



Milk Producers Council

13545 S. Euclid Avenue, Unit B ~ Ontario, CA 91762 ~ (909) 628-6018
801 S. Mount Vernon Avenue ~ Bakersfield, CA 93307 ~ (661) 833-2549
Fax (909) 591-7328 ~ office@milproducers.org ~ www.MilkProducers.org



DATE: April 1, 2011
TO: Directors & Members

PAGES: 4
FROM: John Kaczor

MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks - \$.0325 \$1.5950
Barrels - \$.0675 \$1.5725

Weekly Average

Blocks +\$.0080 \$1.6435
Barrels - \$.0585 \$1.6145

CHICAGO AA BUTTER

Weekly Change - \$.0850 \$1.9900
Weekly Average - \$.0380 \$2.0270

DRY WHEY

WEST MSTLY AVG w/e 04/01/11 \$.4850
NASS w/e 03/26/11 \$.4584

NON-FAT DRY MILK

Week Ending 3/25 & 3/26

Calif. Plants \$1.4940 12,199,973
NASS Plants \$1.5183 16,612,451

CHEESE MARKET COMMENTS: Cheddar prices on the CME continued to be pressured by a steady drum beat of offers to sell apparently otherwise unsellable cheese. There are valid reasons why plants continue to make more cheese than they can reasonably expect to sell. They have commitments to producers, commitment to themselves, a desire to maintain plant efficiencies, and the knowledge that they can always (that's a way of saying "never not") offer it on the CME with a simple telephone call to whomever may want it at the time. That gets attention and, often, immediate sales. Those of you who don't like to see what's happening shouldn't focus blame on the CME, which offers a fair market to all, under fair conditions. Instead, call the companies who are announcing they have extra cheese to sell, and place your orders. According to NASS, buyers of cheese finally started to "get it" last week; the weighted average price paid for shipments last week began to move in the same direction as the spot market but, at \$1.91 per lb, is still almost 30 cents per lb above the CME weekly average and almost 35 cents above today's closing prices. Futures traders, usually quick to jump to conclusions, are remaining relatively optimistic so far; the class III milk futures prices for May-July support a cheese price of about \$1.70 per lb. CWT continues to help sales with weekly announcements of approved bids for help in exporting American cheeses. Note: milk prices for cheese manufactured in March, reported today, represent a non-representative difference between California and federal orders because of the basis used for the prices (NASS vs. CME) and a week's difference in the period used. The California 4b price for March is \$16.76 per cwt; the class III price for federal order plants is \$19.40 per cwt. Yes, something needs to be done about things like that because it's very, very costly.

BUTTER MARKET COMMENTS: "Caution" and "uneasiness" are the watchwords this week for butter manufacturers and buyers. Trading on the CME has been fairly active to very active over the past several weeks. The weekly average prices are holding unusually high, above \$2.00 per lb since mid-January, although today's closing price was \$1.99 per lb. Pre-Easter sales have been better than expected, considering the dismal slump in consumer confidence in March. Production, even at a somewhat controlled volume, is growing faster than sales, which is normal for this time of year. The caution about doing anything but taking care of immediate and known needs and commitments is understandable; there are few who do not fully expect butter prices to be lower than they now are – at some future point to some lower level, but no one knows when that may happen and to what level prices will settle. A look at historical numbers or a search for what would be normal is not very helpful when the starting point is so unusual and the unknowns are so many. Those are common sense considerations. A note of support for current prices comes from the futures market where cash-settled prices for butter are holding above \$1.95 per lb through November.

POWDER MARKET COMMENTS: The markets for whole milk powder and buttermilk powder continue to benefit from the recent strength in the butter and nonfat powder markets. Production levels for each are reported to be steady, geared more to filling known orders than for building stocks. Prices for the two are mostly steady. Relatively heavy use of condensed buttermilk is helping dryers to handle the growing volume of skim milk.

Dairy Market News reports international prices for skim milk powder have weakened over the past two weeks, reflecting in part the March 15th global auction results for deliveries from May through August. Buyers note that weakness and are said to be holding off until some clarity, apparently about total supply and total demand, becomes evident. Good luck with that. Right now, in the aftermath of weather-induced supply problems in Australia, New Zealand, Brazil, and Argentina, and with continuing strong demand from most regular international customers and a few new ones, it's fair to judge total demand as being stronger than total supply. However, milk production in Europe has started the year on a strong note, which may be what has caught the buyers' attention. Those who need a clearer picture will have to wait until the heavy milk production season in Australia and New Zealand begins about two to three months from now. Prices received by manufacturers for shipments of nonfat dry milk last week were higher (reported above); volumes were about average. Grade A powder this week on the CME was offered at 5 cents per lb lower, at \$1.70 per lb, and is now ten cents per lb below extra grade powder.

WHEY PRODUCTS MARKET COMMENTS: DMN reports the market for dry whey in the U.S. continues to be tight. Manufacturers are glad to have a good supply of the raw product from cheese plants, and appear to be able to supply little more than what is already contracted. However, with U.S. prices now at about parity with those of major international competitors, a major outlet for dry whey could undergo a change not for the better. About one half of all dry whey produced in the U.S. is exported. Even a small change from the volume that is being exported could have a material effect on domestic prices. The weighted average price for dry whey shipped last week increased by 1.5 cents per lb from the previous week. The market for whey protein concentrate (34% protein) continues to be firm with limited supplies available to all but those with contracts.

FRED DOUMA'S PRICE PROJECTIONS...

