



Milk Producers Council



13545 S. EUCLID AVENUE, UNIT B ~ ONTARIO, CA 91762 ~ (909) 628-6018
801 S. MOUNT VERNON AVENUE ~ BAKERSFIELD, CA 93306 ~ (661) 833-2549
Fax (909) 591-7328 ~ E-mail: mpc@milkproducers.org ~ Website: www.MilkProducers.org

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FROM: John Kaczor

MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks +\$.1050 \$1.4300
Barrels +\$.0625 \$1.3750

Weekly Average

Blocks +\$.0943 \$1.3813
Barrels +\$.0745 \$1.3550

CHICAGO AA BUTTER

Weekly Change +\$.0050 \$1.4950
Weekly Average +\$.0119 \$1.4919

DRY WHEY

WEST MSTLY AVG w/e 3/26/10 \$.4000
NASS w/e 3/27/10 \$.3689

NON-FAT DRY MILK

Week Ending 3/26 & 3/27

Calif. Plants \$1.0310 14,965,954
NASS Plants \$1.0534 21,031,707

CHEESE MARKET COMMENTS: Cheese prices on the CME moved up sharply for the second week in a row. No clear reason is given by *Dairy Market News (DMN)* market analysts. Little trading volume occurred; most of the price increases have come from bids being placed at prices higher than the last trade or bid. USDA released February's dairy product production numbers on Thursday. Production of all cheeses and, more importantly, cheddar cheese, was as expected. That report, coupled with last week's report of end-of-month inventories, means that current cheese production is clearing to buyers on a regular basis. Future prices depend on inventories not increasing by more than what should be normal seasonal increases over the next two or three months. CWT's export assistance program approved bids covering 2.1 million lbs of cheese this week. Nineteen more of those and the market should be balanced. Class III futures prices on the CME didn't respond much to this week's cash price increases; the highest price shown for the year is \$15.08 per cwt of milk, which would require the cheese price to average \$1.6188 for the month. [This calculation comes from Professor Brian Gould's neat formula which can be found at <http://future.aae.wisc.edu/tab/prices.html>.]

BUTTER MARKET COMMENTS: Except for a long weekend in mid-January, butter prices on the CME this week reached their highest point so far this year. The trend for the past two weeks has been steadily upward. The buying cycle leading into the big butter usage weekend (Easter/Passover) was as expected – heavy. Production of butter in February was 13% lower than in January, a decrease of 187,000 lbs per day. During the month, production per day of sour cream, yogurt, cheese, and ice cream were also lower, so where did the butterfat go? You choose: packaged cream, manufacturing cream, anhydrous milkfat, other products with concentrated amounts of milkfat, or bulk cream in storage. Or was it used to produce a butter-like product (butter, with a little less than 80% butterfat) in order to not have to report it as butter for export purposes. DMN reporters are finding that buyers are becoming concerned about future prices, and possibly about future product availability.

POWDER MARKET COMMENTS: Ten carloads of grade A nonfat dry milk were sold on the CME this week. That might be a record. Prices moved up to \$1.225 per lb for grade A powder and to \$1.165 per lb for extra grade, close to where the futures prices for those products are for the month of June. Prices reported to the two major price gathering agencies for sales made last week were about unchanged from the week before, but the spot markets in the central and western regions edged higher. Buyers are said to be generally concerned about where prices may be heading. Production of nonfat powders in February was about 4% lower than a year earlier. Something is wrong again with DMN's reports of spot price ranges: the California plant average, which represents the majority of sales in the West was almost \$.05 per lb below the low end of the reported range. DMN reports that buyers in the central region may be backing away from the higher prices, and that seems to be o.k. with manufacturers who are said to be quite willing to let inventories rise. Isn't that what happened in mid-January, right up until they dumped all that they could without notice, causing prices to collapse? Is anyone wondering who, with inside information of what was going to happen, profited from that mockery of transparency of prices?

WHEY PRODUCTS MARKET COMMENTS: Prices for dry whey in the central region were about \$.05 per lb lower on the low end of the range, but held steady in the West. The NASS price for sales made last week again edged lower. DMN reports sales for dry whey to be slowing, including those for exports. Based on prices per lb of protein, dry whey prices are higher than all other dairy proteins, but with NFDM prices again moving upward, that difference could soon be erased. Buyers are said to be “waiting and watching” for that sign that tells them where the market is heading. Prices for whey protein concentrate (35% protein) are steady, but buyers for this lowest cost dairy protein product are also hanging back, according to DMN. Production of dry whey in February was in line with production of cheese.

FRED DOUMA’S PRICE PROJECTIONS...

Apr 01 Est:	Quota cwt. \$ 14.15	Overbase cwt. \$12.45	Cls. 4a cwt. \$12.98	Cls. 4b cwt. \$12.31
Mar 2010 Final:	Quota cwt. \$ 14.10	Overbase cwt. \$12.41	Cls. 4a cwt. \$12.85	Cls. 4b cwt. \$11.10

MARK YOUR CALENDARS – CONGRESSMAN JIM COSTA TO DISCUSS DAIRY PRICE STABILIZATION PROGRAM WITH DAIRYMEN NEXT TUESDAY: *(By Rob Vandenheuvel)* Next Tuesday, April 6th, Congressman Jim Costa (representing Fresno and surrounding areas) will be holding an open meeting with dairymen to discuss his work in developing a legislative draft of the Dairy Price Stabilization Program that will be introduced in the House of Representatives. For the many folks that have been working hard on building support for this proposal, the work being done by Congressman Costa demonstrates a huge step forward.

