

Milk Producers Council

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MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks + \$.06 \$1.3300
Barrels + \$.04 \$1.2900

Weekly Average

Blocks + \$.0215 \$1.2915
Barrels + \$.0306 \$1.2800

CHICAGO AA BUTTER

Weekly Change +\$.0900 \$1.2700
Weekly Average +\$.0640 \$1.2365

DRY WHEY

WEST MSTLY AVG w/e 09/17/09 \$.3200
NASS w/e 09/12/09 \$.2976

NON-FAT DRY MILK

Week Ending 9/11 & 9/12

Calif. Plants \$.9547 7,396,739
NASS Plants \$.9719 11,432,668

CHEESE MARKET COMMENTS: After fairly heavy trading this week, prices for blocks and barrels on the CME were again above their support levels. Most of the trades were initiated by buyers – always a good sign when prices are moving up. There doesn't seem to be any clear reason for this welcome turn-around. It could be a combination of the following: the virtual unanimity in producer support for Congress to approve an additional \$350 million for USDA to use to help dairy farmers, and for USDA to use that money to buy cheese on the open market for use in its many feeding programs, **and** the mid-week report by *Dairy Market News* (DMN) on the improving prices for internationally traded dairy products, **and** the expectation that the milk production report for August could actually dip below the previous year's level (**It was! See report below**). Prices for blocks are now about where they were a month ago.

BUTTER MARKET COMMENTS: Heavy trading this week added \$.09 per lb to butter prices on the CME, possibly as a result from USDA making an additional 22 million lbs of butterfat available for export subsidies (the initial amount of 46 million lbs that was announced on July 6th had been used by September 9th). DMN's report on higher international prices may have influenced Friday's gain of \$.03 per lb. Supply and demand for butterfat in the U.S. presently appears to be well balanced.

POWDER MARKET COMMENTS: Last week, mention was made about someone in the East saying the rising prices for nonfat dry milk were beginning to feel "real" rather than merely supported by USDA's price hike. That feeling may be spreading. They're beginning to look real, having risen to more than \$.05 per lb above the current support level. However, DMN continues to get comments about the "uncertainty" in this market, which is causing some buyers to postpone making commitments on volumes and prices until the clouds clear away. Manufacturers still haven't tipped their hands on how much of their production they will commit to the CCC at \$.92 per lb when commercial prices (some buoyed by DEIP subsidies) are above that level. California plants shipped a total of 1.2 million lbs to CCC warehouses in the past two weeks. The NASS "current" price series gained \$.03 per lb last week with light volume, and is now \$.052 per lb above the current support level.

WHEY PRODUCTS COMMENTS: The average price for dry whey sales reported to NASS last week rose \$.0075 per lb while the average "mostly" price in the West continued to hold at \$.32 per lb. DMN reports that the market for dry whey appears to be firm, although production has been increasing somewhat more than had been expected. Prices for whey protein concentrate continued to edge up, and would seem to still be under-valued when compared to dry whey and nonfat dry milk.

FRED DOUMA'S PRICE PROJECTIONS...

Sept 18 Est: Quota cwt. \$ 12.65 Overbase cwt. \$10.95 Cls. 4a cwt. \$11.00 Cls. 4b cwt. \$11.26
Last Week: Quota cwt. \$ 12.50 Overbase cwt. \$10.80 Cls. 4a cwt. \$10.78 Cls. 4b cwt. \$11.08

MILK PRODUCTION IN JULY AND AUGUST – LOWER THAN YEAR EARLIER: *(J. Kaczor)* A downward revision in production per cow in July changed last month's USDA report of a small increase in July's production to a small decrease, compared to the same month a year earlier. **That marks July as the official beginning of the industry's much anticipated supply correction.** The report was released today, along with even better news for August. Milk production in August was reported to be 0.3% lower than last August, a total decrease of 41 million lbs. There were 171 thousand fewer cows producing milk in August but production per cow increased by 27 lbs for the month. The production per cow on a per-day basis has increased each month this year, compared to the same month in 2008, and the increases for July and August were the largest for the year, mainly the result of excellent weather in most parts of the country. Eight of the twenty-three largest milk producing states reduced production in August. Seven of the eight were Western states. Only Oregon and Texas in the West increased production, but with fewer cows.

