



FOR IMMEDIATE RELEASE
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California Dairy Groups Announce Support For Federal Order Proposal

Groups Join the State's Cooperatives in Supporting this Much-Needed Proposal

CALIFORNIA – Today, the Boards of Directors for the California Dairy Campaign (CDC), Milk Producers Council (MPC) and Western United Dairymen (WUD) jointly announced their support for a proposal submitted earlier this month that would create a Federal Milk Marketing Order in California.

On February 3rd, a request for a hearing was sent to the U.S. Department of Agriculture (USDA) by California Dairies, Inc., Dairy Farmers of America and Land O'Lakes. Specifically, these California farmer-owned cooperatives requested that USDA hold a hearing that would establish a Federal Milk Marketing Order in California. Included with the request was a detailed proposal supported by the three cooperatives. The request can be found at: <http://www.ams.usda.gov/AMSV1.0/CAOrder>.

After reviewing the detailed proposal, the Boards of Directors for CDC, MPC and WUD each voted to fully support the proposal, as submitted by the three cooperatives.

Statement from California Dairy Campaign President Joe Augusto:

“California dairy farmers have been substantially underpaid compared to dairy farmers in the federal milk marketing order system for far too many years. The California federal milk marketing order proposal put forward by the state’s cooperatives will bring our prices in line with prices paid around the country and restore equity to dairy producer pricing in our state.”

Statement from Milk Producers Council President Sybrand Vander Dussen:

“We are excited to see this process begin and stand side-by-side with our State’s cooperatives in strongly supporting this proposal. For far too long, California’s dairy families have struggled under a system that artificially discounts the value of the milk they produce, to the tune of more than \$1.5 Billion in the past five years. We urge USDA to schedule this hearing as soon as possible and to implement this proposal that would restore a fair price for the milk our dairies produce.”

Statement from Western United Dairymen President Tom Barcellos:

“We are pleased this detailed project has finally come to fruition. It confirms what we have known for a long time, pointing out the inequities in milk pricing that are detrimental to California producers. We will follow its progress moving forward and keep our members fully informed as the process evolves. We encourage producers to stay engaged so that we can maintain the integrity of the proposal.”



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DATE: February 20, 2015
TO: Directors & Members

PAGES: 3
FROM: Rob Vandenheuvel, General Manager

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE

Blocks	+\$0.0150	\$1.5450
Barrels	N/C	\$1.4850

Weekly Average, Cheddar Cheese

Blocks	+\$0.0093	\$1.5413
Barrels	+\$0.0035	\$1.4850

CHICAGO AA BUTTER

Weekly Change	+\$0.0025	\$1.7225
Weekly Average	-\$0.0047	\$1.7213

NON-FAT DRY MILK

Week Ending 2/13 & 2/14

Calif. Plants	\$1.0112	10,750,181
Nat'l Plants	\$1.0230	22,232,140

Prior Week Ending 2/6 & 2/7

Calif. Plants	\$1.0397	7,864,339
Nat'l Plants	\$1.0194	19,256,143

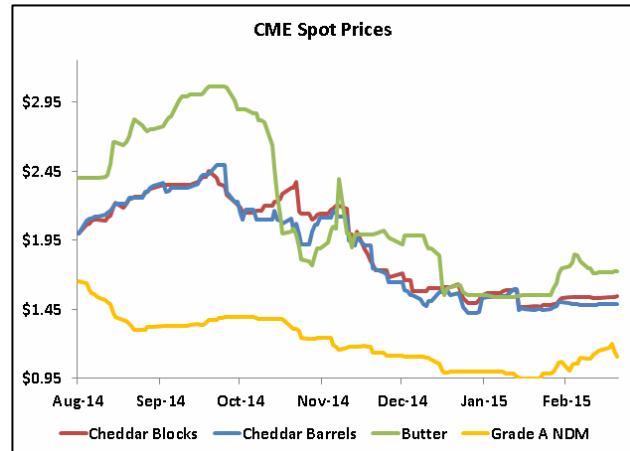
FRED DOUMA'S PRICE PROJECTIONS...

