

Dairy & Food Market Analyst

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Trends, analyses & forecasts by Jerry Dryer

Weak sales push prices lower

Holiday orders for cheese and butter have been very slow to develop this fall and that has translated into sharply lower prices in trading at the Chicago Mercantile Exchange this week.

The block cheese price is now resting on the CWT minimum price of \$1.40; however, there has been some grapevine chatter about lowering the goal to \$1.30. CWT officials aren't talking, but I think they will hold the line at \$1.40 at least through 1Q 06.

The herd reduction program has just gotten underway. Weekly slaughter cow data suggest that the first of some 66,000 cows went to market the week of 15 Oct; the latest data available.

USDA says 48,100 dairy cows went to hamburger heaven that week; 3,000 more than during the same week a year earlier. Current slaughter cow numbers have not been higher than year-earlier numbers since the last CWT herd reduction action.

Retail cheese sales have been weak, but commercial disappearance was relatively strong thru Aug, according to USDA estimates released this week.

After two strong months, commercial disappearance of American cheese dropped well below one year ago during Aug; however, during the most recent three months (Jun thru Aug), commercial disappearance of American cheese was up 5.4 percent. For the same three months, the disappearance of other (than American) cheese was up 5.1 percent.

Retail sales; however, have been sluggish for several months. For the 13 weeks ending 25 Sep 05, natural cheese sales (including Wal-Mart) were about 1 percent greater than one year ago; however, processed cheese sales were down nearly 4 percent. Natural cheese sales are a little more than double processed cheese sales; therefore, total cheese sales were down about 1 percent.

For the year ending 25 Sep 05, retails sales of natural cheese were up nearly 2 percent and processed cheese sales were down about a point and half.

Commercial disappearance of all milk and dairy products remained relatively strong, according to the USDA estimates. Disappearance was 5 percent ahead of year-ago levels during the Jun thru Aug period and plus 2.1 percent thru the first eight months of this year.

28 Oct 2005

Current Cash Prices At-a-Glance...

CME Cheese

Blocks.....\$140.00 (-6.75)
Barrels.....\$135.00 (-4.00)

CME Butter

AA.....\$157.75 (-5.75)

CME Nonfat Dry Milk

Extra Grade.....\$ 96.25 (NC)
Grade A.....\$ 99.50 (+1.25)

Class I Base Price

Nov.....\$14.56 (+0.59)

CA Class 1 (Oct)

Northern.....(R)\$15.52 (-0.04)
Southern.....(R)\$15.79 (-0.04)

Class II Price

Sep.....\$14.35 (+0.40)

Class III Price

Sep.....\$14.30 (+0.70)

California 4b

Sep.....\$14.23 (+1.24)

Class IV Price

Sep.....\$13.75 (+0.31)

California 4a

Sep.....\$13.35 (+0.29)

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

Land O' Lakes reported 3Q 05 dairy division sales of \$952 million, unchanged from one year ago. Thru the first three quarters of the year, sales totaled \$2.8 billion vs \$2.9 billion during Jan thru Sep 04.

On a volume basis, thru the first three quarters, retail butter sales were up 2 percent vs 2004; however, branded butter sales were down 4 percent. Cheese volume was flat as a 4-percent increase in deli cheese sales was offset by a decline in dairy case cheese sales.

Sartori Foods, Plymouth, Wis, has acquired Linden Cheese, a manufacturer of gorgonzola and blue cheeses as well as numerous surface-ripened cheeses.

Sartori makes and markets a broad range of Italian-type cheeses, aged specialty cheeses and cheese flavor systems for foodservice and industrial customers.

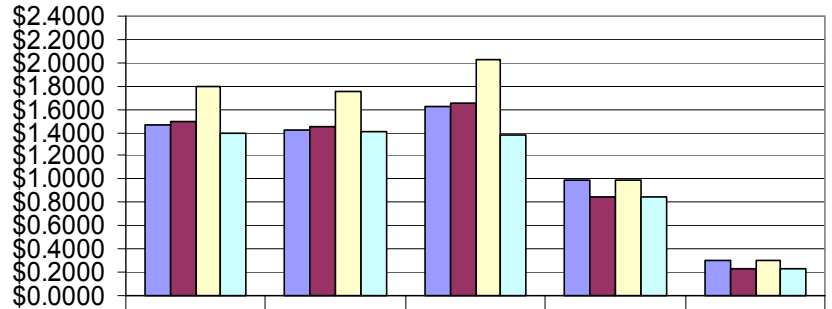
Both companies are private-held.

California Pizza Kitchen reported a comparable store sales increase of 7.1 percent during 3Q 05. Management expects same-store sales to be up 5 to 6 percent during 2006.

