



# Milk Producers Council

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**TO:** Directors & Members

**PAGES:** 4  
**FROM:** Rob Vandenheuvel, General Manager

## MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE			CHICAGO AA BUTTER			NON-FAT DRY MILK	
Blocks	+\$0.0425	\$1.8800	Weekly Change	+\$0.0475	\$1.7875	<b>Week Ending 4/12 &amp; 4/13</b>	
Barrels	+\$0.0150	\$1.7700	Weekly Average	+\$0.0430	\$1.7770	Calif. Plants	\$1.4763 18,699,013
<b>Weekly Average, Cheddar Cheese</b>			<b>DRY WHEY</b>			Nat'l Plants	\$1.5113 32,218,357
Blocks	+\$0.0690	\$1.8780	Dairy Market News	w/e 04/19/13	\$0.5650	<b>Prior Week Ending 4/5 &amp; 4/6</b>	
Barrels	+\$0.0245	\$1.7630	National Plants	w/e 04/13/13	\$0.5721	Calif. Plants	\$1.4651 17,867,560
						Nat'l Plants	\$1.4920 28,639,848

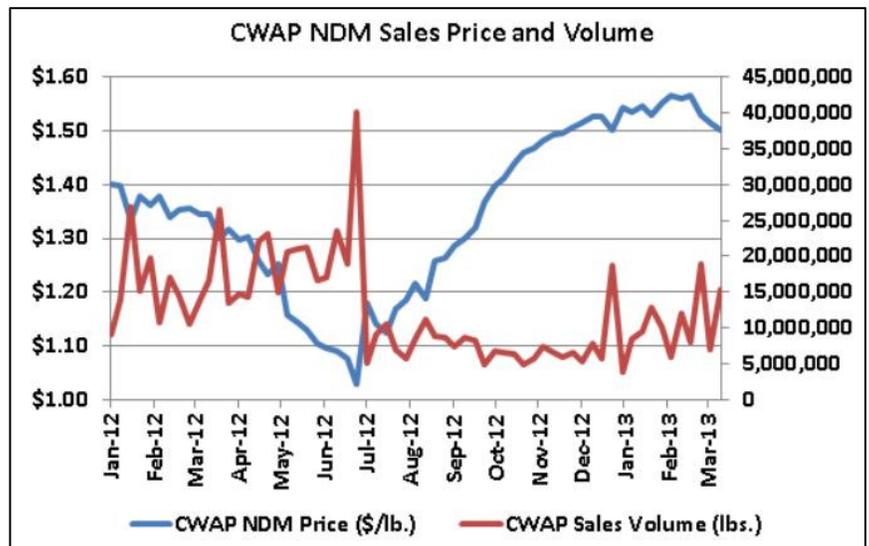
**MARKET COMMENTARY:** (By Sarina Sharp, Daily Dairy Report, [sarina@dailydairyreport.com](mailto:sarina@dailydairyreport.com))

### Milk & Dairy Markets

Commodity prices were routed this week, as Chinese GDP was weaker than expected, and concerns about the global economy came to the fore. Gold posted its largest drop ever on Monday, and Brent crude oil fell below \$100 per barrel for the first time since July. Investors pulled a record \$2.7 billion out of commodity and precious metals markets this week, but the ag sector managed to shrug off much of that weakness, and dairy was particularly strong. Class III and Class IV milk futures moved higher along with CME spot markets.

Prices moved mostly higher at the Global Dairy Trade auction, although gains have slowed from the heady pace seen recently. The weighted average of all products traded increased by a mere 0.6%. Butter prices increased 6.8% and anhydrous milkfat (AMF) was up 5.9%. Cheddar added 3.4% and whole milk powder (WMP) was up 2.4%. Skim milk powder (SMP) prices retreated, losing 3.2%. SMP prices for Fonterra-sourced product averaged \$2.69/lb., notably higher than supplies from Europe's Arla Foods and the U.S.'s Dairy America, which averaged just over \$2.00/lb. End users who rely solely on Fonterra's milk powder are paying a significant premium for the privilege.

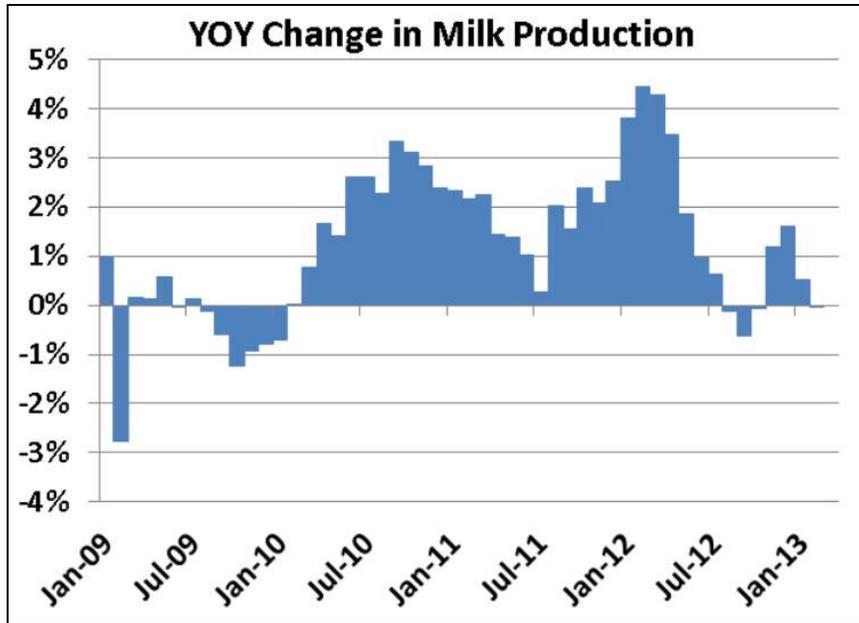
Uncovered offers for NDM at the CME reveal that domestic sellers are willing to part with product at well below \$2.00/lb. The California Weighted Average Price for NDM averaged \$1.4763/lb., up 1.12¢ from the prior week. Sales volume was solid at 18.7 million lbs. With CWAP and National Dairy Product Sales Report NDM prices well below strong global SMP prices, U.S. dairy producers will not see such a large boost in their milk checks. However, firm global SMP prices are supporting U.S. NDM prices, and further gains in U.S. dairy product prices are expected.



Heavy rains in New Zealand have largely alleviated the drought there. Nonetheless, milk production is expected to remain below year ago levels as the season winds down. February milk production was 2.6% lower than last

year after adjusting for Leap Day, marking the first month of year over year declines this season. Season to date production is 5.3% higher than last year.

The shortfall in New Zealand milk production has attracted much attention due to the country's dominant role in the export market. However, European milk production is and has been struggling. In volume terms, the decline in European milk production is significantly larger than the drop in New Zealand. Western Europe remains cold and wet, suppressing output and supporting global dairy product prices.



USDA's National Agricultural Statistics Services (NASS) released its first shortened Milk Production report today, to temporarily replace the more comprehensive report, which was axed by the sequester. March milk production totaled 17.7 billion lbs., down 0.3% from last year, but up 1.3% on a daily average basis from February. The slight decline suggests still strong per cow production, as weather was nearly ideal in March 2012, and the cow herd was larger. California milk production was 3.3% lower than a year ago.

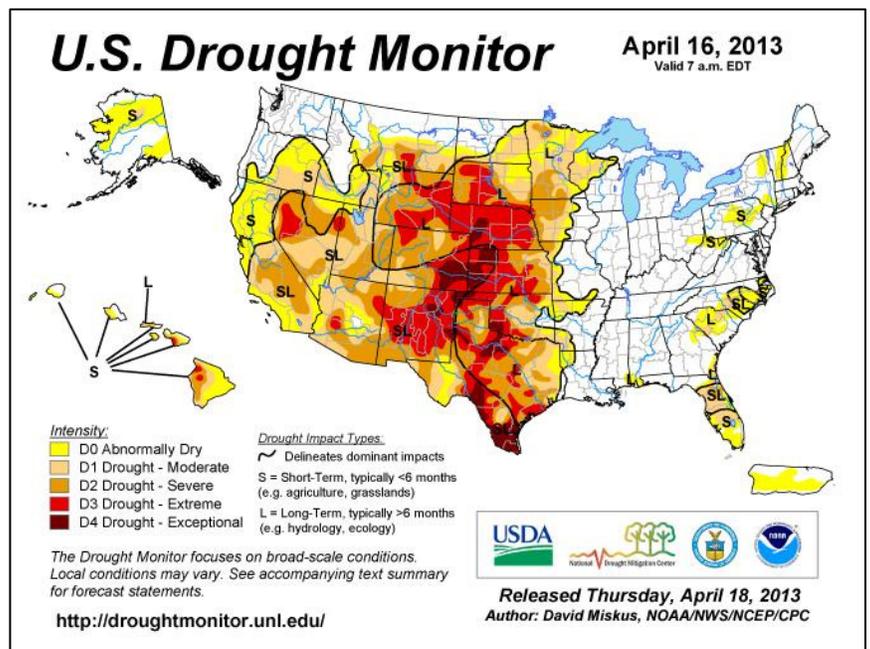
Milk production remains strong in the Midwest but is lagging in the West, which may explain in part why the butter market

has been gaining faster than the cheese market. Furthermore, lingering wintry conditions are delaying the onset of grilling season, and cheese demand is softer due to the dearth of cheeseburgers. The weather is also doing real damage to beef demand.

