



Milk Producers Council



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TO: DIRECTORS & MEMBERS

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MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks -\$.0675 \$1.3975
Barrels -\$.0725 \$1.3575

CHICAGO AA BUTTER

Weekly Change +\$.0175 \$1.5750
Weekly Average +\$.0131 \$1.5656

NON-FAT DRY MILK

Week Ending 5/28 & 5/29
Calif. Plants \$1.2770 5,742,753
NASS Plants \$1.2878 12,427,751

Weekly Average

Blocks -\$.0739 \$1.4156
Barrels -\$.0831 \$1.3744

DRY WHEY

WEST MSTLY AVG w/e 5/28/10 \$.3938
NASS w/e 5/29/10 \$.3701

CHEESE MARKET COMMENTS: So long as milk production remains about where it is relative to last year, we can expect to see monthly cheese production continue to set monthly all-time record highs. USDA reported this week that production of all types of cheese in the U.S. in April was about the same as in March on a per-day basis, a monthly record. Production of cheddar was even with the April, 2006, 2008, 2009, and with March – a very good pattern, if only it holds. The normal seasonal pattern for all cheese for the rest of the year is for something close to level output from month to month. However, the tone of the market, at least as measured by trading activity and price movements on the CME, is decidedly negative. Sellers have returned – and buyers. It’s beginning to resemble what happened earlier this year, when the pattern of prices resembled something like ocean swells in the wake of a hurricane. Prices are now a bit more than \$.10 per lb below their recent high reached on May 21st and appear to be heading lower. The highest class III milk futures price for this year is now \$14.75 per cwt, for November. That price requires a NASS cheese price for the month to average \$1.58 per lb, which is not an unreasonable expectation, but one that doesn’t generate milk prices sufficiently high enough to provide great hope for milk producers. Prices for milk used to make cheese in May were announced this week: \$13.38 per cwt for federal order plants; \$12.40 per cwt for California plants.

BUTTER MARKET COMMENTS: Production of butter in April was slightly higher than in March, but 2.5% lower than a year earlier. Although the direction of milk production this year will play a substantial role in what happens to butter production and prices, it’s beginning to look like supplies could remain relatively tight through the year. The April increase in production contributed to the higher stocks on hand at the end of the month, but domestic sales remain fairly strong. *Dairy Market News (DMN)* reports that the strengthening U.S. dollar is having an effect on exports but, offsetting that, the European Union this week successfully sold a substantial amount of its stored butter at prices ranging upward from \$1.90 per lb. There were no sales on the CME this week, and the price moved up \$.0175 per lb. Internationally, strong interest was shown by bidders for Fonterra’s anhydrous milkfat in Tuesday’s auction; prices averaged 6% higher for the seven months covered by the auction.

POWDER MARKET COMMENTS: Production of **nonfat dry milk** in April increased by 15 million lbs over March’s output and **skim milk powder** fell by 13 million lbs. While nonfat powder is nonfat powder, this production pattern shouldn’t be seen as an insignificant net change in supply because NFDN is the product whose sales are reported and used to set most prices for most classes of skim milk. It looks like the entire increase in milk production in April went directly to butter-powder plants. However, NASS reports that NFDN shipments from plants increased by 11 million lbs and stocks on hand at the end of April actually fell by 3 million lbs. Despite the increase in April production, prices reported for the past two weeks for California, and nationally, continued to rise, and are now close to where they were in mid-January. However, the volumes are very low; California plants produced 19.5 million lbs of NFDN **per week** in April (plus an unknown amount of SMP), and sold only a total of 12 million lbs over the last two weeks. Stocks are growing. Until higher prices are supported by higher volumes (which, for California, would include exported product) the prices should not be

considered to be representative of future levels. It's important to remember what Dairy America did in mid-January, the most recent time inventories got too high for them. Good news of a sort, however, comes from Europe – bids for more than 100 million lbs of stored SMP were rejected this week, a sign that the EU is holding to its pledge to not disrupt market prices when they begin to reduce those inventories. More good news comes from Fonterra's global auction that was conducted this Tuesday: in the face of a strong NZ dollar and concern about Europe's plan to sell most of its stored product, the average price for SMP to be shipped from August through February fell only 6%. (See report below.) Prices for milk used to make butter and powder in May were announced this week: \$15.29 per cwt for federal order plants; \$13.95 per cwt for California plants.

WHEY PRODUCTS MARKET COMMENTS: Production and end-of-month stocks of dry whey and whey protein concentrates for April changed by about the same amounts, and reflected similar relationships to March and to April 2009, a sign that sales are continuing to be shipped on a steady basis. DMN reports continuing concerns about possible stoppage of exports to China. Prices for dry whey reported to NASS for sales last week again edged upward, and are now within \$.02 per lb of the West's "mostly" price, which edged downward this week, the first drop in more than a month. Current prices for nonfat dry milk, on a per lb basis of protein, are now about \$.74 higher than current prices for whey protein concentrate, and \$.42 per lb for dry whey.

FRED DOUMA'S PRICE PROJECTIONS...

