

# Milk Producers Council

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TO: DIRECTORS & MEMBERS

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## MPC FRIDAY MARKET UPDATE

### CHICAGO MERCANTILE EXCHANGE

Blocks +\$.2050 \$2.2850  
Barrels +\$.2200 \$2.2500

### CHICAGO AA BUTTER

Weekly Change -\$.0100 \$1.4900  
Weekly Average +\$.0070 \$1.4950

### NON-FAT DRY MILK

Week Ending 5/15 & 5/16

Calif. Plants \$1.3030 21,135,441  
NASS Plants \$1.2944 28,889,108

### Weekly Average

Blocks +\$.1620 \$2.2110  
Barrels +\$.1445 \$2.1650

### DRY WHEY

NASS w/e 5/17/08 \$.2733 WEST MSTLY AVG w/e 5/22/08 \$.2800

**CHEESE MARKET COMMENTS:** All-time record high cheese prices in the middle of the Spring flush! What's that all about? Same story as last week, and the week before, etc., etc. The supply of cheese is reported to be in close alignment with the demand for cheese – and Cheddar production, the price-setting cheese, continues to decline in absolute quantities, and relative to all cheese production. These prices are said to be causing confusion, and perhaps despair among buyers, and could contribute to reduced consumer demand. Exports continue, but volumes are said to be tapering off.

**BUTTER MARKET COMMENTS:** Domestic sales are reported to be fair and export volume is continuing at recent high levels. However, there are reports that orders and inquiries for export are decreasing in number. The amount of butter in storage in Western Europe, which will begin to hit the markets in late August, are said to be huge. This could be causing international buyers to hold back. Exports of U.S. butter are considered critical to maintaining prices above \$1.30 per lb. The new milk production “season” in New Zealand and Australia begins in July. Both are expected to start at levels somewhat below a year earlier, depending on if regular weather patterns over their Winter months return. U.S. domestic sales remain about even with last year because retail prices are about where they were a year ago.

**NONFAT POWDERS:** Production of nonfat and whole milk powders continue to be very high, as usage for all other categories of dairy products in the U.S. remain steady with, or lower than, last year's levels. Weekly **sales volumes** of nonfat powders continue at or close to record highs in California and nationally. Dairy Market News says the tone of the market appears to be firm, with both the national and California price averages showing increases. The California weekly average price has now increased 3 weeks in a row, the first time since late last year. Current prices, however, continue well below last year's record levels. The lower end of the range of prices on the Western spot market remains at \$1.29 per lb. The mystery about domestic prices and export prices continues.

**WHEY MARKET COMMENTS:** DMN reports the whey products market to be steady to weak. The mystery about why that is, continues. The western "mostly" average price this week remains unchanged at \$.28 per lb.

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## FRED DOUMA'S PRICE PROJECTIONS...

May 23 Est.	Quota cwt. \$18.48	Overbase cwt. \$16.78	Cls. 4a cwt. \$15.16	Cls. 4b cwt. \$18.66
Last Week:	Quota cwt. \$18.29	Overbase cwt. \$16.59	Cls. 4a cwt. \$15.05	Cls. 4b cwt. \$18.33

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**MPC PROPOSES THAT INCREASED FUEL COSTS BE PAID BY THE CONSUMER, NOT THE PRODUCER:** *(By Rob VandenHeuvel)* On July 1<sup>st</sup>, the California Department of Food and Agriculture (CDFA) will be holding a hearing to discuss possible increases to the transportation credits and allowances that are paid out of the producer pool to cover some of the costs of transporting raw milk to Class 1 plants. CDFA agreed to hear testimony on this issue after California Dairies, Inc. (CDI) petitioned the Department, pointing out that increases in the cost of fuel make it necessary to adjust these credits and allowances.