Feb 20 Est: Quota cwt. \$15.72 Overbase cwt. \$14.02 Cls. 4a cwt. \$13.51 Cls. 4b cwt. \$13.78
 Last week: Quota cwt. \$15.70 Overbase cwt. \$14.00 Cls. 4a cwt. \$13.50 Cls. 4b cwt. \$13.74

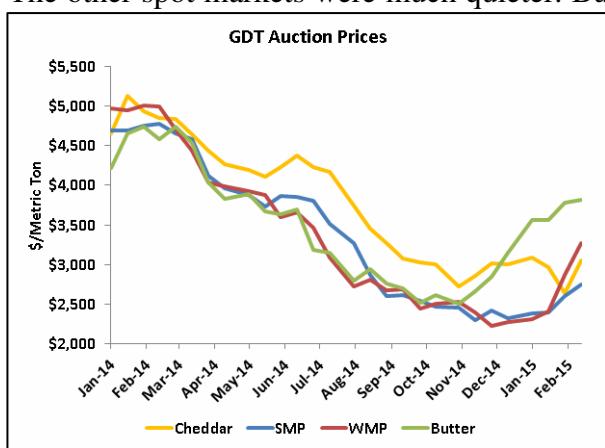
MARKET COMMENTARY: (By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com)

Milk & Dairy Markets

Prices soared again at the Global Dairy Trade (GDT) auction, and they brought the U.S. milk powder markets along for the ride. On Wednesday, CME spot nonfat dry milk (NDM) reached \$1.20/lb., its highest level since early November. But manufacturers took the opportunity to part with some of their growing inventories. Spot NDM dropped a nickel on Thursday and another 4¢ on Friday; it closed at \$1.11, down 4¢ from last week. NDM futures followed a similar pattern, rising early in the week before succumbing to bearish pressure. Several contracts settled limit down both Thursday and Friday.



The other spot markets were much quieter. Butter closed at \$1.7225, up 0.25¢. Blocks gained 1.5¢ at \$1.545 and barrels held steady at \$1.485. Both Class III and Class IV futures put in a mixed performance.



All products moved higher at the GDT, but Cheddar and milk powders were particularly strong. Cheddar prices leapt 16.8% from the previous auction, while whole milk powder (WMP) jumped 13.7%. Skim milk powder (SMP) prices were 5.7% higher. This boosted the GDT Index an impressive 10.1%. Just 22,957 metric tons of product changed hands, the lowest volume since May 2013. The limited volumes, along with the announcement that several regions on the South Island are now officially suffering from drought, likely supported prices.

