put away the grill or the cheese. We need the sales.

Kind regards,

Jerry Dryer

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