April 1 Est:	Quota cwt. \$18.62	Overbase cwt. \$16.93	Cls. 4a cwt. \$18.75	Cls. 4b cwt. \$14.27
Mar '11 Final:	Quota cwt. \$18.98	Overbase cwt. \$17.29	Cls. 4a cwt. \$19.06	Cls. 4b cwt. \$16.76

ATTENTION DAIRYMEN: MARK YOUR CALENDARS...IMPORTANT DAIRY INDUSTRY MEETING IN VISALIA ON TUESDAY: *(By Rob Vandenheuvel)* **Next Tuesday, April 5th from 1 – 3 pm in Visalia,** MPC will be co-hosting an industry meeting with the California Dairy Campaign (CDC) to get a closer look into the details of a dairy policy reform proposal we are all becoming more familiar with: National Milk Producers Federation's "Foundation for the Future" (FFTF). As you know, FFTF is a topic of industry conversations all over the country, as it is the most prominent industry reform proposal out there. Many of the details about FFTF have been published on www.futurefordairy.com, and I encourage every dairyman to learn as much as you can about what's being proposed. But in short, FFTF includes:

1. A "Dairy Market Stabilization Program" that will empower dairy farmers to collectively respond to supply/demand imbalances by temporarily cutting back milk production when needed.
2. A "Dairy Producer Margin Protection Program" that will replace the MILC and Dairy Price Support Program as our industry safety net to protect dairy farmer equity in the limited periods when the market stabilization program cannot act fast enough to bring balance back to our industry.
3. Fundamental reforms of our nation's Federal Milk Marketing Orders.

While dairy groups around the country continue to evaluate the details of FFTF, the time is right for grassroots dairy farmers to closely examine the plan and hear what the varying arguments are in favor or in opposition to the pieces of the plan. This April 5th meeting will not only include an update on what exactly is being proposed in FFTF, but will also include a debate/discussion about the plan by a panel of California dairymen Geoffrey Vanden Heuvel, Joe Augusto and Joaquin Contente. **Whether you are supportive, opposed, or undecided on the prospects of FFTF as a dairy policy reform package, this is a meeting you should plan on attending.**

On the back page of this newsletter is a flyer announcing the April 5th event. As you can see, it will be held from 1 – 3 pm at the Holiday Inn in Visalia (just off Highway 198, 9000 W. Airport Drive). **ALL dairy farmers, as well as allied industry folks, are invited and encouraged to attend. So spread the word!**

STRONG INTEREST IN LGM-DAIRY MARGIN INSURANCE PROGRAM EXHAUSTS EXISTING FUNDS: *(by J. Kaczor)* What happens to an already good program that addresses a major dairy farmer concern when improvements are made to make the program more affordable and easier to use? The answer is that it suffers (we hope only momentarily) from its own success.

For readers who may not be familiar with the program, LGM-Dairy is a one-stop turnkey type of gross margin insurance program for dairy farmers. The recent improvements made include postponing payment of the premiums until after the period of coverage ends, adding a graduated set of premium subsidies (based on level of coverage), and simplifying the way usage of feedstuffs is calculated. The combination of those changes, plus the help of a number of instructional seminars held around the country, principally by Brian Gould, Associate Professor, Department of Agricultural and Applied Economics at the University of Wisconsin-Madison (my alma mater) generated the increased interest in the program.

USDA'S Risk Management Agency administers the program. In a recent press release, RMA announced they were responding to the increasing interest in LGM-Dairy by allocating to it \$15 million of the \$20 million total that was authorized for all eight of its crop and livestock insurance programs. Soon after, Professor Gould, in a note dated March 26th, said the latest contract offering, for March, closed within a few hours of trading, when the full \$15 million of underwriting capacity had been reached. California producers purchased a total of 40 contracts. **Unless Congress authorizes additional funding, no more contracts will be offered in this very fine program until October.** How about it, producer and processor industry leaders, will your expressed support for greater use of risk management tools by milk producers get you to ask for supplemental funding for this program, now? Members of Secretary Vilsack's Dairy Industry Advisory Committee: how about sending out a supplemental notice to Congressional leaders of your unanimous support for LGM-Dairy, asking for immediate supplemental funding?

MARCH DAIRY CARES REPORT POSTED ON OUR WEBSITE: *(By Rob Vandenheuvel)* The March "Dairy Cares Report" has been posted on our website at: <http://www.milkproducerscouncil.org/cares.htm>. This month's column focus's on the hard work being done by our dairy families in the Central Valley to comply with the burdensome air quality requirements.

**Don't forget about the Dairy Producer Event hosted by MPC/CDC next Tuesday in Visalia.
All producers and allied industry folks are invited and encouraged to attend!
See flyer on the next page for details.**

CALLING ALL DAIRY PRODUCERS AND ALLIED INDUSTRIES!



California Dairy Campaign and Milk Producers Council would like to invite all dairy farmers and allied industries to come participate in an honest discussion about a major industry proposal being developed: National Milk Producers Federation's "Foundation for the Future."

The meeting will include an overview of "Foundation for the Future," a Q&A session, and a "point-counterpoint" discussion including California dairymen Joe Augusto, Joaquin Contente and Geoffrey Vanden Heuvel on the pros and cons of the NMPF proposal.

Make plans to attend!

Tuesday, April 5, 2011

1 - 3 p.m.

**Holiday Inn in Visalia
(9000 W Airport Drive)**

Accommodations provided by:

