



Milk Producers Council



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DATE: March 12, 2010
TO: DIRECTORS & MEMBERS

PAGES: 3
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MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks $-.0300$ \$1.2675
Barrels $+.0125$ \$1.2625

Weekly Average

Blocks $-.0460$ \$1.2745
Barrels $-.0180$ \$1.2545

CHICAGO AA BUTTER

Weekly Change $+.0050$ \$1.4550
Weekly Average $+.0375$ \$1.4710

DRY WHEY

WEST MSTLY AVG w/e 3/5/10 \$1.4038
NASS w/e 3/6/10 \$1.3839

NON-FAT DRY MILK

Week Ending 3/5 & 3/6

Calif. Plants \$1.0170 17,954,398
NASS Plants \$1.0419 23,064,670

CHEESE MARKET COMMENTS: Trading on the CME continues to be active and prices (for blocks) continue to move mostly lower. Blocks fell fairly steadily through the week but barrels held steady until an increase of \$.02 per lb on Thursday and another \$.0025 today – the first increases since February 10th. That was followed by a nice increase in the class III futures prices, showing how anxiously traders are looking for positive news. Blocks have now lost \$.2375 per lb since February 12th, but the slope of the price decline is slightly less steep than it was over the first two weeks of this latest slump. Barrel prices reflect the same pattern. The increase in barrel prices and the pause for blocks could indicate that the market may be close to a bottom. Exports of all types of cheeses in January totaled 18.3 million lbs, about 2% of the amount produced during the month.

BUTTER MARKET COMMENTS: The steady increase in butter prices on the CME came to a halt on Thursday, when nine truck loads were sold and \$.02 per lb was lost; three loads were sold today at another \$.01 lower. The butter futures market on Thursday reacted strongly in the near months, with decreases ranging from 1.25 to 3.5 cents per lb. These decreases are surprising, considering the very positive reports coming this week from *Dairy Market News(DMN)* – sales are very good, heavy shipments of cream are moving to “class 2” usages, and butter buyers are said to be satisfied to build stocks in anticipation of a tight market later in the year. Exports of butter in January totaled 5.9 million lbs, about 4% of the amount produced during the month.

POWDER MARKET COMMENTS: Prices continued to move lower last week, according to the reports of sales received by the two major price reporting agencies. The market for nonfat dry milk is reported to be weak and unsteady. The reports this week by DMN don’t do much to clarify matters; some say cheese plants are beginning to use nfdm to fortify vats and others say there’s milk and condensed skim being used for that purpose. Last week’s sale of 23 million lbs of powder from CCC warehouses in California for “restricted use” apparently is not affecting this market, but is for the whey market. Users of nfdm rightly are reserved about making commitments at this time. Prices for whole milk powder have actually improved, while prices for dry buttermilk have slumped. Exports of nfdm and skim milk powder in January totaled 28.7 million lbs, about 19% of the amount produced during the month. That is at least a six-year low, following the same pattern shown in December. The average price at the point of export, however, was an impressive \$1.32 per lb, while the California weighted average price for nonfat dry milk for the four weeks ending January 29th was \$1.12 per lb.

WHEY PRODUCTS MARKET COMMENTS: The West’s “mostly” price held steady this week, while the NASS average edged lower. The two are finally almost equal. The NASS price is now about 1.2 cents per lb below its high that was reached four weeks ago. DMN reports that the 23 million lbs of restricted use nonfat dry milk has impacted prices for dry whey and whey protein concentrate – for animal feeds. Exports of dry whey in January reached an amazing 42.4 million lbs, more than half of what was produced during the month. Exports of WPC totaled 23.6 million lbs which was 75% of what was produced during the month.

FRED DOUMA'S PRICE PROJECTIONS...

Mar 12 Est:	Quota cwt. \$ 14.08	Overbase cwt. \$12.38	Cls. 4a cwt. \$12.80	Cls. 4b cwt. \$11.08
Last week:	Quota cwt. \$ 14.15	Overbase cwt. \$12.45	Cls. 4a cwt. \$12.78	Cls. 4b cwt. \$11.27

JANUARY'S MILK PRODUCTION DISAPPOINTMENT LEADS MANY TO RECONSIDER 2010 PROSPECTS: *(By J. Kaczor)* Milk production in the U.S. in January (reported by USDA three weeks ago) was 95 million lbs lower than a year earlier but 265 million lbs higher than in December. That was not expected. The vision was, for virtually all economists and forecasters, for the number of cows to continue to decline and milk production to continue to be significantly below year-earlier levels. But cow numbers increased from December, as well as production per cow.

That departure from what was expected was considered to be significant by the people who forecast prices as well as those who are in the business of having to make daily decisions on the entire range of activities in this industry. They range from producers dealing with breeding, feeding, milking, purchasing, and bill paying issues to executives pondering current and future pricing and marketing programs. Those who had the time to consider whether there is a now a need to re-think plans (or forecasts) that were made last fall, or even earlier, seem to be realizing that 2010 may not turn out as planned.

