

Milk Producers Council

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MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks +\$.0450 \$2.0550
Barrels +\$.0900 \$2.0025

Weekly Average

Blocks +\$.0265 \$2.0320
Barrels +\$.0455 \$1.9640

CHICAGO AA BUTTER

Weekly Change +\$.0700 \$1.3850
Weekly Average +\$.0460 \$1.3520

DRY WHEY

NASS w/e 11/01/07 \$.4212 WEST MSTLY AVG w/e 11/09/07 \$.4300

NON-FAT DRY MILK

Week Ending 11/02 & 03

Calif. Plants \$2.0467 16,385,608
NASS Plants \$2.0660 17,111,119

CHEESE MARKET COMMENTS: Prices on the CME continued their seasonal climb, as buyers try to secure commitments for the next three months. Prices for blocks and barrels are again above the \$2.00 per lb level. Manufacturers are stepping up production, but the cheese is clearing and stocks are not increasing. Prices since late June appear to be supported by thin air but that is an illusion. Solid support in the form of steady inventories has buoyed the market for the past six months. But domestic sales are not likely to support current prices, and even the very weak dollar is not likely to stimulate a significant increase in exports. The supply/demand balance for cheddar (**the price-setting cheese**) continues to tighten as cheddar production trends downward. That is bullish, but it could change fairly quickly, and the thin market that is the CME can turn on a thin dime. But, looking back, there seems to be substantial support at about the \$1.80 per lb level. This was not meant to be confusing. Sorry.

BUTTER MARKET COMMENTS: Butter prices continue to increase despite the very large amount of product in inventory and the heavy production cycle for butter just over the horizon. Short term, butter production has slowed, mainly because of heavy usage of cream for Class 2 and 3 products, and sales have been strong. Looking ahead, the normal seasonal pattern of production and prices should support another few weeks of price increases, followed by post-holiday price decreases. There are fewer stories about additional heavy export volume, even though the **low end** of the price range in Europe is **\$2.59 per lb**.

NONFAT DRY MILK: In one week the market for nfdm changed from "unsettled" to "volatile." Prices on the central and western spot markets dropped sharply, seven cents in the west and ten to fifteen cents in the Midwest. Lower prices were expected, but not so much so soon. Too much supply, growing inventories, too little demand, equal lower prices. With no good price benchmarks available for nfdm, the short-term situation does not look good. Longer term, the opportunity for exports looks good, with limited supplies being reported from Europe and New Zealand.

WHEY MARKET COMMENTS: USDA continues to rate this market as "firm." The West "mostly" price this week advanced another cent and is now at \$.43 per lb. It's beginning to look like a stable market. That should encourage buyers to commit, at least for the foreseeable future. However, the WPC market continues to slump, and the lactose market is in disarray. Some buyers are said to be caught with inventories, or commitments to buy, at prices well above current levels.

FRED DOUMA'S PRICE PROJECTIONS...

This week's numbers are unavailable.

Last Week Quota cwt. \$21.68 Overbase cwt. \$19.99 Cls. 4a cwt. \$20.99 Cls. 4b cwt. \$19.11

CONSIDERING THE FUTURE: (*J. Kaczor*) Today's announcement of California's Class 1 prices for December

and last week's announcement of October's Class 4a and 4b prices are certainly good news for California producers. The Class 1 price for Southern California is \$23.26 per cwt, and marks **the 6th straight month above the \$23 level**. October's 4a price of \$21.32 per cwt marks the 3rd straight month above \$21.00. The October 4b price was \$17.65.

How long will prices like those last? It depends in part on what is happening in the way of milk production in Europe and Oceania, and certainly on how much milk will be produced in the U.S. The latest report from Europe is that the recent high milk prices have had the same effect on European producers that high prices have on U.S. producers: cows are kept on line longer and milk production is exceeding expectations. Prices to producers in New Zealand were increased four times this year, and the early reports are that milk production this year will set record highs. (New Zealand's milk production is about 75% of California's, but they have to export about 90% of the products made from that milk.) And those who really want to guess what will happen to U.S. production next year are opting for sizable increases.

So, all reports call for more milk next year, perhaps even much more. Will productive usage of milk worldwide keep up with the expected supply? If commodity prices in other major dairy countries decrease, will they somehow pull U.S. prices down? So far, the professionals who put their money where their mouths are, are saying "*maybe*" and "*not sure*" to those questions. *Maybe* next year will not be as bad as past periods were after sharp run-ups of milk prices. *Not sure* on how well the U.S. is insulated from world supply and demand for dairy products. USDA economists adjust their forecasts monthly, and the most recent forecast is for milk price decreases in the \$4 to \$5 per cwt range. Traders on CME's futures market believe that California's Class 3 price next year will bottom out at just below \$15.00. California's milk production is expected to start the year out with about a 4% increase, but let's not forget about CWT's programs. It's something to think about, and so far next year doesn't look too terrible.

FINAL WEEK OF CENTRAL VALLEY WDR WORKSHOPS (*By Rob VandenHeuvel*) The workshops hosted over the past month by the California Dairy Quality Assurance Program (CDQAP) on the new waste discharge requirements (WDR) have been a tremendous success. Hundreds of Central Valley dairy producers have been able to attend the workshops and now have a better understanding of the new requirements.

Next week, the final three workshops will be held. Any producer that has been unable to attend the previous workshops is encouraged to attend one of these last three events:

- **Stanislaus County**
Stanislaus County Agricultural Center, corner of Service and Crows Landing Roads, Modesto
 - Tuesday, November 13th, 9:30 am - 12:30 pm
- **Merced County**
UC Cooperative Extension Office, 2145 W. Wardrobe Avenue, Merced
 - Wednesday, November 14th, 9:30 am - 12:30 pm
- **Tulare County**
UC Cooperative Extension auditorium, 4437 S. Laspina, Tulare
 - Thursday, November 15th, 1:30 – 4:30 pm

And as a reminder, any members wanting assistance with these new requirements are encouraged to call MPC's Central Valley representative Betsy Hunter at (661) 205-6721 as soon as possible. There are several monitoring requirements that dairies must already be complying with and an "existing conditions report" that is due by December 31st, so the earlier our members can schedule an appointment with Betsy, the better.

MPC BOARD MEETING: Then next MPC Board meeting is being held Tuesday, November 13th at 11:00 a.m. at the Kern County Farm Bureau in Bakersfield. All MPC members are welcome to attend. If you have questions or to RSVP, please call Debi at (909) 628-6018.

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