Weekly dairy cow slaughter was 62,366 head, down 0.7% from a year ago. Year to date slaughter is 4.2% ahead of last year, although it has been slightly lower than a year ago in three of the past five weeks.

Grain and Hay Markets

It is hard to maintain a drought in the Corn Belt when it won't stop raining. Sections of the Mississippi River will be closed this weekend as the river tops flood stage in central Illinois and northern Missouri. Only a few months ago, the river was closed due to low water levels. Cold wet weather has prevented corn planting in most areas, and concerns that farmers will miss the ideal corn planting window are mounting. In response, new crop corn prices have moved higher, while soybean prices retreated. However, according to the National Corn Growers Association, the bulk of corn planting in Iowa, for example, occurs between April 25 and May 18. With today's equipment, farmers can cover a lot of acreage in a very short time. Next week



looks cold and wet, but the deferred forecast is clearer. Sunshine in May would likely allow for as many corn acres as intended, and in many areas, the rains are welcomed, as they recharge soil moisture reserves.

The United States continues to export soybeans due to logistical issues in Brazil, and soybean meal export demand is strong due to the slow crush in Argentina. A rally in prices this week enticed some farmers there to begin selling, but most Argentine farmers will hold their soybeans as long as possible due to rampant inflation. Last year, inflation averaged 26%, making soybeans a more stable asset than pesos. With farmers holding supplies, the Argentine crush is very slow, and importers are turning to the U.S. The U.S. soybean basis is firming at the Gulf due to the expected slowdown in traffic in the swollen Mississippi River.

U.S. farmers are also somewhat reticent to part with soybeans at these prices, and that is slowing the domestic crush. The National Oilseed Processors Association reported the March soybean crush at 137 million bushels, shy of the 140 million bushels expected. The crush pace is still 20% ahead of USDA's full-year forecast.

But the slow crush in both the U.S. and South America may not be an issue due to declining demand from the world's most significant importer. The bird flu has claimed 17 lives in China. Chinese soybean meal demand is falling as some hog and poultry producers in China have been forced to slaughter their animals.

Cold weather in the Plains has likely damaged the winter wheat crop, and the region remains dry. Informa lowered its estimate of winter wheat production to 1.58 billion bushels, down 51 million bushels from the previous estimate.

Given weather and logistical concerns, grain and oilseed markets are well supported, although there are signs that demand is less than firm.

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#### **FRED DOUMA'S PRICE PROJECTIONS...**

<b>Apr 19 Est:</b>	<b>Quota cwt. \$19.03</b>	<b>Overbase cwt. \$17.34</b>	<b>Cls. 4a cwt. \$18.05</b>	<b>Cls. 4b cwt. \$16.95</b>
<b>Last Week:</b>	<b>Quota cwt. \$18.95</b>	<b>Overbase cwt. \$17.25</b>	<b>Cls. 4a cwt. \$18.02</b>	<b>Cls. 4b cwt. \$16.77</b>

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**MAY 1<sup>ST</sup> HEARING ON AB 31 RAPIDLY APPROACHING:** *(By Rob Vandenheuvel)* The May 1<sup>st</sup> hearing on AB 31 is less than two weeks away (more info on AB 31 at: <http://goo.gl/UQP8z>). This hearing, which will be conducted by the Assembly Agriculture Committee, is the first step in moving AB 31 through the full legislative process. As a reminder, AB 31 would result in the California Class 4b price (for milk sold to California's cheese manufacturers) tracking in a closer relationship with the Federal Order Class III price (which is used as the benchmark price for comparable milk sold around the country).