The starkest change so far is how much lower the futures prices are on the CME. The clearest example of that is what happened during the week ending January 22nd when manufacturers of nonfat dry milk abruptly decided to reduce inventories by dumping the largest amount of product ever sold in a single week. Without notice, prices for the product fell by \$.25 per lb in California and by \$.19 per lb nationally, and have since fallen further. Futures prices for the product fell significantly over the following weeks. The other major price shock has been in the cheese market. Prices for block cheese on the CME rose to \$1.72 per lb in the first week in December before falling \$.31 per lb a month later, recovering briefly by \$.10 per lb, and then falling to \$1.2675 per lb. Barrel prices, after topping out at \$1.51 per lb in December, followed a path similar to blocks. Class III futures prices fell by more than \$2.25 per cwt over that period of time, and now do not show the kind of recovery most producers were counting on until the year's end. The report on February milk production will be released next Thursday.

DID YOU MISS THE TULARE FARM SHOW? YOU CAN STILL HEAR THE DISCUSSION ON THE DAIRY PRICE STABILIZATION PROGRAM: *(By Rob Vandenheuvel)* On the first day of the Tulare Farm Show last month, MPC President Syp Vander Dussen participated in a seminar on milk price volatility and the Dairy Price Stabilization Program (www.stabledairies.com). Dairymen filled the jam-packed room to hear the discussion between Doug Maddox, Gary Genske, Marvin Hoekema and Syp.

For those of you who weren't able to attend the seminar and interested in hearing the discussion, dairyline.com has made the audio available from the panel discussion. You can find it on the dairyline website at: <http://dairyline.com/wpbackend/?p=1811>. Just click the play button on the page or download the file and listen to it later.

On a related note, last month the National Milk Producers Federation (NMPF) made a significant change in their committee structure. It happened without press releases or fanfare, but an email was sent out announcing that they are changing the name of the CWT Subcommittee to the **"Production Management Subcommittee."** This newly-named subcommittee will be meeting next week to hear more information on programs such as the Dairy Price Stabilization Program (DPSP).

MPC has been working hard for the past three years to build industry support for a program like the DPSP. It's certainly encouraging to see that NMPF has finally recognized that any rational approach to addressing the extreme milk price volatility must address our milk production. MPC and others promoting the DPSP have seen

strong producer support all over the country and our hope is that NMPF uses their position as an industry leader to help make that program a reality.

REMINDER: YOU HAVE UNTIL MARCH 31ST TO FILE YOUR DIESEL-POWERED VEHICLES WITH THE AIR RESOURCES BOARD: *(By Rob Vandenheuvel)* The California Air Resources Board (CARB) is in the process of implementing a new rule affecting diesel-powered vehicles, including ag vehicles such as feed trucks and manure spreaders. Depending on the annual mileage of your vehicle, you may be able to delay the implementation of this rule until 2017 or later.

In order to receive this temporary exemption from the rule, dairies will have to submit a form to CARB for each truck by March 31st. For more information, CARB has a fact sheet on the new rule (<http://www.arb.ca.gov/msprog/onrdiesel/documents/tbagfs.pdf>) as well as the form that needs to be submitted for each truck (<http://www.arb.ca.gov/msprog/onrdiesel/documents/TBReportingForm091222.pdf>).

MPC members wanting assistance in filing this paperwork should contact Betsy Hunter (Central Valley Representative, 661-205-6721) or Rob Vandenheuvel (909-992-9529).

CALIFORNIA TAKES THE LEAD IN IMPLEMENTING NATIONAL FARM MANAGEMENT PROGRAM: *(By Rob Vandenheuvel)* This past week, Dairy Cares released a statement announcing the launch of a new animal care initiative known as the National Dairy FARM Program: *Farmers Assuring Responsible Management*. While the FARM program is a national program initiated by National Milk Producers Federation and Dairy Management Inc., California is among the first states to initiate the program state-wide.

As a member of Dairy Cares, MPC has been very supportive of the work Dairy Cares has done in coordinating this program's launch in California. With the barrage of attacks on animal agriculture in recent years, it's so important that dairies take the steps necessary to give our consumers confidence that their milk and dairy products are being produced by responsible farmers.

This program is about taking the modern dairy practices that are already used on our dairies and demonstrating to our consumers that those practices are used. It was stated well in a quote from Riverdale-dairyman Jamie Bledsoe in the Dairy Cares press release: *"We've always cared for our animals, and now we have a program in place to validate that we care. And in those rare instances when animal care doesn't measure up, we have a program to identify issues and address them."* To read the full press release, you can find it on our website at: <http://www.milkproducerscouncil.org/cares/031010cares.pdf>.