June 4 Est: **Quota cwt. \$ 15.04** **Overbase cwt. \$13.34** **Cls. 4a cwt. \$14.85** **Cls. 4b cwt. \$12.29**
May 2010 Final: **Quota cwt. \$ 14.64** **Overbase cwt. \$12.95** **Cls. 4a cwt. \$13.89** **Cls. 4b cwt. \$12.40**

FONTERRA'S LATEST GLOBAL DAIRY PRODUCT AUCTION: *(By J. Kaczor)* Except for prices for anhydrous milkfat, which appear to be "very hot," most others, for whole milk powder and skim milk powder, either flattened out or tailed off a bit. Paul Grave, the manager of it all, summed up the results rather tersely by saying "the market continued to be relatively stable with supply factors the primary driver of market sentiment." Winning prices per lb for each of the categories for the three contract delivery periods were as follows:

	WMP	SMP	AMF
August	\$1.82	\$1.63	\$2.80
September-November	\$1.70	\$1.55	\$2.34
December-February	\$1.64	\$1.53	\$2.36

The prices for WMP reflect regular grade product; prices for SMP reflect the average of low heat and medium heat products; prices for AMF reflect the average of regular and premium grade products. Prices for WMP have flattened out and are virtually unchanged over the past three months. SMP prices peaked in April (for deliveries through December) and average \$.24 per lb lower than prices bid last month, for the first four months covered by this auction. (Prices from the latest three auctions, for SMP deliveries in December average \$1.54 per lb, which suggests an agreement on value for that month.) Prices for AMF, after falling to \$1.72 per lb in the March auction (for deliveries in May) have steadily climbed to \$2.80 per lb for August, and to \$2.36 per lb for deliveries this winter.

CME's futures market is showing a decidedly less optimistic view for nonfat dry milk. As of today, NFDM futures prices on the CME for the December-February months are averaging \$1.23 per lb, f.o.b. Chicago area. Go figure that.

TULARE TOWN HALL MEETING A SUCCESS – NOW IT'S UP FOR DAIRY FARMERS TO ACT: *(By Rob Vandenheuvel)* This past Wednesday, about 200 dairy producers and allied industry folks gathered at the Tulare Agri-Center to hear more details on H.R. 5288, the "Dairy Price Stabilization Act of 2010." As most of you know, this bill was introduced last month by Rep. Jim Costa (Fresno) and four of his fellow Congressman from different areas of the country.

Riverdale, CA dairyman Doug Maddox opened up the meeting by summarizing what the U.S. dairy industry (specifically our dairy farmers) has been through over the past two years. Doug went on to briefly go through the general policy options that are being discussed around the country. After Doug's presentation, I went through the details of H.R. 5288 – not only how the bill is structured, but why it's structured the way it is. For those of you who missed the town hall meeting, but would like to read through the presentation on H.R. 5288, you can find it posted on <http://www.stabledairies.com/spring2010dpsp.pdf>.

Throughout the town hall meeting, dairymen were given a call-to-action – not only by the speakers, but by fellow dairymen in the room. **That call-to-action extends to every one of the dairy farmers reading this newsletter.** Over the course of the past year, as MPC and other groups have presented the Dairy Price Stabilization Program to dairymen across the country, there has been broad support amongst the producers for the concept. We now have the details – H.R. 5288 – and the dairymen at the meeting were reminded by all the speakers that **it's up to the dairy farmers to take hold of this issue and demand that our leaders get involved.**

You've heard the details about H.R. 5288, and if you haven't there's a healthy dose of information on both www.stabledairies.com and www.milkproducers.org. If H.R. 5288 is a proposal you believe is worth consideration by Congress, **it's up to you to contact your Congressman.** Of course, you should also urge your cooperative and/or trade association to support H.R. 5288, but like a dairyman at the town hall meeting made clear: **this is a dairy producer issue, and it's up to individual dairy producers to make sure Congress hears you.**

A phone call or a fax to your Congressman's office will take 5 minutes. Below, I've included the contact information for the Congressmen representing much of the California dairy industry. **They need to hear from you, loud and clear.**

Congressman	Area Represented	Office Phone	Office Fax
Rep. George Radanovich	Chowchilla, Oakdale	(202) 225-4540	(202) 225-3402
Rep. Dennis Cardoza	Merced, Stockton	(202) 225-6131	(202) 225-0819
Rep. Jim Costa	Fresno, Kings County	(202) 225-3341	(202) 225-9308
Rep. Devin Nunes	Visalia, Tulare	(202) 225-2523	(202) 225-3404
Rep. Kevin McCarthy	Bakersfield	(202) 225-2915	(202) 225-2908
Rep. Joe Baca	Ontario	(202) 225-6161	(202) 225-8671
Rep. Gary Miller	Chino	(202) 225-3201	(202) 225-3404
Rep. Jerry Lewis	San Bernardino County, High Desert	(202) 225-5861	(202) 225-6498
Rep. Ken Calvert	Corona	(202) 225-1986	(202) 225-2004
Rep. Mary Bono	Moreno Valley, Winchester	(202) 225-5330	(202) 225-2961
Rep. Brian Bilbray	Escondido	(202) 225-0508	(202) 225-2558

Of course, this is not just a California issue. In order to be successful, this **must** be a national effort. To that end, MPC has been traveling the country, talking to dairymen about H.R. 5288. That effort will continue next week, as MPC will be part of a series of presentations in the Mid-West, as well as presentations to some of our Representatives in Washington, DC. **But MPC and other groups and individuals who support H.R. 5288 desperately need your help. We need you to please pick up the phone and call your Congressman directly. They need to hear from you.**

If you have any questions, please contact MPC at (909) 628-6018.