



Milk Producers Council

13545 S. Euclid Avenue, Unit B ~ Ontario, CA 91762 ~ (909) 628-6018
801 S. Mount Vernon Avenue ~ Bakersfield, CA 93307 ~ (661) 833-2549
222 S. Thor Street, Suite 20 ~ Turlock, CA 95380 ~ (209) 250-1801
Fax (909) 591-7328 ~ office@milproducers.org ~ www.MilkProducers.org



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TO: Directors & Members

PAGES: 3
FROM: John Kaczor

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE

Blocks +\$.0750 \$2.0750
Barrels +\$.0750 \$2.0350

Weekly Average, Cheddar Cheese

Blocks +\$.1075 \$2.0565
Barrels +\$.1095 \$2.0140

CHICAGO AA BUTTER

Weekly Change +\$.0600 \$1.9500
Weekly Average +\$.0700 \$1.9400

DRY WHEY

Dairy Market News w/e 09/28/12 \$.6013
National Plants w/e 09/22/12 \$.5930

NON-FAT DRY MILK

Week Ending 9/21 & 9/22

Calif. Plants \$1.3204 8,161,824
Nat'l Plants \$1.3943 13,558,827

Prior Week Ending 9/14 & 9/15

Calif. Plants \$1.3013 8,650,299
Nat'l Plants \$1.3809 12,820,303

CHEESE MARKET COMMENTS: California's August cheese production was 3.9% below last August, as production fell for most styles. National data is scheduled for publication next Wednesday; strong production in the Midwest could pull the U.S. total higher. Prices on the CME again rose sharply; both styles were \$.075 per lb higher for the week, and the weekly averages up by more than \$.10 per lb, both now above \$2.00 per lb for the first time since mid-August last year. These spot prices are far out-racing "physical" prices reported by manufacturers to AMS. Today's closing price for blocks is \$.22 per lb higher than last week's average sales price, and the price for barrels is \$.21 per lb higher. There is a lot of catching up to be done. Trading was moderate, 12 carloads of blocks and 1 carload of barrels; most of the week's increases occurred on Tuesday and Wednesday through a combination of bids and offers. Prices went slightly lower Thursday, from an offer for each style. Friday's prices were unchanged. *Dairy Market News'* reasons for the price strength included strong domestic and export sales, weakening milk production, and the heaviest sales season looming just ahead – a good combination. CME futures prices for class III milk for all months from December on lost ground this week; October and November are the only months above \$20 per cwt; December-February prices are in the \$19 bracket; May and the months following are in the \$18 bracket. Cheddar cheese futures prices moved sharply higher for October and November but lost an average of \$.04 a lb for the January-May period and range from \$1.89 down to \$1.81 per lb.

BUTTER MARKET COMMENTS: Butter prices on the CME this week continued their amazing climb from the most recent weekly average low of \$1.3065 for the week ending May 12th by rising \$.06 per lb. The low point was reached after prices had moved downward in a step-wise pattern after holding above \$2.00 per lb for 31 of 34 weeks, ending September 3, 2011. Friday's closing price is \$1.95 per lb; the weekly average price is \$1.94 per lb. Market participants on both sides of the transactions appear to agree the current price levels are justified, but the reasons for those views are not very clear. Stocks remain higher than last year, higher than historic averages, domestic prices are higher than international prices, and exports remain weak despite CWT's welcome assistance. The bright point is strong domestic demand. California production in August was only 1.3 million lbs lower than the previous August (the national report will be released next Wednesday; a small decrease is expected) so the drop in August milk production did not materially affect butter availability. *DMN* says butter plants are producing as much as they can, given the raw product supply situation, in order to meet current demand and anticipated 4th quarter orders. CME butter futures for October and November increased by an average of \$.045 per lb, but not quite up to the current spot price; prices for December through May were slightly lower for the week, averaging \$1.818 per lb.

POWDER MARKET COMMENTS: According to *DMN*, the market for nonfat dry milk is steady to firm and prices continue to edge upward. The price range in all U.S. regions for most sales this week is \$1.40 - \$1.65 per lb, with the low end up by \$.02 per lb for the week. Production is somewhat limited by the low level of seasonal

milk production and the relatively strong demand for milk from bottling plants and for condensed skim from some cheese and yogurt makers. With the low end of international price ranges reported by *DMN* this week (\$1.45 for New Zealand and \$1.53 for Europe) exporters should have little problem maintaining sales. Average prices for California plant shipments rose last week to \$1.3204 per lb and to \$1.3943 for currently priced shipments reported nationally. For buttermilk powder a major upward shift of prices, mostly in the central and eastern regions, was reported this week by *DMN* even though BMP stocks at the end of July, reported last week, were twice the monthly production. Anticipated 4th quarter demand and a lower price alternative to NFDM explain the price strength for this product.

