



Milk Producers Council

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DATE: September 19, 2014
TO: Directors & Members

PAGES: 3
FROM: Rob Vandenheuvel, General Manager

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE

Blocks	+\$.1000	\$2.4500
Barrels	+\$.0950	\$2.4300

Weekly Average, Cheddar Cheese

Blocks	+\$.0570	\$2.4070
Barrels	+\$.0780	\$2.4080

CHICAGO AA BUTTER

Weekly Change	+\$.0600	\$3.0600
Weekly Average	+\$.0360	\$3.0220

DRY WHEY

Dairy Market News	w/e 09/19/14	\$.6100
National Plants	w/e 09/13/14	\$.6690

NON-FAT DRY MILK

Week Ending 9/12 & 9/13

Calif. Plants	\$1.4397	22,636,920
Nat'l Plants	\$1.4683	36,964,957

Prior Week Ending 9/5 & 9/6

Calif. Plants	\$1.4594	20,798,317
Nat'l Plants	\$1.4825	37,008,975

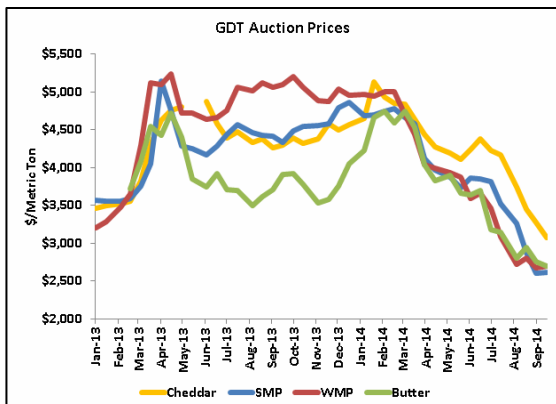
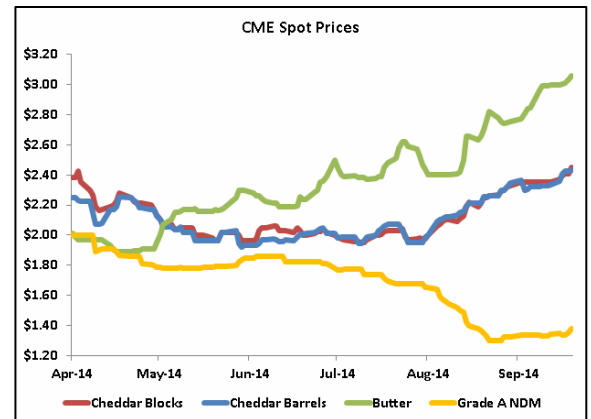
FRED DOUMA'S PRICE PROJECTIONS...

Sept 19 Est:	Quota cwt. \$24.36	Overbase cwt. \$22.67	Cls. 4a cwt. \$22.89	Cls. 4b cwt. \$22.55
Last Week:	Quota cwt. \$24.28	Overbase cwt. \$22.58	Cls. 4a cwt. \$23.12	Cls. 4b cwt. \$22.24

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

Milk & Dairy Markets

Last week's panic is naught but a memory this week as the U.S. dairy markets emphatically reasserted their ability to rally in spite of sustained weakness overseas. CME spot butter and Cheddar reached fresh highs and even nonfat dry milk (NDM) ascended. Grade A NDM closed at \$1.375/lb. up 3.5¢ from last week to its highest level in a month. Butter added 6¢, ending the week at \$3.06 after 31 trades. Cheddar blocks gained a dime and barrels rose 9.5¢; they closed at \$2.45 and \$2.43, respectively. Strength in the spot market translated to much higher Class III milk prices for 2014. The November contract climbed almost \$2.00. However, 2015 futures were more reluctant to rally, and contracts closed on either side of last Friday's settlements. The Class IV market posted gains well into next year. The June 2015 contract, for example, added 88¢.



