



Milk Producers Council

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MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks +\$.0475 \$1.5750
Barrels +\$.0250 \$1.5250

Weekly Average

Blocks +\$.0529 \$1.5535
Barrels +\$.0419 \$1.5200

CHICAGO AA BUTTER

Weekly Change +\$.0125 \$1.7750
Weekly Average +\$.0199 \$1.7730

DRY WHEY

WEST MSTLY AVG w/e 6/9/10 \$.3863
NASS w/e 7/10/10 \$.3621

NON-FAT DRY MILK

Week Ending 7/9 & 7/10

Calif. Plants \$1.2330 6,648,757
NASS Plants \$1.2336 12,566,367

NOTE: Due to an overwhelming level of spam, MPC has changed our email address. Our new address is office@milksproducers.org. Please make the change in your address book for future reference. Thank you.

CHEESE MARKET COMMENTS: Prices on the CME again advanced somewhat decisively this week, supported by a single sale of blocks on Friday. Bidders did the rest, as sellers continued to sit and watch. Barrel prices were unchanged since Tuesday; blocks increased four of the five trading days. *Dairy Market News (DMN)* is being told by buyers they are surprised by the continuing price increases. The single fact which continues to question the price increases over the past six weeks is the record amount of cheese in cold storage – more than one billion lbs on April 30th and May 31st, and growing. Last year, the amount of cheese in cold storage fell by thirty-nine million lbs from its high in July to November, helped somewhat by USDA's export subsidies, and has since grown steadily by fifty-seven million lbs. This year it's apparent that CWT's export assistance has boosted exports from March through May (the latest data available), and more help is expected through the year. However, reports of new cheese plants and plant expansions, expected continuing increases in the amount of milk produced in the U.S. (after the heat and humidity passes), and higher prices for already distressed consumers, do not make a much of a case for substantial inventory reductions. One theory for the recent pattern of bids without sellers on the CME is that **the value of cheese in cold storage apparently increases by about ten million dollars for each penny increase in cheese prices.** That could be, but that "value" declines as quickly as it increases if prices on the CME turn around, which they have done several times already this year. So instead, let's blame, or thank, the speculators. Because California's 4b milk price formula is directly connected to CME block cheese prices and federal order class III milk prices are based on the lagging and not fully responsive prices reported to NASS, California producers will get a much needed boost compared to most others when July's prices are announced.

BUTTER MARKET COMMENS: Two sales of butter on the CME occurred on Monday; which added \$.0075 per lb to the price, and bidders added another \$.005 per lb on Wednesday. Another quiet week; another weekly record high price for butter – the highest it's been since July 2004. DMN is hearing, as expected, that buyers believe retail sales may be affected somewhat by prices well above \$2.00 per lb, but the supply/demand balance continues to indicate this market could at least hold where it is, or even move higher. Exports are helping sales. Low butterfat percentages in current milk production should help to keep production from outpacing total demand.

POWDER MARKET COMMENTS: The only positive market development for nonfat dry milk (NFDM) came this week when May's exports were reported; 88 million lbs of NFDM and skim milk powder were shipped out of the U.S., most of it NFDM. That accounts for about one-half of the amount that was produced during the month, but still leaves manufacturers, mainly those in California, with too much powder on hand. DMN reports that powder that was already sold (at distressed prices) is being offered in competition with current supplies. No

surprise there, except maybe to those who dumped the stuff in the first place. Condensed skim is said to be taking a greater portion of the market for cheese vat fortification, which contributes to the growing inventories of NFDM. Prices were about \$.045 per lb lower for last week's sales reported to NASS and CDFA, both with light volume, again. The market for buttermilk powder is tight in the central and eastern regions, and prices are steady at about equal to current NFDM prices. The market for whole milk powder is tight; manufacturers are having to compete for whole milk, which is wanted by others for its cream content. Exports of WMP so far this year are up sharply from last year's levels reflecting, we hope, quality products, smart marketing, and good management.

WHEY PRODUCTS MARKET COMMENTS: Production of dry whey and whey protein concentrates is tracking closely with cheese production. Domestic and export demand continues to clear current production. DMN reports high humidity has temporarily affected production of products with very high concentrations of protein ("isolates"), which has temporarily added to production of WPC (34% protein) products. Prices are holding steady for dry whey, WPC, and dry lactose. DMN believes this week the market of whey by-products is in good balance.

FRED DOUMA'S PRICE PROJECTIONS...

July 16 Est:	Quota cwt. \$ 16.06	Overbase cwt. \$14.37	Cls. 4a cwt. \$16.03	Cls. 4b cwt. \$13.31
Last week:	Quota cwt. \$ 15.98	Overbase cwt. \$14.28	Cls. 4a cwt. \$16.01	Cls. 4b cwt. \$13.12

EXPORTS OF DAIRY PRODUCTS IN MAY CONTINUE RECENT STRONG TRENDS: *(By J. Kaczor)*

The volume of exports of major dairy commodities in May reflected steady to strong international demand. Most of the demand comes from Asian countries which fared well through the global economic crisis that began in 2007. That left them well-positioned to continue or to restart their growth once the late 2008 banking crisis passed. Western Europe, while not doing better economically than the U.S. in its recovery, has nonetheless also been increasing their agricultural imports, but not from the U.S. A recent report by USDA's Foreign Agricultural Service shows that U.S. exporters have lost a considerable share of the European market.

The U.S. dairy product export numbers for May, and for the first five months this year, are truly astounding. Following is a report for May, and a recap of the totals for the first five months this year. As usual, the focus is one those commodities used by California and federal order areas in formulas for setting milk prices.