The meeting begins at **3 pm on Tuesday** and will be held at the **Maddox Dairy (12863 Kamm Avenue, Riverdale, CA 93656)**. All dairymen interested in hearing more about Rep. Costa’s work on this proposal should make plans to attend. If you have any questions, you can contact Doug Maddox (559-867-4457) or Hank Van Exel (209-810-0880)

NATIONAL MILK PRODUCERS FEDERATION GETS ONE RIGHT: *(By J. Kaczor)* Maybe it’s just the result of being so big – the reason why NMPF so often supports half measures, delays decisions, and satisfies so few. Sometimes, actually too often, they resemble that mythical committee given the task of designing a horse only to wind up with a giraffe. (They must have a warehouse full of partially constructed giraffes.) But on a current extremely important matter, they nailed it. The reference is to their opposition to the U.S. agreeing to eliminate restrictions on dairy product imports from New Zealand. Negotiations are underway to expand a trans-pacific trade agreement which presently includes New Zealand, Brunei, Chile, and Singapore – by adding the U.S., Australia, Peru, and Vietnam. The first stage of talks occurred last week; the next is scheduled for sometime in June.

While there are potentially great benefits for the U.S. from becoming part of this trade group, most of the U.S. dairy industry (IDFA, the national organization representing most processors, excepted) are flat out against including dairy in the agreement, at least with respect to U.S. - New Zealand transactions. How important is the inclusion of dairy for New Zealand? Well, based upon the amount of their cajoling, debating, threatening, and their multi-million dollar high-level lobbying effort in Washington, one can conclude it’s of the utmost importance – to them. The threat part of NZ’s approach is to say there will not be an agreement without including dairy trade with the U.S. and, absent an agreement, branded cheese imported from the U.S. could face a New Zealand consumer boycott.

NMPF’s opposition to the agreement – and that of at least thirty U.S. Senators who sent a letter to the U.S. chief negotiator expressing their concern – is that the New Zealand dairy industry, with milk production less than what is produced in California, represents something close to a monopoly because of the existence of the state-sponsored Fonterra organization. Fonterra controls about 90% of all milk and dairy product production in New Zealand, plus a fair percentage of what occurs in its neighboring country, Australia. Because of its small population, about 95% of the products they produce have to be exported. They are by far the largest single

international trader of dairy products in the world.

It's a given that their low milk production costs and their ability to set prices paid to their dairy farmers, along with the ability to decide which products to produce on short notice depending on what's happening to global supply and demand, puts the New Zealand dairy industry – and the nation – in an advantageous spot. Then add in the experience they have developed from their long history with international dairy trade and their success in negotiating numerous bi-lateral and multi-lateral trade agreements, and wonder why free dairy trade with the U.S. is so important to them. What more can they want? For example, the contract they have with Dairy America to export milk powders from the U.S. has made them, according to a recent report from New Zealand, one of the largest exporters of milk powders from the U.S. [Actually, they are believed to be the largest.] That contract itself has made Fonterra – and has cost the U.S. industry – an estimated several hundred million dollars of profits over the past three years.

For a starter, the partial answer to what more they can want may be the ability to export whole milk powder to the U.S. without tariffs, and to have less attention paid to their present exports of milk protein concentrates. The article referred to above includes the following estimate by U.S. lobbyists: *“losses to the US industry could total \$US20 billion over the first 10 years of a trade treaty if US restrictions on exports from New Zealand were fully phased out.”* It also includes a statement by Fonterra's managing director of global trade: *“TPP represents a further opportunity to develop our export trade out of the US in a way which benefits Fonterra and US farmers.”* Now that's a trick that would be worth watching, but let's not let it happen. All producers and producer cooperatives who are concerned about Fonterra's scheme should contact their U.S. Senators before the next round of negotiations occurs.

MARCH “DAIRY CARES” COLUMN POSTED ON OUR WEBSITE: (By Rob Vandenheuvel) The most recent Dairy Cares monthly column has been posted to <http://www.milkproducerscouncil.org/cares.htm>. This month's column focuses on the National Dairy FARM Program: *Farmers Assuring Responsible Management*. This national initiative is designed to give the consumers of dairy products full confidence that those products are being produced on responsible dairy farms.

As Dairy Cares announced a couple weeks ago, California is among the first states to implement this program on a state-wide level. Later this month, the California Dairy Quality Assurance Program (CDQAP) will be conducting two series of four workshops where producers can learn more about this program and how they can prepare for it. The first series of workshops will be held at:

- April 21st, 1 – 4 pm, 3085 W. Mt. Whitney, Riverdale
- April 22nd, 9 am – 12 pm, 4437 Laspina Street, Tulare
- April 26th, 9 am – 12 pm, 831 Fifth Street, Orland
- April 27th, 9 am – 12 pm, 3800 Cornucopia Way, Modesto

There will also be a second series of workshops (covering separate issues) in May at these same locations. A flyer that was mailed to producers can be found at: www.milkproducerscouncil.org/cdqapfarm.pdf.

While these are the only four locations where CDQAP will be holding workshops, MPC can help coordinate separate workshops in the Bakersfield and Southern California regions if enough interest exists. More information on that will be published in the coming weeks.

MPC wishes everyone a blessed Easter weekend!