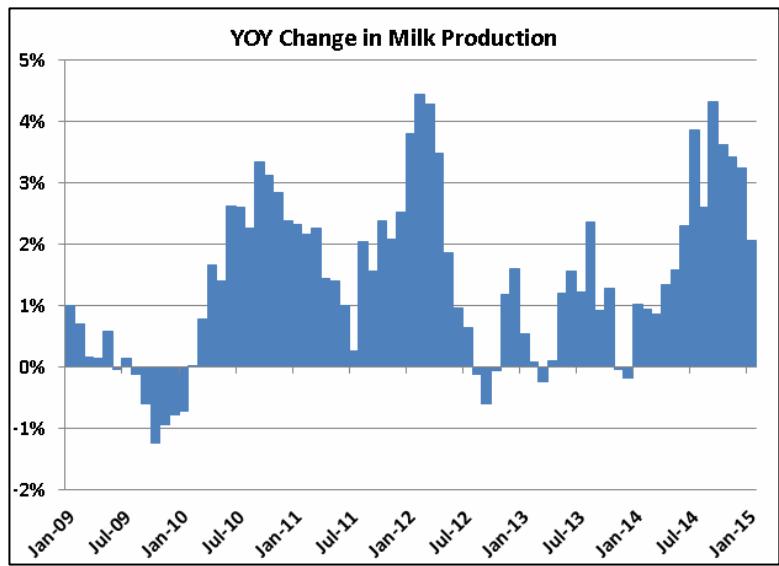
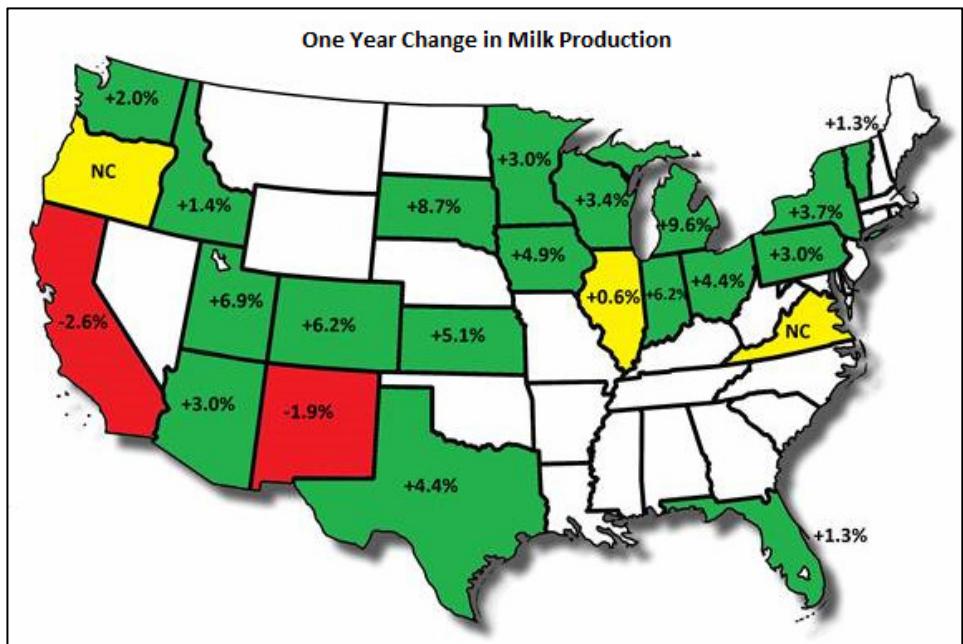
Dairy Market News reported broad gains in the overseas dairy markets. Over the past two weeks, dry whey prices in Western Europe moved lower and Cheddar in Oceania held steady. All other dairy products moved higher, including WMP, which gained 21% in Oceania and almost 8% in Western Europe.

Friday after the close USDA released its monthly Cold Storage and Milk Production reports, and they were replete with revisions. Butter inventories in 2014 were notably larger than USDA previously reported, and stocks grew by over 43 million pounds in January to 148 million pounds. As of January 31, U.S. butter supplies were 2.9% greater than the same month a year ago, bringing the 14-month string of year-over-year deficits to an end. Domestic demand for butter is picking up as Easter approaches, but export demand is less robust, and cream is plentiful. *Dairy Market News* reports that churning is “running at or near capacity,” and inventories will likely continue to grow.

Cheese inventories were also large; stocks of all varieties totaled 1.04 billion pounds, up 2.4% from December and up 2.7% from last year. While stocks of American-type cheese grew just slightly, supplies of other varieties rose considerably.

Cheese inventories will likely continue to climb, as export demand is sub-par and milk is flowing in the traditional cheese states.

USDA reported January milk production at 17.64 billion pounds, up 2.1% from the year before. Output in the Midwest was particularly strong; production rose 3.4% in Wisconsin, 6.2% in Indiana and 9.6% in Michigan. The



Daily Dairy Report noted that January was the 42nd consecutive month that Michigan produced more milk than the year before, “a feat only surpassed by Colorado’s 55-month string of [year-over-year] increases.” In contrast, milk output in California fell 2.6% below year-ago levels. However, because production in the Golden State was particularly strong at this time last year – surpassing January 2013 by 4.4% - the decline came as no surprise. Similarly, robust milk production gains in the Midwest ought to be considered in light of last year’s struggles in the region.

Although cull rates increased in January, cow numbers continued to rise. There were 9.308 million cows in the milking herd in January, 9,000