**In preparation for the hearing, there are a couple things producers can do.** For starters, please take the opportunity to reach out, either by phone or by fax, to the seven members of the Assembly Agriculture Committee. They need to hear from dairy farmers and their families. The contact information for the Committee members is below:

- **Assemblywoman Susan Eggman, Chairwoman**
  - Phone: (916) 319-2013
  - Fax: (916) 319-2113
- **Assemblywoman Kristin Olsen, Vice-Chairwoman**
  - Phone: (916) 319-2012
  - Fax: (916) 319-2112
- **Assemblywoman Toni Atkins**
  - Phone: (916) 319-2078
  - Fax: (916) 319-2178
- **Assemblyman Brian Dahle**
  - Phone: (916) 319-2001
  - Fax: (916) 319-2101
- **Assemblyman Richard Pan**
  - Phone: (916) 319-2009
  - Fax: (916) 319-2109

- **Assemblyman Bill Quirk**
  - Phone: (916) 319-2020
  - Fax: (916) 319-2120

- **Assemblywoman Mariko Yamada**
  - Phone: (916) 319-2004
  - Fax: (916) 319-2104

**Second, MPC strongly urges dairy farmers to make an effort to attend the May 1<sup>st</sup> hearing at the California State Capitol.** The hearing is scheduled for 1:30 p.m. on Wednesday, May 1<sup>st</sup> in Room 126 of the State Capitol Building. **For those in the South Valley region interested in carpooling to the hearing, Western Milling is coordinating a bus, which will be leaving from the Visalia Holiday Inn (9000 W. Airport Drive) at 8 am on May 1<sup>st</sup>. Folks interested in taking advantage of this opportunity should call De Anna Fitzgerald at (559) 302-1078.**

It's critically important that the Committee members understand the importance of providing California's dairy farmers with a milk price that is comparable with prices paid for milk around the country. **We simply cannot afford to continue providing a state-sponsored \$800 million discount (since 2010) on the milk we sell to cheese manufacturers; it is destroying California's dairy farming community.** The hearing on May 1<sup>st</sup> is an important step towards changing that.

**BIPARTISAN IMMIGRATION REFORM BILL INTRODUCED IN THE U.S. SENATE:** *(By Rob Vanderheuel)* This week, a bipartisan group of eight U.S. Senators introduced S. 744, the "Border Security, Economic Opportunity and Immigration Modernization Act of 2013." The introduction of this bill launches what is expected to be a strong push to implement immigration reform in the coming months. The bill was introduced by Senators Marco Rubio (R-FL), John McCain (R-AZ), Lindsey Graham (R-SC), Jeff Flake (R-AZ), Chuck Schumer (D-NY), Dick Durbin (D-IL), Robert Menendez (D-NJ) and Michael Bennet (D-CO).

S. 744 includes provisions that are desperately needed in the U.S. dairy industry. The bill provides opportunities for ***both*** current and future immigrant dairy employees. More will be written in the coming weeks about S. 744, as the bill makes its way through the legislative process, but in the meantime, a summary of the comprehensive legislation can be found at: <http://goo.gl/v713w>. Included in that summary is the following general summary of the ag provisions:

*"Agricultural Worker Program: A new agricultural guest worker visa program would be established to ensure an adequate agricultural workforce to safeguard our food supply. This program will also allow current undocumented farm workers who have made a substantial prior commitment to agricultural work in the United States to obtain legal status through an Agricultural Card Program."*

**MPC would like to thank the bipartisan coalition of Senators that have introduced this bill, as well as Senator Dianne Feinstein (D-CA), who has worked tirelessly on our behalf to ensure that any immigration reform legislation include considerations for the valuable employees on our dairy farms.** This is a critically important issue that has been neglected by our elected officials for far too long. So stay tuned for more developments in the coming weeks/months.

**CDQAP ENVIRONMENTAL STEWARDSHIP COURSE ON APRIL 23 & 30:** *(By Kevin Abernathy, Director of Regulatory Affairs)* The California Dairy Quality Assurance Program (CDQAP) will be conducting a two-day environmental stewardship course in Merced, CA on April 23<sup>rd</sup> and 30<sup>th</sup> (both are 1-4 p.m.). This 6-hour course is a requirement for dairies that are trying to become "environmentally certified," which entitles those dairies to a 50% reduction in their annual fees paid to the State Water Board. The course will be held at the Merced County Cooperative Extension Cooperative Extension Classroom at 2145 Wardrobe Avenue in Merced, CA.

For dairies interested in participating in this course for the purpose of becoming CDQAP-certified, attendance on both days is required. ***Important note:* CDQAP has announced that this will be the ONLY course offered before the September 30<sup>th</sup> deadline to be eligible for the fee reduction in the coming year.** More information on the course can be found at: <http://www.milkproducerscouncil.org/mercedcdqap.pdf>.