Today, MPC submitted an alternative proposal which would take CDI's recommended adjustments one step further. Rather than recovering the increased fuel costs by taking more money out of the producer pool, MPC is proposing that the increased costs be recovered in the marketplace. We are proposing that in addition to the increased transportation credits and allowances being proposed, CDFA include an equivalent adjustment to the Class 1 minimum price formula so those increased fuel costs can be reflected in the price dairy farmers receive for their Class 1 milk sales.

In a normal market, increased costs of production – like the current rise in fuel costs – are passed along and ultimately paid by the consumer. Dairies understand this very well: as a “consumer” of hay and other feed commodities, you have all had to pay more to transport these products to your dairy. However, when it comes to milk, the California dairy industry has it backwards. It is the producers – rather than the consumers – who are asked to cover the increased costs of transportation. The proposal submitted by MPC would begin to fix that inequity.

If you'd like to read MPC's alternative proposal, you can find it on our website:  
<http://www.MilkProducersCouncil.org/052308proposal.pdf>.

**APRIL MILK PRODUCTION REFLECTS HIGHER COSTS AND UNCERTAIN FUTURE:** *(By J. Kaczor)* Milk prices used for cheese production and Class 1 usage continue at levels substantially higher than they were last year through April (and through June for Class 1). Production costs in all categories also are substantially higher, and show signs of continuing to rise through this year. And U.S. consumption of dairy products, particularly for the higher priced categories of fluid usage and cheese production, is running even with, or lower than, last year. It appears that most producers are making the best of the situation – controlling costs to the extent they can be controlled, and adjusting milk production to levels that make financial sense, while average prices remain relatively good.

This week USDA released its April report on number of milk cows, production per cow, and total production. The number of cows being milked in April increased by 8 thousand over March and was 134 thousand more than a year ago. Production per cow was seasonally lower than March and slightly higher than last April. Total production was 2.2 percent higher than last April. Last year's cow numbers and milk production was affected by the CWT herd retirement program, which began in early March and was completed in late April.

The uncertain future referred to above has to do partly with consumers' response to the higher milk and dairy product retail prices that begin with the higher prices received by producers. Those increases are combined with cost increases incurred by processors, distributors, and retailers, along with increases in other food prices plus the increases for fuel, power, health care, and just about everything else. Consumer confidence is reported to be well down along with consumer spending. Whether the U.S. is in an economic recession or not is really academic because of the practical effect of a net reduction in real disposable income faced by the majority of the population. (Consumer spending represents about two-thirds of the U.S. economy, and 100 percent of food expenditures.)

The second part of the uncertain future for the dairy industry stems from the above comment on prices and spending. Fluid milk usage in the U.S., which in normal times should increase by about the same percentage as the increase in U.S. population if per capita consumption remains unchanged, has been running at about 2 percent lower than the previous year; consumption of “soft” dairy products is also down, and production and consumption of cheese is about unchanged. That means that the 2.2 percent increase in milk production is

surplus and is added to the surplus that results from the lower overall domestic consumption – and all of it goes directly to butter and powder production. That is the pattern that we have been seeing now for about 5 straight months.

The U.S. dairy industry has caught a huge break for the second year in a row which has contributed to the ease by which much of the surplus production of butter and powder is being exported. Drought conditions continue in Australia and have hit New Zealand in late December with surprising quickness. Milk production in those two major international dairy product trading countries has been reduced by substantial amounts, and the weakness of the U.S. currency relative to the currency of competing exporting countries and to that of international customers, has resulted in a parade of buyers calling on the U.S. dairy industry. Those sales have helped to keep inventories of surplus products at manageable levels for the time being.

**MILK PRODUCTION IN CALIFORNIA:** *(By J. Kaczor)* The combination of higher production costs, reduction in the use of rbst, the costs of getting rid of surplus production, and the imposition of production restrictions by cooperatives and other companies who represent an estimated 80 percent of California milk production or purchases, has resulted in four straight months of lower milk production compared to year earlier levels. From January through April the pattern in number of cows in California has not changed, but **milk production is increasing at a decreasing rate**. Cows in April 2008 were 9,000 more than in January, the same change as a year ago and the year before, when the CWT program removed thousands of cows from California. Still, there were 47,000 more cows on hand than a year ago.

