



# Milk Producers Council

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TO: Directors & Members

PAGES: 3  
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## MPC FRIDAY MARKET UPDATE

### CHICAGO MERCANTILE EXCHANGE

Blocks - \$.0275 \$1.6000  
Barrels - \$.0450 \$1.5800

### Weekly Average

Blocks - \$.0101 \$1.6119  
Barrels - \$.0095 \$1.5875

### CHICAGO AA BUTTER

Weekly Change N/C \$2.0000  
Weekly Average +\$.0105 \$2.0000

### DRY WHEY

WEST MSTLY AVG w/e 04/22/11 \$.4875  
NASS w/e 04/16/11 \$.4850

### NON-FAT DRY MILK

#### Week Ending 4/15 & 4/16

Calif. Plants \$1.5511 12,890,486  
NASS Plants \$1.5766 20,501,659

**CHEESE MARKET COMMENTS:** The good news, in the form of the NASS report on cold storage stocks for cheese this week, came too late to affect trading on the CME. While prices lost ground this week, it was good to see more buyers than sellers. Of course, the price had to be right, but they were there and they wanted fresh cheese. *Dairy Market News* calls the market for cheese to be weak overall, with current supply greater than current demand. Or is it? It's hard to make the call; this week's weakness is believed to have mostly come from a familiar source – a plant unable to sell all the cheese it's making. Offers are made, and then bids, and prices come down. USDA reported March's milk production on Tuesday; the report was in line with what was expected. The cold storage report showed less American cheese in storage at the end of March than a month earlier, and only 12 million lbs greater than a year earlier. The total amount, all cheeses, in storage was unchanged from February and about 31 million lbs greater than a year earlier. It just could be that these recent numbers – cheese in cold storage – represent the new norm for all the reasons previously offered.

**BUTTER MARKET COMMENTS:** If there were any doubters about the sustainability of current butter prices, yesterday's report on the small increase of butterfat products in cold storage at the end of March should convince them otherwise. The increase was 6 million lbs; the end of month volume in storage was 51 million lower than a year earlier. The low point last year was 70 million lbs, reached on November 30<sup>th</sup>. If buyers are not wondering about butter availability for the heavy 4<sup>th</sup> quarter sales season this year, they are not paying attention. Prices held steady at \$2.00 per lb this week and CME futures prices for the Fall months were up by an average of 5 cents per lb.

**POWDER MARKET COMMENTS:** Production of nonfat powders continues to increase as additional raw product becomes available. Short term, buyers have backed away after having satisfied their customers and cheese plants want little of \$1.55 per lb powder to fortify their vats. Export demand continues to be strong, as New Zealand maximizes production and shipments of whole milk powder, and the U.S. currency continues to allow most buyers to maximize use of their currencies. Good news comes from DMN, which says some manufacturers are pleased to be able to build their stocks, apparently confident about future prices. Prices for sales made last week, reported to the two major price reporting agencies, rose again, and are close to each other. The price for grade A powder on the CME lost another penny this week, to \$1.61 per lb, while extra grade still sits at \$1.80 per lb. Go figure. Prices for buttermilk powder are tracking well with those for NFDm; buttermilk in all forms is in good seasonal demand. Manufacturers are building stocks when they are able. CME futures prices for NFDm were strongly higher this week for 3<sup>rd</sup> and 4<sup>th</sup> quarter months this year. Presumably, more traders are listening to what Fonterra is saying about current and future pricing prospects.

**WHEY PRODUCTS MARKET COMMENTS:** Manufacturers continue to play catch up with back orders. Production of DW and WPC is increasing in line with cheese production, but demand also is moving up. Despite the lack of product to fill spot orders, DMN reports hearing of resistance to prices at the higher end of the price

ranges. The average price for sales reported to NASS last week jumped back up to about where it was two weeks ago, this time with heavy volume to support it. CME futures prices for dry were steady this week, trending lower from 47.75 cents per lb in May to 44.00 cents per lb in October.

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### FRED DOUMA'S PRICE PROJECTIONS...

**April 22 Est: Quota cwt. \$18.84 Overbase cwt. \$17.14 Cls. 4a cwt. \$19.29 Cls. 4b cwt. \$14.34**  
**Last Week: Quota cwt. \$18.84 Overbase cwt. \$17.14 Cls. 4a cwt. \$19.23 Cls. 4b cwt. \$14.39**

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**MARCH MILK PRODUCTION ROSE ABOUT AS EXPECTED:** (By J. Kaczor) The cold and wet weather during March throughout parts of the U.S. had some affect on milk production, but the addition of 17,000 cows during the month, brought the U.S. milking herd to 76,000 more than last March. The extra cows and growing production per cow combined to generate about 42 million gallons more than was produced last March. The percentage increase of 2.2% was slightly more than February's 2.1%, and broke the string of consecutive month-to-month declining percentage increases (comparing current month's output against the same month a year earlier) that began last October.

Helping to keep the production increase close to what it has been the past several months was a slowing in the rate of increase in production per cow. PPC this March was 25 pounds more than last March; last March's increase was 50 pounds higher than the year before. Had PPC this year been equal to last year's increase, another 26 million gallons of milk would have been produced.