Milk powder prices also firmed at the Global Dairy Trade (GDT) auction. Skim milk powder (SMP) gained 0.9% and whole milk powder (WMP) prices rallied 0.6% from the previous event. However, only product for November and December delivery inched upward. This was strength enough to allow the GDT index to hold steady, but it was not sufficient to erase the discount that Oceania milk powder holds relative to the U.S. market. Most other dairy products continued to slip. Butter lost 2.5% and Cheddar dropped 6.5%.

Milk production continues to rise around the globe, and the U.S. is

another. Cooperatives are likely to keep local manufacturers full, even if more distant processors offer a better price. There is simply too much water in raw milk to justify an unnecessary long-distance haul. Processors who are far from population centers will face steeper hauling costs on top of already sky-high dairy product prices.

MPC SCHEDULES SIX AREA MEETINGS TO DISCUSS MARGIN PROTECTION PROGRAM: *(By Rob Vandenheuvel)* As you all know, from now through November, U.S. dairies are able to sign up for the new “Margin Protection Program,” a Federal safety net program created in the 2014 Farm Bill. In an effort to bring our members up to speed on how the program works, what decision-making resources are available for the program, and how to sign up, we have scheduled six area meetings over the next three weeks to delve into the issue.

MPC invites our members, prospective members and allied industry partners to come out to any one of these meetings, which start next week. The schedule is outlined below:

Wednesday, September 24, 3 pm

Lodi Region: Van Exel Dairy
(18630 N. Thornton Road in Lodi)

Thursday, October 2, 11 am (lunch provided)

Hanford/Visalia Region: Innovative Ag Services
(1201 Delta View Road in Hanford)

Thursday, September 25, 1:30 pm

Chowchilla Region: Diepersloot’s Big Red Barn
(14874 Road 16 in Madera)

Tuesday, October 7, 11 am (lunch provided)

Fresno Region: Maddox Dairy
(12863 W. Kamm Avenue in Riverdale)

Wednesday, October 1, 2:30 pm

Kern County: Echeverria Farms
(20229 Old River Road in Bakersfield)

Wednesday, October 8, 1 pm

Southern California: Chino Fairgrounds
(5410 Edison Avenue in Chino)

In order to prepare for the meetings, RSVP’s are appreciated. Please send an email to rob@milkproducers.org or kevin@milkproducers.org to let us know you’re coming. We look forward to seeing you there!

ANOTHER MASSIVE FEE INCREASE ON THE AGENDA AT THE STATE WATER BOARD: *(By Kevin Abernathy, Director of Regulatory Affairs)* Once again, the State Water Resources Control Board (SWRCB) is considering a massive increase to the annual fees paid by California’s dairy families. **Next Tuesday, September 23rd at 9:00 am in Sacramento, the SWRCB will hold a meeting to consider several proposed changes to the annual fee structure for dairies, all of which represent a significant increase.**

Among the options being considered is an across-the-board increase of 30-33%. Under this option, the average-sized California dairy with 1,000 cows would see their annual fees rise from \$2,988 to about \$3,900. For the State’s larger dairies (3,000+ cows), the annual fee would rise from \$9,960 to about \$13,000!

Another option – which has been identified as the preferred option for State Water Board staff – is to implement a 20% across the board increase, but to also limit the discount that CDQAP-certified dairies receive at \$2,500. For those of you who are CDQAP-certified, you know that you’re currently entitled to a 50% discount in your annual fees. Under this alternative option being discussed next Tuesday, that discount would be limited to 50% of your fee or \$2,500, whatever is lower. This would mean a steep increase to the fees of all CDQAP-certified dairies greater than 1,500 animals.

Dairy Cares, which MPC is a member of, submitted outstanding comments on our behalf (you can see the letter at: http://www.waterboards.ca.gov/resources/fees/comments091814/docs/jp_cativiela.pdf), but for any dairyman willing and able to attend next week’s Water Board meeting to speak out in opposition of the constant barrage of fee increases we continue to see from the Water Board, please contact me for more information at kevin@milkproducers.org or 209-678-0666.