**A HEAD'S UP FOR SOME CENTRAL VALLEY DAIRIES:** *(By Betsy Hunter)* The Central Valley Regional Water Quality Control Board (RB5) has sent out letters to dairies who listed crops that are grown for human consumption on their December 31st, 2007 submittal of the Preliminary Dairy Facility Assessment (PDFA). If you receive one of these letters, you'll need to send a response to RB5 by June 10th, 2008. If you have questions or need help responding to the letter, please contact MPC and we can help you. My number is (661)205-6721.

**FREE CLASS FOR DAIRIES TO GET "ENVIRONMENTALLY CERTIFIED":** *(By Betsy Hunter)* The California Dairy Quality Assurance Program (CDQAP) is offering a class for dairies that are interested in becoming "environmentally certified". This is an opportunity for you to take a closer look at your dairy and then have a third-party evaluation of your dairy to provide you with information where improvements can be made as well as whether your dairy meets regulatory requirements.

Once your dairy is certified through CDQAP, you will receive up to a 50 percent discount on the fees you pay to the Water Board as well as a roadside sign saying the dairy is "Environmentally Certified."

Class dates: June 3 and June 10 (you will need to attend both classes)

Time: 9:30 am- 12:30 pm

Location: Merced County Extension Office, 2145 W. Wardrobe Ave, Merced CA

**If you are interested please see the attached flyer.**

*End*

## Need CDQAP Short Course?



# LAST CHANCE FOR DAIRY PRODUCERS IN 2008

**Take the free classes needed for dairy  
environmental certification**

The California Dairy Quality Assurance Program is offering an opportunity for dairy producers to complete classroom requirements necessary for CDQAP Environmental Certification and participation in some local grant projects.

### *What is certification?*

Certification is a three-step process. The first step is to attend CDQAP classes in Environmental Stewardship. The second step is to create a farm management plan. And, the third step is a risk-free, on-site visit to your dairy by an independent, third-party evaluator to verify your environmental compliance. Both the dairy facility and the owner/operator are certified in this process. Transfer of the dairy to a new operator requires that the new operator complete the educational requirements. A certified operator moving to a new dairy need not repeat the education requirements, but must undergo a new on-site evaluation.

### *Why is there only one location for classes?*

The Merced location was chosen because it is a central location for the major dairy areas in the state. CDQAP certification classes have been offered dozens of times in multiple locations across California over the past several years. Most producers have already attended at least one class and demand for the classes has gone down significantly. Therefore, the cost associated with offering frequent classes in multiple locations is no longer justified. However, CDQAP will continue to offer the classes when appropriate to ensure that the opportunity to certify and participate in specific grant programs remains available to all dairy producers.

## CLASS SCHEDULE

**Tuesday, June 3 and Tuesday, June 10**  
9:30 a.m. - 12:30 p.m

**Classes will be held at the  
Merced County Extension Office,  
2145 W. Wardrobe Avenue, Merced**  
(same time and location for both classes)  
Producers need to attend both classes to  
complete the short course.

### *How can I check to see if I've already attended all the necessary classes?*

Call toll-free, 1-866-66CDQAP (866-662-3727)  
to check your status.

### *Why certify?*

Following class attendance, taking the extra step of the on-site evaluation process provides producers a "real life" review of their facility in a non-threatening environment. Third-party evaluation can point out areas that need improvement and provide producers peace of mind that the facility has met its regulatory requirements. In addition, a discount of up to 50 percent of water quality regulatory fees is available to certified dairies as well as the opportunity to display an attractive roadside sign that establishes the dairy as "Environmentally Certified." Learn more at [www.cdqap.org](http://www.cdqap.org).

### *What is the cost?*

Both the CDQAP environmental education classes and the on-site certification evaluations are free to dairy producers.