



Milk Producers Council



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MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks -\$.1000 \$1.3975
Barrels -\$.0750 \$1.3650

Weekly Average

Blocks -\$.0580 \$1.4295
Barrels -\$.0505 \$1.3880

CHICAGO AA BUTTER

Weekly Change +\$.0600 \$1.5600
Weekly Average +\$.0400 \$1.5370

DRY WHEY

WEST MSTLY AVG w/e 4/09/10 \$.4000
NASS w/e 4/10/10 \$.3634

NON-FAT DRY MILK

Week Ending 4/09 & 4/10

Calif. Plants \$1.0704 15,162,936
NASS Plants \$1.1111 22,145,419

CHEESE MARKET COMMENTS: The surprising price increases on the CME ended last Friday when blocks and barrels each lost some of what was gained earlier in the week. Prices this week fell each day for both styles. Complaints about the CME cheese and butter spot markets being “thin” with few traders, and not being representative of current supply and demand, are again being raised. “Volatile” may not describe what is presently happening with cheese prices, but the market is certainly unsettled, definitely unpredictable, and tends to change direction without the occurrence of obvious changes in supply and demand. (Note: CWT’s 9.1 million lb export subsidy.) That’s not the way public markets for agricultural products are supposed to work; the CME spot cheese and butter markets are designed to serve as a ready market for buyers who cannot acquire what they need from regular suppliers and for sellers who have a surplus of product they cannot readily sell to regular customers. That concept doesn’t appear to be what has been happening recently for cheddar cheese. The class III milk futures prices for nearby months, reflecting the daily excitement in spot cheese trading, is beginning to look more like a puzzle than a basis for planning. The fact that cheddar cheese production is continuing to fall relative to the production of all natural cheese in the U.S. is similar to what happened when the production of grade B milk in Minnesota and Wisconsin fell to the point where producers, handlers, and USDA agreed that it was no longer useful for purposes of setting milk prices. Should the public trading of less than 1% of all cheese produced in the U.S. continue to be the major indicator of all milk prices? Perhaps this is a question to be added to the agenda of Secretary Vilsack’s Dairy Industry Advisory Committee.

BUTTER MARKET COMMENTS: Prices again increased this week on the CME – to the highest so far this year. *Dairy Market News* (DMN) reports that retail sales continue to be strong after the recent Easter week sales period, production is increasing seasonally, and buyers continue to be weighing the need to begin to lay some aside for the fall. Cream supplies are in demand for ice cream, cream cheese, and whipping creams. An apparent tightening of supply, at least for the short term, in Europe and for the summer in New Zealand, is contributing to the higher international prices. Exports of butter in January and February were lower than in October, November, and December, but higher than a year ago. DMN reports that European buyers are again asking around.

POWDER MARKET COMMENTS: Prices for nonfat dry milk are mostly higher in a firming market, say DMN analysts this week. Prices reported to NASS were almost \$.05 per lb higher than the week before and California plants reported prices \$.02 per lb higher. Sales volumes were above average. Exports of NFDM and SMP for January, at 28.7 million lbs, were the lowest for that month in the past six years; exports in February were the second lowest for that month in the past six years. Buyers are said to be trying to decide on whether to commit now or to risk paying perhaps much more later if the milk supply does not increase or if exporters recover a good portion of what they had two years ago. Their position is more difficult than cheese or butter buyers in that the futures market for class IV milk or nonfat dry milk is not as “liquid” as the class III milk futures or butter futures. Production is increasing seasonally. The latest International prices, reported by DMN, range from \$1.36 per lb in Europe to \$1.58 per lb in New Zealand. Demand, and prices, for dry buttermilk and

dry whole milk have increased in line with NFDM prices. The market for dry whole milk is especially tight due to limited production and increased exports.

WHEY PRODUCTS MARKET COMMENTS: The market for dry whey continues to be strong, although prices reported to NASS for sales made last week slipped by almost \$.02 per lb, and are now \$.036 per lb below the average of the western “mostly” price reported for this week. DMN reports that production is heavy. The “mostly” price for whey protein concentrates this week is unchanged, but DMN reports some resistance from buyers, possibly because of some low-priced Canadian product entering the market. Exports of dry whey and WPC have been very good over the past several months.

FRED DOUMA’S PRICE PROJECTIONS...

Apr 16 Est:	Quota cwt. \$ 14.28	Overbase cwt. \$12.58	Cls. 4a cwt. \$13.27	Cls. 4b cwt. \$12.37
Last Week:	Quota cwt. \$ 14.41	Overbase cwt. \$12.71	Cls. 4a cwt. \$13.14	Cls. 4b cwt. \$12.79

EXPORT DATA AND REPORTS FROM OVERSEAS SHOW A COMBINATION OF SUCCESS AND OPPORTUNITY: *(By J. Kaczor)* Recent reports on milk production levels and trends in Europe and Oceania (New Zealand and Australia), and price levels for internationally-traded dairy commodities in those regions, bode well for potential, much needed, increases in exports of those commodities from the U.S. The latest reports on milk production in Europe indicate a weather-related delay in their normal Spring flush, and an earlier than expected end to the heavy production season “down under.” The reports on price levels, including Fonterra’s latest global auction of whole milk powder, nonfat powder, and anhydrous milk fat products, and this week’s *Dairy Market News* reports of supplies and prices f.o.b. docks in Europe and Oceania suggest that global demand may be increasing faster than global supply.

This is not to say that the U.S. dairy industry should expect the kind of eruption of export volumes and prices that occurred in 2007-2008. In the first place, it doesn’t look like the U.S. has all that much in the way of stocks on hand, the ability to substantially increase supply in the short run, or the relatively level raw product prices needed by most exporters to encourage them to commit to long-run contracts. But even a short term uptick in exports would help greatly to remove what may be considered burdensome stocks of some products.

The report on February U.S. exports was released this week. Among the four dairy commodities used in various U.S. milk price formulas, exports of dry whey continue to be outstanding. Over the past six months, 50.8% of dry whey produced in the U.S. was exported. The other three products represent opportunities. Exports of cheddar cheese represented 1.2% of the amount produced during that period. Exports of butter represented 5.3% of the amount produced. Exports of nonfat dry milk and skim milk powders represented 32.5% of the amount produced. In 2007-2008, cheddar cheese exports had risen to about 3% of production; butter exports had risen to about 12% of production; nonfat powders had risen to about 45% of production. CWT’s current export subsidy program for cheddar cheese appears to be successful, having approved assistance for 9.1 million lbs of cheese to be exported between now and October. That’s what appears CWT is best suited to do; let’s see more of their resources devoted to constructive ends.

ANOTHER BIG STEP FOR THE DAIRY PRICE STABILIZATION PROGRAM: *(By Rob Vandenheuvel)* This past Wednesday, MPC President Syp Vander Dussen and I were invited to present the Dairy Price Stabilization Program to USDA Secretary Vilsack’s “Dairy Industry Advisory Committee” (DIAC). The presentation was very well received by the Committee and others in attendance. Stay tuned next week for a more thorough article on the DIAC and some of the discussion that occurred at their April 13 – 15 meetings.

APRIL BOARD MEETING SET FOR NEXT TUESDAY IN BAKERSFIELD: *(By Rob Vandenheuvel)* Our monthly board meeting will be held next Tuesday, April 20th at the Kern County Farm Bureau board room. The address is 801 S. Mount Vernon Avenue, Bakersfield, CA 93307. The meeting starts at 11 a.m. and typically ends around 2 p.m. Lunch is provided. All **MPC members and prospective members are strongly encouraged to attend.** Please let Debi know if you plan to attend so she can make arrangements (909-628-6018).