



Milk Producers Council

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DATE: November 2, 2012
TO: Directors & Members

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FROM: Rob Vandenheuvel, General Manager

MPC FRIDAY MARKET UPDATE

Don't forget to vote next Tuesday!

CHICAGO CHEDDAR CHEESE
Blocks - \$.0100 \$2.1100
Barrels N/C \$2.0800

Weekly Average, Cheddar Cheese
Blocks +\$.0460 \$2.1100
Barrels +\$.0020 \$2.0310

CHICAGO AA BUTTER
Weekly Change - \$.0025 \$1.8875
Weekly Average - \$.0015 \$1.8910

DRY WHEY
Dairy Market News w/e 11/02/12 \$6.188
National Plants w/e 10/27/12 \$6.298

NON-FAT DRY MILK
Week Ending 10/26 & 10/27
Calif. Plants \$1.4610 4,913,965
Nat'l Plants \$1.4861 11,446,030
Prior Week Ending 10/19 & 10/20
Calif. Plants \$1.4397 6,288,447
Nat'l Plants \$1.4718 11,927,835

FRED DOUMA'S PRICE PROJECTIONS...

Nov 02 Est: Quota cwt. \$20.82 Overbase cwt. \$19.12 Cls. 4a cwt. \$18.21 Cls. 4b cwt. \$19.84
Oct '12 Final: Quota cwt. \$20.14 Overbase cwt. \$18.44 Cls. 4a cwt. \$17.96 Cls. 4b cwt. \$19.43

ANOTHER MONTH OF THE "CALIFORNIA DISCOUNT" FOR OUR CHEESE MANUFACTURERS:
(By Rob Vandenheuvel) With October 2012 now in the books, we are once again reminded of the steep discount our California cheese manufacturers are receiving, courtesy of the California Department of Food and Agriculture (CDFA).

As you can see in Fred Douma's price projections above, the final Class 4b price – which is the minimum price that must be paid for the milk produced in California and sold to our cheese manufacturers – was \$19.43 per hundredweight. While that certainly is a vast improvement over the recent prices (in fact, it's the highest Class 4b price reported since 2007), we must also compare it to what cheese manufacturers around the U.S. are paying for the milk they buy. Much of the milk sold to cheese manufacturers throughout the country is in Federal Milk Marketing Order (FMMO) areas. For cheese plants that are regulated by the FMMOs, the Class III price is their minimum price, which in October was \$21.02 per hundredweight, a whopping **\$1.59 per hundredweight above the California Class 4b price.**

As we've written in this newsletter many times, this comparison is vitally important, as CDFA is required, by law, to maintain minimum prices that are in a "reasonable and sound economic relationship" with what comparable milk is sold for around the country (Section 62062 of the California Food and Agricultural Code).

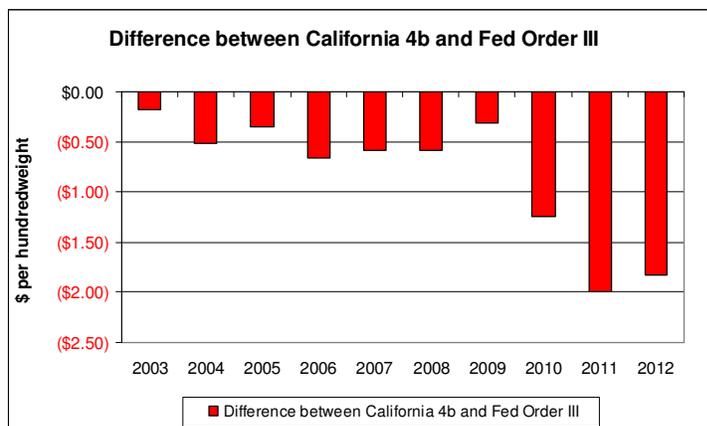
Another Month of the "California Discount" on Milk Sold to California Cheese Manufacturers			
	October 2012	Jan-Oct 2012	2010-Present
CA Class 4b price	\$19.43	\$15.16	\$14.88
FMMO Class III price	\$21.02	\$16.98	\$16.56
"California Discount"	(\$1.59)	(\$1.82)	(\$1.68)

The discount in October 2012 was narrowed by a CME block Cheddar price that was more than \$0.02/lb above the USDA-reported Cheddar cheese price.