- **Nonfat Powders:** 88.4 million lbs of NFDM and skim milk powder were shipped out in May, about double the amount for the same month a year earlier – about half of the amount produced during the month. After beginning the year on a down note (January exports were lower than December's), the monthly export volume has since increased each successive month through May. A total of 72 million more lbs was exported so far this year than for the same period in 2009.
- **Butter and Butterfat Products:** 14 million lbs of butterfat products were shipped out in May, more than twice the amount for the same month a year earlier. A total of 43.7 million lbs was exported so far this year, also more than twice the amount for the same period in 2009. At this rate, this year's exports of these products should exceed last year's (which was aided by USDA's export subsidies) and could be close to 2007's level which was the second highest for this category.
- **Cheese:** 36 million lbs of all varieties of cheese were shipped out in May, more than twice the amount shipped a year earlier. A total of 140 million lbs was exported so far this year, which is 55% greater than the amount for the same period in 2009. It bears notice that the volumes exported in January and February were somewhat higher than for the same months last year, but more than doubled for March through May. Credit goes to CWT's export incentive program, and may it continue.
- **Dry Whey:** 57 million lbs of dry whey were shipped out in May, 52% more than was shipped a year earlier. A total of 229 million lbs were shipped so far this year, for an increase of 23% over the same period in 2009. Asian countries continue to be the largest customers for this important by-product of cheese.

The results speak for themselves, but the reason for the across the board increases is not at all clear. The total global supply of the products reviewed above has not decreased; let's hope the demand side holds firm.

SENATORS BERNIE SANDERS AND PATRICK LEAHY FORMALLY ANNOUNCE THE INTRODUCTION OF THE “DAIRY MARKET STABILIZATION ACT OF 2010”: *(By Rob Vandenheuvel)* This past Monday, Senators Bernie Sanders and Patrick Leahy (Vermont) held a press conference to formally announce the introduction of S. 3531, the “*Dairy Market Stabilization Act of 2010.*” As we noted in our newsletter a couple weeks ago (http://www.milkproducerscouncil.org/062510_S3531.htm), this legislation is virtually identical to H.R. 5288, which was introduced by Rep. Jim Costa and four of his colleagues in May. This is a huge step forward for this effort, and MPC greatly appreciates the hard work that Senators Sanders, Leahy and Patty Murray (another cosponsor of the bill from Washington) have put into introducing this bill. MPC continues to work with groups around the country in promoting this legislation. Information on S. 3531 and H.R. 5288 can be found on www.stabledairies.com and www.milkproducers.org.

REMINDER: DAIRYMEN URGED TO JOIN THE EFFORT IN ASKING THE GOVERNOR TO VETO SB 1121: *(By Rob Vandenheuvel)* As of the time this newsletter went to press, Governor Arnold Schwarzenegger has not signed or vetoed SB 1121. As I noted in last week’s newsletter, SB 1121 was authored by State Senate Dean Florez (Bakersfield) and would mandate that agricultural employees are paid overtime wages when they work more than 8 hours per day or 40 hours per week. SB 1121 breezed through the California legislature – despite opposition from farm groups across the state – and now sits on Governor Arnold Schwarzenegger’s desk awaiting either a signature or a veto.

The California Farm Bureau Federation has taken a lead in opposing the legislation and has set up a website where individuals can fill in a few spaces and have an email or letter sent on your behalf to the Governor’s office urging him to veto the bill. If you haven’t already done so, **I strongly encourage all of you to visit this website and send in your message as soon as possible** (<http://capwiz.com/cfbf/issues/alert/?alertid=15204776>). There are strong forces trying to force this bill into law, and major papers in the state are urging the Governor to sign the bill. The Governor’s office needs to hear from you, your son, your daughter, your parents, your neighbor, and anyone else you can get to send him the loud and clear message that he needs to veto this bill.

ANOTHER ANIMAL WELFARE WORKSHOP SCHEDULED IN CHINO ON AUGUST 18 & 19: *(By Rob Vandenheuvel)* Earlier this year, the California Dairy Quality Assurance Program (CDQAP) conducted workshops throughout the Central Valley to educate dairy farmers on the National FARM (Farmers Assuring Responsible Management) Program. While the FARM program is a national initiative, California cooperatives and creameries have taken the lead in implementing the program here in our state. Later this year, the first step of the program will begin, with you coop staff conducting walk through’s of your dairy.

The point of the CDQAP workshops are to prepare dairymen for what the program will mean for your dairy. **I strongly encourage all dairies to send a representative to the meeting to learn more about this program.** Part I of the workshop is scheduled for **the afternoon of Wednesday, August 18th**, and Part II is scheduled for **the morning of Thursday, August 19th**. The meeting will be held in Brinderson Hall at the Chino Fairgrounds (5410 Edison Avenue, Chino, CA 91710).

This is not just for Southern California dairymen. If you are in the Central Valley, and missed your opportunity to go to a closer workshop, you’re encouraged to come attend this one. CDQAP would like to know how many folks are planning to attend, so **please RSVP for the meeting by calling the MPC office at (909) 628-6018 or send an email at office@milkproducers.org.**

STILL WANT TO GET ENVIRONMENTALLY CERTIFIED IN 2010? PLEASE CALL ASAP: *(By Rob Vandenheuvel)* Over the past year, many of you have gone through the process of becoming “environmentally certified” under the California Dairy Quality Assurance Program (CDQAP). For those of you who have completed the classroom requirements of the certification and still need the final step – an on-site evaluation – please call CDQAP as soon as possible. The deadline for getting a 50% reduction in your annual fees to the Water Board (a big reason to go through the certification process) is in September, and George Salsa (the CDQAP-approved evaluator) is quickly filling up his calendar. So call George’s office at 530-574-0524 and set up an appointment.