Revised numbers for July for California reduced the number of cows by 2,000 (showing 56,000 fewer than a year earlier) and increased the production per cow by 5 lbs, resulting in 4.9% less milk. California's herd size continued to fall in August – 64,000 fewer than a year earlier and 9,000 fewer than in July. Production per cow in August was 20 lbs lower than last year. Total production was 154 million lbs lower, or -4.5%.

The report for August is very encouraging; once normal weather sets in, increases in production per cow should taper off (considering all that most producers are said to be doing to reduce feed costs) and total milk production should come closer to reflecting the smaller U.S. herd size. CWT's two herd retirement programs that covered parts of January, February, May, June, and July account for about 145,000 of the 171,000 fewer cows. However, a total of 231,100 more dairy cows were slaughtered this year, through July 29th, than last year, which means that individual producers trimmed 86,000 more either by down-sizing or by shutting down their operations. That also means that some producers expanded production by adding a total of 60,000 cows during this period [$145 + 86 = 231 - 60 = 171$]. What a shame. The current herd removal program, the third this year, should take the U.S. herd by the end of this year to less than the number that were milked in 2002 and to about the number that was on hand in 2004 and 2005. Is that not enough? We'll see.

REMINDER FOR SOUTHERN CALIFORNIA DAIRIES: WE NEED TO HEAR FROM THE DAIRIES THAT WANT TO BE CDQAP CERTIFIED: *(By Rob Vandenheuvel)* Dairies in Central Valley that are interested in becoming certified by the California Dairy Quality Assurance Program (CDQAP) are already in process. But for the dairies in Southern California, that opportunity is coming up. We have already heard from many of you who have expressed your desire to become CDQAP-certified, which includes a 6-hour course and an on-site evaluation of your dairy. *(As I've mentioned before, certification in the program provides you with a 50% reduction in your annual Water Board fees).*

For those of you who still need to take the 6-hour course in environmental stewardship, we are still looking at doing those classes in Southern California during the month of October. Interested parties should contact MPC immediately.

But for those of you who have already attended the class in the past (I've been told a class was offered several years ago at Central Basque Restaurant), you can go through the final step (an on-site evaluation of your dairy) right away. Those of you who are ready to schedule your evaluation should contact the MPC office as soon as possible at (909) 628-6018. The third-party evaluator is ready to conduct the evaluations, but to keep the costs down, we are trying to line up as many dairies as possible.

LATEST “DAIRY CARES” COLUMN POSTED ON OUR WEBSITE: *(By Rob Vandenhoevel)* The latest Dairy Cares column, entitled, “*Re-establishing consumer trust vital to future of California’s dairy families,*” has been posted to the MPC website. The column can be found at: <http://www.milkproducerscouncil.org/cares.htm>.

America’s dairy farmers have a good story to tell. Too often in our industry, we are playing “defense,” responding to the latest negative headline. This Cares column discusses a more proactive effort being pushed by Dairy Management, Inc. and the National Milk Producers Federation. The program being developed is known as the National Dairy FARM Program (*Farmers Assuring Responsible Management*). As the Cares column notes, “This FARM program offers a potential avenue for today’s dairy families to re-connect with consumers, and demonstrate the shared values held by farmers and consumers when it comes to responsible, humane animal care.”

In a world where folks like the Humane Society of the United States and Senator Dean Florez would like to paint the industry in an unflattering light (to put it mildly), it’s important that our industry do everything we can to show consumers the truth about American dairy farms: that we’re a responsible, family-oriented industry that provides a fresh, wholesome product for the consuming public.