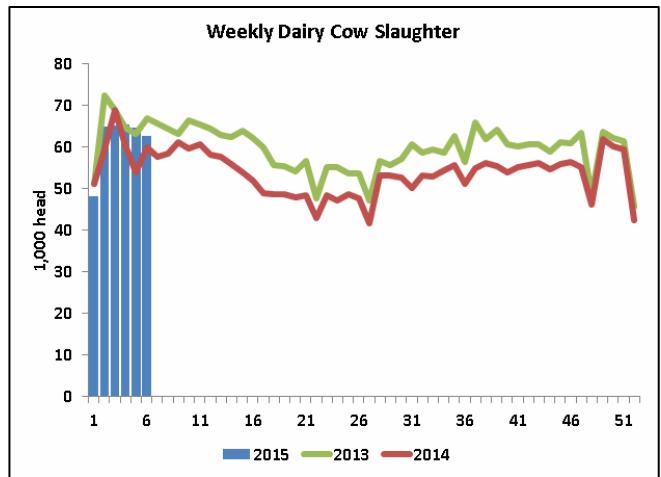
more than in December after USDA revised its estimate for December down slightly. The dairy herd stands at a six-year high and is 96,000 head larger than it was a year ago. With margins falling, dairy producers may be easing off the gas, but it could be some time before U.S. milk output slows meaningfully.

For the week ending February 7, dairy cow slaughter totaled 62,835 head. This is 4.8% higher than the same week in 2014. Cumulative weekly slaughter is running 4.9% ahead of last year’s pace. Slaughter in Region 9,

which includes California, Nevada and Arizona, has been particularly strong. So far, it is 16.3% ahead of last year's pace.

Grain Markets

The corn market looks quite comfortable right where it is; the March contract, for example, has shown no inclination to move outside of the \$3.80 to \$3.90 range. It settled this week at \$3.8525, down 2¢ from last Friday. In contrast, the soybean market looks restless. It is moving back and forth as the trade recalibrates its outlook for South American output and U.S. acreage. March soybean futures gained 8.75¢ this week and settled at \$9.9925.



Rising futures markets and the strong dollar are finally convincing farmers in South America to part with some of their crops, and importers are switching their attention to Brazil. The South American soybean crop will be the largest on record, but analysts are lowering their outlook for Brazilian production after the recent dry spell.

Farmers in the U.S. are likely to switch acreage out of corn, wheat and cotton into soybeans. Revenue comparisons, farmer surveys and seed sales all confirm this trend. Most private forecasts call for 88 to 89 million acres of both corn and soybeans. USDA also expects higher soybean acreage and lower corn acreage than last year; however, they surprised the markets this week with projection from their Outlook Forum calling for 89 million acres of corn and just 83.5 million acres of soybeans. This allowed the bulls to bellow in the soy complex this week, but in the long run, oilseed prices are likely headed lower.

BILL TO ELIMINATE THE “CORN-BASED ETHANOL MANDATE” RE-INTRODUCED IN THE U.S. HOUSE OF REPRESENTATIVES: (*By Rob Vandenheuvel*) Earlier this month, H.R. 704 – the “RFS Reform Act of 2015” – was introduced in the U.S. House of Representatives by a bi-partisan group of lawmakers. Among some other reforms to the “Renewable Fuel Standard” or RFS, this bill would remove the so-called “corn-based ethanol mandate” from Federal law. This mandate, which requires about 15 billion gallons of renewable fuel (and growing) to be blended into the U.S. transportation fuel supply (with nearly all of it currently coming from corn-based ethanol) has resulted in about 40 percent of the U.S. corn production being used to process ethanol. As our dairy farmers are well aware, this has had a huge impact on the price of not only corn, but many of the other grains that compete for land as well.

In 2006, before the current RFS was put in place, CDFA estimated that the cost of feeding dairy cows in California was approximately \$6.84 per hundredweight of milk produced. In the most recent quarterly report (3rd quarter of 2014), CDFA now estimates a feed cost of \$11.12 per hundredweight of milk produced! That means for a 1,000-cow California dairy averaging 65 lbs of milk/cow/day, the cost of feed at your dairy has risen more than \$1 million per year!

MPC has been and continues to be a participant in a broad coalition supporting this legislation. That coalition includes some of our fellow dairy organizations, along with other livestock groups, hunger advocates, environmental groups, grocer and restaurant organizations and marine/boat-owner groups.

There is nothing inherently wrong with renewable fuels, but MPC opposes a government mandate that creates a guaranteed demand for one use of corn, at the expense of the rest. It’s time for the RFS to be reformed, putting all the users of our valuable food/feed supply on an even playing field.

A special thanks to Congressmen David Valadao (R-Hanford) and Jim Costa (D-Merced) for co-sponsoring this bill and helping to lead this good-government effort!