Domino's said same-store sales were up 1.1 percent during 3Q 05 which ended 11 Sep 05. During 3Q 04, sales were up 8 percent. For the period Jan thru 11 Sep 05, Domino's same-store sales were up 6.3 percent.

Brinker International reported comparable-store sales were up 3.7 during the company's fiscal 1Q 06 which ended 28 Sep 05. Price increases of 2.8 percent accounted for much of

Nass Price Analysis



	Blocks	Barrels	Butter	NDM	Whey
10/22/05	\$1.4719	\$1.4189	\$1.6229	\$0.9883	\$0.3072
1 Year Ago	\$1.4951	\$1.4539	\$1.6598	\$0.8449	\$0.2269
52-Week High	\$1.7997	\$1.7530	\$2.0205	\$0.9883	\$0.3072
52-Week Low	\$1.3881	\$1.4065	\$1.3797	\$0.8449	\$0.2269

the sales gain.

Among Brinker's various units, Chili's had a same-store sales gain of 6.1 percent; Maggiano's, plus 2.7 percent; Macaroni Grill, minus 1.6 percent and On The Border, minus 0.7 percent.

Applebee's system-wide comparable sales during 3Q 05 were up just 0.9 percent and up 2.1 percent thru the first three quarters of 2005.

During Sep, Applebee's said, guest traffic was down 6 to 6.5 percent vs Sep 04, but higher check averages kept same-store sales almost (minus 0.1%) unchanged from one year ago.

Chuck E. Cheese reported comparable sales were down 5.1 percent for the 12 weeks ending 02 Oct 05.

ConAgra Foods has named Mark Pettie president of the dairy division. Pettie had held several positions at Kraft Foods including vice president and general manager of Pollio Italian Cheese.

THIS WEEK'S PRICES			
	CME Cash Weekly Close 28 Oct	CME Cash Weekly Average 28 Oct	NASS survey, Week Ending 22 Oct
Cheddar Block	140.00 (-6.75)	145.00 (-1.45)	147.19 (-4.02)
Cheddar Barrel	135.00 (-4.00)	139.70 (-1.70)	141.89 (-3.47)
Butter AA	157.75 (-5.75)	159.25 (-4.33)	162.29 (+0.14)
NFDM	96.25 (NC)	96.25 (NC)	
NFDM, Grade A	99.50 (+1.25)	99.50 (+1.25)	
NFDM, All			98.83 (+1.35)
Dry Whey			30.72 (+0.04)

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 Friday)

CLASS III	BUTTER	BUTTER
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	Price	Chge	O/I 10/27	Price Cash Settled	Chge	O/I 10/27	Price Physical	Chge Delivery
Oct-05	14.39	NC	2,647	164.500	-0.250	59		
Nov-05	13.59	-0.10	2,294	155.250	-3.000	113		
Dec-05	13.36	-0.15	2,099	150.000	-4.500	31	149.000	-5.000
Jan-06	12.95	-0.09	1,575	151.000	-1.000	25		
Feb-06	12.60	-0.10	1,316	150.000	-3.750	11		
Mar-06	12.65	-0.12	1,274	148.500	-2.500	2	147.000	-5.000
Apr-06	12.50	-0.11	1,262	149.500	-2.500	7		
May-06	12.55	-0.02	1,189	148.000	-3.500	5	147.000	-5.000
Jun-06	12.65	-0.11	1,131	149.500	-3.500	11		
Jul-06	13.18	0.03	925	149.500	-4.000	8	148.500	-4.000
Aug-06	13.42	-0.03	874	152.500	-0.500	38		
Sep-06	13.66	-0.09	963	152.500	-0.750	50	151.500	-2.050
Oct-06	13.17	-0.01	834				153.000	NA
Nov-06	12.85	-0.05	804					
Dec-06	12.78	0.02	862					
Jan-07	12.59	-0.01	69					
Feb-07	12.28	NC	63					
Mar-07	12.34	-0.01	50					
Apr-07	12.48	-0.02	11					
Total			20,145			360		

SunMilk, a fat-free milk with added sunflower seed oil, has been launched in several markets and will be available nationally next year. Details: www.sunmilkdairy.com.

Economic Calendar (thru 04 Nov 05)
 CDFA Class Prices, released Tue, Nov 01, no later than 4:00 pm PT; NASS Dairy Products, released Thu, Nov 03, 3:00 pm ET; NASS Dairy Product Prices, released Fri, Nov 04, 8:30 am ET and AMS Class & Component Prices, released Fri, Nov 04, 10:00 am ET.

These and other reports are available at www.dairymarketanalyst.com immediately following release by USDA.

On behalf of Hurricane Wilma, please accept our apologies for the delayed delivery of this week's issue of the **Dairy & Food Market Analyst**. Wilma was in charge of scheduling all production, research and delivery this week.

Electricity was restored at my office late Saturday afternoon.

Kind regards,

Jerry Dwyer

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