WHEY PRODUCTS MARKET COMMENTS: Production of dry whey is steady to lower in all regions of the country, limited by cheese making output, but adequate for current contractual commitments. According to *DMN* a difference of opinion between some central region buyers and sellers on the direction of future prices is being fed by re-sellers offering product at prices fully competitive with those of local manufacturers. The West's "mostly" average price this week held steady with a \$.01 per lb drop on the low end of the range and an equal increase on the upper end of the range, while the low of the price range in the central region moved up by \$.005 per lb. For whey protein concentrate-34 the pricing trend continues to point upward due to the price differential with NFDM and the limited volume available. Export demand continues to be strong. *DMN* notes a shortage of suitable quality MPC-34 has led to interest by some buyers to negotiate for increased volumes to cover near future months. Future prices for dry whey this week were generally lower and average \$.625 per lb.

FRED DOUMA'S PRICE PROJECTIONS...

Sep 28 Final:	Quota cwt. \$18.44	Overbase cwt. \$16.75	Cls. 4a cwt. \$16.68	Cls. 4b cwt. \$17.50
Last Week:	Quota cwt. \$18.42	Overbase cwt. \$16.72	Cls. 4a cwt. \$16.64	Cls. 4b cwt. \$17.48

MARKET OVERVIEW: Last week's report on U.S. milk production varied widely depending on location, circumstance, opportunity, and prior planning. The drought had the greatest effect, by far, trumping in many cases even the best made plans. Some reports published as late as mid-June forecast record output of corn, wheat, and soybeans, even as those crops were withering. The heat simply would not stop and the rain simply would not fall. It is possible thousands of producers have already closed their operations or are planning to do so. No one is glad to see so much wrong wrought on so many good people. It is a catastrophe. But the fact is some producers managed to get through it, at least so far, and others may even have benefited, either because of where they are located or because of actions taken at the right time or maybe simply because they were plain stubborn enough to endure the pain long enough to survive to this point.

The survivors, for whatever reason they got through, should realize something in the way of reward. Prices for most dairy products have risen sharply and appear to be soundly supported, and milk prices are beginning to reflect the market's strength. Cheese prices above \$2.00 per lb, butter prices above \$1.90 per lb, dry whey prices above \$.60 per lb, along with strengthening powder prices should soon generate milk prices above \$20 per cwt. Some economists see milk prices soon surpassing last year's levels. Feed prices are a problem for those who do not grow their own, and are presently in a state of flux, rising again after falling from recent highs. But look for record plantings this fall and next spring, bringing their prices down, down, down. All that was hoped for this year could well happen next year and if it does, reap the rewards and apologize to no one.

GRASSROOTS MOVEMENT FOR MILK PRICE RELIEF IN CALIFORNIA SETS UP A WEBSITE; OCTOBER 18TH RALLY IN SACRAMENTO PLANNED: *(By Rob Vandenheuvel)* Two weeks ago, we reported on a rally held in Sacramento that drew several hundred people, all asking for Governor Jerry Brown and his Secretary of the California Department of Food and Agriculture, Karen Ross, to utilize their authority – **and legal responsibility** – to bring our milk prices in better alignment with the prices being paid for milk throughout the country (if you missed it, check out: <http://www.milkproducerscouncil.org/updates/091412.pdf>).

The individual dairy farmers who launched that grassroots effort have continued to strategize on next steps, and they are currently planning more action in October, including another rally in Sacramento on October 18th and a pre-rally prep session on October 4th at Lucio Hay (10810 Avenue 140 in Tulare). They've also set up a website at <http://www.rallyforcaliforniadairyrelief.com>. Anyone with questions about this effort can either check the website or check out their Facebook page at: <http://www.facebook.com/ProtestingCDFA>.

CENTRAL VALLEY DAIRY GROUNDWATER MONITORING PROGRAM SEEKS NOMINATIONS FOR BOARD OF DIRECTORS: *(From Central Valley Dairy Representative Monitoring Program, CVDRMP)*

The CVDRMP is calling for nominations of candidates for election to its Board of Directors. The election will be held in November and December 2012 by mail-in ballot.

CVDRMP is a not-for-profit association of nearly 1,300 Central Valley dairy farm owners and operators. CVDRMP conducts a representative groundwater monitoring program on behalf of its members, toward satisfying state water quality protection requirements.

Governed by a 12-member board, CVDRMP is organized into five Central Valley districts with two directors each, plus two at-large members. Directors serve two-year terms and may seek re-election as terms expire. Terms are staggered so that only one seat per district, and one at-large seat, expires in any given year. Therefore, six seats are currently open for nominations, one for each district listed below and one at-large (CVDRMP voting members may nominate only two individuals, one for the seat in the District where your member facility is located, and for one the at-large seat). All terms are for 2013-14.

District 1 – Tulare County

District 2 – Merced and Madera counties

District 3 – Kern, Fresno and Kings counties

District 4 – Stanislaus County

District 5 – All other Central Valley counties not included in Districts 1 through 4.

At-large – Any Central Valley county.

[The Central Valley is the region defined in section 13200(g) of the California Water Code.]

A return-postage-paid nomination form and instructions were mailed September 28, 2012 to all CVDRMP voting members. If the form was lost or not received, CVDRMP members can find a duplicate nomination form and additional information at www.dairycares.com/CVDRMP or by calling (916) 441-3318.

Nominations must be received by October 22, 2012; nominations received later will not be considered even if postmarked before the deadline.