

Milk Producers Council

5370 SCHAEFER AVE. SUITE A - CHINO, CA 91710 - (909) 628-6018 - Fax (909) 591-7328

E-mail: mpc@milkproducers.org

Website: www.milkproducerscouncil.org

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TO: DIRECTORS & MEMBERS

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FROM: John Kaczor

MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks $-\$.0550$ \$1.8100
Barrels $-\$.1275$ \$1.7400

Weekly Average

Blocks $-\$.0780$ \$1.8215
Barrels $-\$.1580$ \$1.7670

CHICAGO AA BUTTER

Weekly Change $+\$.0300$ \$1.3525
Weekly Average $+\$.0220$ \$1.3365

DRY WHEY

NASS w/e 3/08/08 \$.2422 WEST MSTLY AVG w/e 3/13/08 \$.2400

NON-FAT DRY MILK

Week Ending 3/07 & 3/08

Calif. Plants \$1.3320 17,388,591
NASS Plants \$1.2679 23,671,690

CHEESE MARKET COMMENTS: This week marks the 5th time in the past 8 months that cheddar block prices on the CME have fallen by 20 to 45 cents from somewhere above the \$2.00 per lb level. Support occurred in the \$1.80 per lb area the 1st three times, which is where this week's average price ended. The 1st four market "adjustments" were followed by price rebounds which carried prices back to about where they were before they fell. Various reasons have been given to explain this pattern, and let's just say they were all correct (to some degree) because it appears that cheese market fundamentals do not seem to have changed much over that entire period. In other words, it's reasonable to look for a 5th rebound to happen, but there is no law that says it will, not even the law of supply and demand. This market is fueled by a combination of knowledge, speculation, hope, fear, and uncertainty. Recent results show that trader sentiment can turn quickly (example: last week's reported shortage of barrel cheese was either mistaken or the shortage was filled with astounding speed). The expectation of CWT's next herd retirement program is certain to be a supportive factor for current prices.

BUTTER MARKET COMMENTS: Prices rose again this week, by 3 cents per lb. No sales were recorded; the price changes, over 4 days, resulted from unfilled bids. Now that's unusual, and suggests that buyers are looking at something other than the present situation. They are not likely to be concerned about a future shortage of product, so put the current strength into the "speculation" category. U.S. production continues to be very strong, output should be abundant in Europe, but lower in Australia-New Zealand. The world demand situation is beginning to look a bit like last year, except this year Europe should be a competitive seller. Because of the long-term trading relationship between Europe and Oceania, U.S. exporters may receive more of those orders that others cannot or do not want to fill. The combination of strong production and anticipated weak domestic sales places U.S. exporters in a weak bargaining position.

NONFAT DRY MILK: It's o.k. to get excited about the bounce in prices reported this week (NASS and CWAP) but, because the California price is well above the national price, it merely means that export sales volume was a larger than normal part of the California volume. That may continue for a while, but the overall trend in nfdm prices continues to be downward. The short-term interest of sellers appears to be to lower the amount of product in storage. Unexpected export opportunities have recently appeared because of New Zealand's weather problem, and the current low prices should lead to an increase in overall demand. But the U.S. economy is weak, price competition with Europe to fill the supply shortage is expected, and demand from all sources appears to be lower than the available supply. That doesn't convert to a strong bargaining position for sellers, which is something they have in common with butter sellers.

WHEY MARKET COMMENTS: After several months of outstanding volume, exports of dry whey in January fell sharply. So, it is surprising that Dairy Market News reports that manufacturers say their inventories are in better shape than they were a few weeks ago. That seems to mean that sales, domestic and export, in February skyrocketed. Prices continue to be very weak. DMN reports that buyers seem to like the current prices and are beginning to show interest. Prices for WPC, which had been the one positive note in the whey product category, are now lower than where they were a year ago. Lactose prices have increased somewhat, but remain about 50% lower than last year. The continuing weakness in prices for whey protein products, worldwide, continues to be one of the industry's biggest mysteries.