What does that \$1.59 per hundredweight "state-sponsored discount" mean in real dollars? While we don't have the final figures yet on how much milk was purchased in October by California's cheese manufacturers, even a conservative estimate of 1.3 billion pounds of milk equates to **more than \$20,000,000** that our cheese

manufacturers did **NOT** have to put into the California “pool” this past month because of CDFA’s unwillingness to keep our prices closer to the prices paid around the country.

Of course, October is only the latest evidence of a devastating trend that we’ve seen over the past two-and-a-half years. The chart here shows the difference between the California Class 4b and FMMO Class III prices over the past 10 years. While California’s Class 4b price has lagged below the FMMO Class III price in each of the 10 years, the gap averaged \$0.45 per hundredweight for 2003 – 2009. Since January 2010, that gap has blown up to \$1.24 per hundredweight in 2010, \$2.00 per hundredweight in 2011, and \$1.82 per hundredweight so far in 2012. All told, we’ve calculated that California’s cheese manufacturers have been given a gift in the form of CDFA-sponsored discounted milk to the tune of **more than \$600,000,000 since January 2010**, all on the backs of the roughly 1,600 dairy farms that are left in California.



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Regular readers of this newsletter are well-aware of a lawsuit that has been filed in California Superior Court on behalf of Milk Producers Council, Dairy Farmers of America, Security Milk Producers Association and California Dairy Campaign. The lawsuit, which is known as a writ of mandamus, asks the court to intervene and demand that CDFA maintain a Class 4b price that is in a “sound and reasonable relationship” with the prices being paid by cheese manufacturers around the country, as clearly demonstrated by the monthly Federal Order Class III price. That legal process is ongoing, and updates will be provided in the coming weeks on the status of that work. So stay tuned...

OCTOBER “DAIRY CARES REPORT” POSTED ON OUR WEBSITE: (By Rob Vandenheuvel) The latest “Dairy Cares Report” has been posted on our website at <http://www.milkproducerscouncil.org/cares.htm>. For those that don’t already know, Dairy Cares is a broad coalition of California dairy producer groups, cooperatives and processors, working on issues like environmental stewardship and animal welfare. While the economics of California dairy farming have been challenging to say the least (“devastating” is a more appropriate term), this month’s it’s important that we continue to tell our story to consumers about all the value our industry brings to the State, as well as the tremendous efforts being undertaken by our industry in protecting our animal’s welfare and our environmental resources.

THREE MPC AREA MEETINGS SCHEDULED FOR NEXT WEEK: (By Rob Vandenheuvel) Dairy men in the Riverdale, Tulare and Bakersfield areas – mark your calendars for three MPC Area Meetings in your area next week. These meetings – which are open to MPC members, other interested dairymen and our allied industry folks – are an opportunity to hear the latest on many of the issues facing the California dairy industry, ranging from our challenges in California to the status of the U.S. Farm Bill. The schedule for next week’s meetings is:

- **Tuesday, November 6th @ 11 a.m.** – Area Meeting at Maddox Dairy, (12863 W. Kamm Avenue in Riverdale)
- **Tuesday, November 6th @ 3 p.m.** – Area Meeting at Rancho Teresita Dairy (21744 Road 152 in Tulare)
- **Wednesday, November 7th @ 1 p.m.** – Area Meeting at Bidart Dairy (20400 Old River Road in Bakersfield)

If you plan to attend, please shoot an email to Kevin Abernathy (Kevin@milkproducers.org) or myself (Rob@milkproducers.org). Or you can call the MPC office at (909) 628-6018.

Don’t forget to vote next Tuesday!