



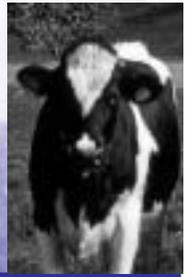
White Oak Mills

Dairy News Leaf

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Dairy Outlook

By Bruce Kreider

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When will profit return to the dairy industry? What is the dairy outlook for the next 12 months? These are the big questions. Are there answers?

To find answers, I explored USDA's milk:feed price ratio as a measure for future profitability. The graph herein charts the USDA milk:feed price ratio for 2012 through July. This ratio is derived from the U.S. all-milk price, Chicago corn, Chicago soybeans, and USDA hay price. As indicated, this ratio dropped steadily as we progressed through 2012.

The graph also charts estimates for some future data points using CBOT futures prices and estimated basis for milk and grain prices as of August 29, 2012. I calculated these data points based on southcentral PA prices, so there is some variance from the USDA data.

Graph Highlights:

* Our corn and hay prices are significantly higher than the USDA estimates ... as is our mailbox milk price. As a result, my estimate of our ratio is slightly better than the USDA ratio in July. We should note that local dairy feed prices are strongly related to corn silage and soybean meal prices,

Month	USDA	Bruce-Projected
	Data Points	Data Points
	Milk: Feed Ratio	Milk:Feed Ratio
Jan 2012	1.72	
Feb 2012	1.55	
Mar 2012	1.48	
Apr 2012	1.42	
May 2012	1.38	
Jun 2012	1.38	
Jul 2012	1.29	1.34
Sep 2012		1.39
Dec 2012		1.47
Mar 2013		1.38
May 2013		1.37
Jul 2013		1.42

which are not part of USDA's formula.

* July 2012 milk:feed price ratio is the **LOWEST** number in the history of this measure.

My Observations:

1. Current futures market prices **do not** reveal any significant income improvement for dairy farmers.

2. One pathway to dairy profit improvement is through **milk price rises** greater than the futures markets projected at this time. Due to the likely exit of farmers short on feed and higher-than-normal cull rates, the cwt milk price has a decent chance of rising toward the mid-20's. The markets do not yet reflect this.

3. Local dairy farmers with adequate forages and some grain supplies will be at a competitive advantage to the national dairy picture, mostly from **agronomic profits**. That is, the cropping operations that experienced decent rain will be very profitable and will carry the dairy. Simply put, the control of land is a big deal.

4. The USDA milk:feed ratio is fairly basic, and many of our customers are finding dairy feed **nutrients at better**

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Producer Spotlight: Peckman Homestead Chambersburg, PA

A family farm since 1932, **Peckman Homestead Farms**, located in Chambersburg, PA is a fourth-generation dairy. Today, the 100-cow operation of Guernseys and Red and Whites consists of partners Lowell and Evie Peckman and their son and daughter-in-law Tony and Lydia Peckman.

Evie, Lowell, Tony and Lydia Peckman with two of Tony and Lydia's three children: Corinna, baby Asher, and (not pictured) oldest daughter Kenya.



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Employee Spotlight:

Ted Swords White Oak Mills Dispatcher

When a new employee joins White Oak, a common observation made of his/her new co-workers is how long so many of White Oak's personnel have worked for the Company.

White Oak Mills Dispatcher **Ted Swords**, of Elizabethtown, is no exception, having joined the

Company 27.5 years ago. Hired as a nighttime feed truck driver, Ted soon transitioned to hauling feed during the day ... first in a 10-wheeler and then a tractor trailer.

After driving for White Oak for more than six years, Ted spent the next four years crop-farming, managing manure pits, and perform-

ing routine barn maintenance at three Company-managed sow farms. In 1995, Ted returned to hauling feed for White Oak. *Ted Swords*



Ted was promoted to Dispatcher in May 2001. His responsibilities include coordinating all of White Oak's bulk and bagged feed deliveries, overseeing the repair and maintenance of the truck fleet and company-owned vehicles, and hiring and scheduling drivers to operate an efficient transportation department.

"On average, White Oak drivers work 60 hours per week," Ted says.

A lot of effort occurs to ensure that trucks are sequenced and cleaned between certain species and/or certain medications. Ted's strong organizational skills are relied on daily.

Ted and his wife will be married for 35 years this December and have a son, daughter and two grandchildren. 🌱

Producer Spotlight: Peckman Homestead

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Lowell oversees the feedings, and Tony and one hired person Adam milk the cows and handle additional herdsman responsibilities. They also farm over 225 acres of corn, alfalfa and grasses and are able to grow the majority of their forages.

The Peckmans began buying their dairy feeds from White Oak Mills in February 2000, shortly after Dairy Specialist Don Snyder joined White Oak's dairy team. "We followed Don to White Oak," comments Lowell and Tony. "Don recognizes the differences in how our cows eat forages compared to Holsteins. He's helped us save money over the years, and we appreciate our working relationship."

Today, the Peckmans purchase a custom milk cow feed and custom heifer concentrate from White Oak Mills. In addition, they receive White Oak calf feeds in plastic totes from White Oak Mills Feed Dealer Martin's Ag, of Shippensburg.

The Peckmans, who milk two times a day, have been on DHIA since 1991. Their current rolling herd average on 107 cows is 20,500 pounds of milk and 3.9 percent butterfat.

"Through the years, the Peckmans have weathered many storms, one of which was the sudden death of Lowell's older brother and partner Gerry, that have threatened the survival of their dairy operation," says Don. "But their faith, their determination, and their hard work have seen them through. I am blessed to have the opportunity to be part of their team." 🌱

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prices than the corn and bean markets show.

5. Your milk-to-feed price ratio is improved when you improve your **feed efficiency**. Proper nutrition makes this possible. Above average

production is necessary for feed efficiency, as you cannot cut nutrition on your way to profits. Assuming you currently have a well-balanced ration, the loss in milk production will usually overshadow any feed cost reductions. 🌱



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