The table at the right breaks out the numbers for the top ten milk producing states and compares their totals to other state groupings. Milk production in the top 10 states represents close to 75% of the U.S. total. The top 23 represent 92.8% of the total. None of the top ten and only five of the next 13 had fewer cows than and year ago. The pattern of change among the 23 top producers is spread widely: five states expanded production by more than 5%, while five had lower production than a year ago. Six states had lower PPC and four had no change. California

	Number of Cows (1,000)		Milk Production (Million Pounds)		Pct Change
	2010	2011	2010	2011	
<b>California</b>	1,758	1,759	3,481	3,588	3.07%
<b>Wisconsin</b>	1,260	1,266	2,230	2,260	1.35%
<b>New York</b>	610	610	1,071	1,104	3.08%
<b>Idaho</b>	554	575	1,042	1,081	3.74%
<b>Pennsylvania</b>	541	543	936	929	-0.75%
<b>Texas</b>	410	426	775	829	7.00%
<b>Minnesota</b>	470	471	787	775	-1.52%
<b>Michigan</b>	357	362	710	715	0.70%
<b>New Mexico</b>	321	325	676	699	3.40%
<b>Washington</b>	249	254	504	514	1.98%
<b>Top Ten</b>	6,530	6,591	12,212	12,494	2.31%
<b>Next 13</b>	1,799	1,831	3,177	3,269	2.90%
<b>Next 27</b>	770	753	1,225	1,216	-0.73%
<b>Fifty States</b>	9,099	9,175	16,614	16,979	2.20%

led all states with a PPC increase of 60 pounds for the month. Eight others had increases ranging from 40 to 55 pounds. April's results, if weather issues subside, should give a better picture of the U.S. production trend.

March is the first time since December 2008 where California had more milk cows than the same month a year earlier. Here are more comparisons for California, going back two years, to March 2009: 146 fewer dairy facilities, 62,000 fewer cows, 83 million lbs more milk production. The average herd size rose by 37 cows, to 1,026. The PPC rose by 6% over that period and is the 3<sup>rd</sup> highest among the top 23 milk producing states; only Arizona and New Mexico were higher.

The increase in number of milk cows is understandable. Market signals indicate milk prices are expected to be relatively strong for most of this year, and possibly longer. Short run calculations should show that costs of

additional production, including cows, feed, and related operating expenses are lower than the expected blend prices. Domestic milk demand, except for class 1 usage, appears to be holding steady, and the “surplus” production beyond domestic usage is presently needed to fill an international shortage caused by extra-ordinary needs of several major countries. However, questions needing close watch include what may happen beyond the short run in terms of increasing costs, the sustainability of current exports for butter and cheese, and how the out-of-sync prices for the U.S. market clearing milk usages (butter, powder, cheese) will affect blend prices. [A projected difference of \$4 to \$5 per cwt between California’s 4a and 4b prices, is costly to producers and could be contentious. Similar, but smaller, differences may be seen for federal order areas.]

**PRICES REMAIN RELATIVELY FLAT AS FONTERRA’S AUCTION APPROACHES MAJOR CHANGES:** *(By J. Kaczor)* As the dates for potentially big changes in the *globalDairyTrade* auction approach, normal trading continues, and winning bid prices appear to be settling in. The big changes, previously announced, include the addition of three Fonterra products, possible additional sellers with possible additional products, and a possible additional contract period. Rennet casein and milk protein concentrate (MPC70) will be offered on May 17th, and cheddar cheese (possibly in barrel form) will be offered on July 19<sup>th</sup>. Possible additional sellers have been invited; appropriate rule changes to accommodate additional sellers are being considered and could be published somewhere near midyear. The rule changes would include a provision for an additional bidding contract period to closely follow the close of each auction, but would not necessarily be contingent on additional sellers joining the program.

Winning prices in this Tuesday’s auction were mixed and little changed from those in the previous auction. The average winning price for **whole milk powder** for June deliveries was virtually unchanged at \$1.808 per lb; the winning prices for the 2<sup>nd</sup> and 3<sup>rd</sup> contracts were higher, with the October-December delivery period at \$1.737 per lb. The winning price for **skim milk powder** for June was \$1.769 per lb, 3.6 cents lower than what was bid two weeks ago; the winning price for the 3<sup>rd</sup> contract was higher, \$1.672 per lb, up 2.8 cents. The winning price for **anhydrous milkfat** edged upward for the 1<sup>st</sup> contract, to \$2.711 per lb, and fell slightly for the 2<sup>nd</sup> and 3<sup>rd</sup> delivery periods. Overall, the range of winning prices for all products offered in this auction narrowed somewhat: prices were lower for June deliveries and slightly higher for October-December deliveries. The forecasted quantities of these products to be offered in the coming year were basically unchanged from previous listings.

**REMINDER – MAKE SURE TO UPDATE YOUR DIESEL TRUCK INFO WITH CARB BY APRIL 29<sup>TH</sup>:** *(By Rob Vandenheuvel)* By now, all the California dairymen who registered their diesel trucks for the “Agriculture Exemption” with the California Air Resources Board (CARB) should have received a letter requesting updated information on those trucks. As noted in the letter, CARB is requesting updated information, such as an updated odometer reading and any information they felt was missing on the application filed last year. The deadline for receiving the paperwork is April 29<sup>th</sup>. MPC members wanting assistance in this matter can contact the MPC office (909-628-6018) or our Central Valley Representative Betsy Hunter (661-205-6721).

**MPC wishes all of you a blessed Easter weekend!**