FRED DOUMA'S PRICE PROJECTIONS...

March 14 EST: **Quota cwt. \$17.88 Overbase cwt. \$16.18 Cls. 4a cwt. \$14.24 Cls. 4b cwt. \$17.01**
Last Week: **Quota cwt. \$17.98 Overbase cwt. \$16.28 Cls. 4a cwt. \$14.02 Cls. 4b cwt. \$17.34**

JANUARY'S DAIRY PRODUCT EXPORTS: *(By J. Kaczor)* A good part of the reason for the record high milk prices in the U.S. last year was the strong showing in exports of four basic dairy commodities, those used in the California and federal order milk price formulas. The following table reports the volume exported and the prices for these products for the past three months. The volumes represent thousands of lbs; the prices are averages per lb.

November December January

Nonfat Dry Milk/SMP			
Volume	62,690	50,085	71,599
Price	\$1.974	\$1.847	\$1.551
Butter			
Volume	14,104	9,808	12,884
Price	\$1.442	\$ 1.352	\$1.490
Dry Whey			
Volume	45,148	39,862	26,662
Price	\$.581	\$.580	\$.609
Cheese			
Volume	21,101	22,583	23,535
Price	\$1.89	\$1.902	\$1.938

The volumes shown for nonfat dry milk/skim milk powder and for dry whey are representative of the volumes exported for the past several years. The volumes for butter and cheese are substantially higher than normal. The prices for all four products are said to be set for periods longer than 30 days and as long as 180 days. There is some apparent disagreement about how much of a time lag exists between the time a product leaves the manufacturing plant (and becomes a sale) and the time it appears on the report as having been exported. This time lag, and a comparison of these prices to prices reported by California plants for nfdm and by NASS for all four products, will be reviewed in a future article. Because these export sales remove product from domestic supplies, they have contributed substantially to the strength of milk prices, and the need for these volumes to continue at or about recent levels is considered to be critical for continuing strong milk prices in the U.S.

REMINDER – THREE MORE WDR WORKSHOPS IN THE CENTRAL VALLEY NEXT WEEK: *(By Rob VandenHeuvel)* Attention dairy families in Tulare, Madera and Sacramento Counties – it’s your turn to attend the 2nd phase of the CDQAP workshops and learn more about the next set of requirements under the new Central Valley “Waste Discharge Requirements.”

Next week, workshops will be held in:

Tuesday, March 18th – Tulare County

9:30 am – 12:30 pm & 1:30 – 4:30 pm

Tulare County Cooperative Extension Office, 4437 S. Laspina Street, Tulare

Wednesday, March 19th – Madera County

9:30 am – 12:30 pm & 1:30 – 4:30 pm

Little Theatre, Chowchilla Fairgrounds, 1000 S. 3rd Street, Chowchilla

Thursday, March 20th – Sacramento County

9:30 am – 12:30 pm & 1:30 – 4:30 pm

Sacramento County Farm Bureau office, 8970 Elk Grove Blvd., Elk Grove

***** And as always, if you have any questions or need assistance with any part of the new water regulations, please feel free to contact myself (909-992-9529) or Betsy Hunter, our Central Valley Representative (661-205-6721).**

OUR CONDOLENCES TO THE FAMILY OF NICK VAN VLIET: This past week, Nick Van Vliet, a long-time member of the Chino dairy community, passed away. Before moving to Arizona in late 2006, Nick and his family were part of the Chino community for about 50 years. He was well known throughout the community for the many years he opened his dairy to the public as part of the Chino Fair. Others remember him for his many years of conducting the Van Vliet cattle sales.

Nick was a very special individual; a true and caring friend, genuinely concerned about his friends and colleagues. Our thoughts and prayers go out to Nick’s family.

MPC BOARD MEETING: The next MPC board meeting is being held Tuesday, March 18th at 11:00 a.m. at the Kern County Farm Bureau in Bakersfield. All MPC members are welcome to attend. If you have any questions or to RSVP, please call Debi at (909) 628-6018.

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