

Milk Producers Council

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MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks +\$.0225 \$1.4350
Barrels +\$.0425 \$1.4200

Weekly Average

Blocks +\$.0305 \$1.4185
Barrels +\$.0255 \$1.3815

CHICAGO AA BUTTER

Weekly Change -\$.0250 \$1.2350
Weekly Average -\$.0210 \$1.2430

DRY WHEY

WEST MSTLY AVG w/e 10/01/09 \$.3300
NASS w/e 09/26/09 \$.3026

NON-FAT DRY MILK

Week Ending 9/25 & 9/26

Calif. Plants \$.9575 10,947,216
NASS Plants \$.9778 11,854,280

CHEESE MARKET COMMENTS: With prices for blocks and barrels now well above the temporary higher support prices, cheese buyers appear to be more willing to commit to placing orders to cover the upcoming heavy sales season. *Dairy Market News* (DMN) reports that tightness in supplies of certain varieties of American and other cheeses is contributing to an uneven pattern of production, depending on availability of milk supply and particular customer needs. Production of American cheeses in August was reported today to be 7 million lbs less than in July, although other varieties increased by 9 million lbs – all in all, a satisfactory response to the tightening milk supply. Prices on the CME continue to be driven mostly by buyers bidding up prices. Blocks and barrels ended the week with solid increases. The overall market is not steady, but certainly not weak. Exports of cheese continue to be supported by DEIP subsidies. DMN reports that prices in Europe and Oceania appear to be moving upward. Yesterday's announcement that CWT has activated another herd removal program (the third this year) is likely to help convince those still uncertain that milk production over the coming months will continue to move lower than last year's levels. That should help to build a foundation under current price levels, and (hopefully) lead to continuing price increases.

BUTTER MARKET COMMENTS: With little trading activity, butter prices lost another 2.5 cents earlier this week on the CME before holding steady Thursday and Friday. DMN reports that manufacturers are increasing production of retail-destined packages for the expected heavy sales just ahead. About twelve million lbs of butterfat products were approved for DEIP subsidies in September, and the amount of the per-lb subsidies have been slowly decreasing as international prices continue to move upward. Butter production continues to fall; August production was 16 million lbs lower than last August and 14 million lbs less than in July.

POWDER MARKET COMMENTS: As market prices continue to rise, buyers express concern about whether to trust the current prices and accept them for future uses or to buy only as needed. Prices on the CME have risen to \$1.18 for grade A and \$1.15 for extra grade. The full range and the "mostly" price average increased again this week in the West, and DMN reports that Western powder is moving to the Midwest to help fill orders. Production of nonfat dry milk and skim milk powder in August was 30 million lbs lower than in July, and the amount reported to be held in manufacturers' warehouses was 30 million lbs lower than last August as well as at the end of July. The California plant price average continues to lag below the national average price and the spot market, as current shipments reflect DEIP bids and export prices that no longer reflect current market conditions. Presently, the price difference is not great, but California producers should remember that they lost out big time in 2007 when prices rose sharply, and in 2008 when prices came down. Your dairy cooperatives appear poised to do it to you again. Is this how a MAC is supposed to work?

WHEY PRODUCTS MARKET COMMENTS: For a second week in a row, the West's "mostly" price rose by a half cent per lb. DMN reports that prices for dry whey in Europe continue to rise and the market appears to be firm. Prices for dry whey and whey protein concentrate are reported to be firm, in response to buyers' concern about the trend in milk production. Production of dry whey and whey protein concentrate in August was steady, and sales kept pace; end of month stocks were basically level with last August and with July.

FRED DOUMA'S PRICE PROJECTIONS...

Oct 02 Est:	Quota cwt. \$ 13.43	Overbase cwt. \$11.73	Cls. 4a cwt. \$11.29	Cls. 4b cwt. \$12.46
Sept Final:	Quota cwt. \$ 12.73	Overbase cwt. \$11.04	Cls. 4a cwt. \$11.07	Cls. 4b cwt. \$11.40

WHAT ABOUT THE MONTHLY REPORT ON MILK PRODUCTION? (By J. Kaczor) The monthly report on national milk production is one of the most anticipated sources of data used by those who forecast prices, by those who lend money to producers and dairy-related businesses, and by those who take positions in the futures markets for cheese milk, butter, and nonfat dry milk. It's not a "leading indicator" in the sense that it is a pointer which can be used to project a future course, but it does give about a two week "heads up" on how much surplus milk products may have been produced that month and, when used along with other reports of sales and inventories, does provide a solid benchmark for evaluating possible future prices. The report has three components: number of dairy cows (including dry cows), average production per cow, and total milk production for the month. The report is released on or about the 18th of the month for the prior month. Following is a general description of what is done and who is involved in putting the report together.

- By far, most of the data on milk production comes from state and federal agencies who have existing reporting systems for collection of the data. Monthly milk receipts are reported by milk plants and producer cooperatives by about the 10th of the month for the prior month.
- Federal order market administrators provide critical information on inter-state milk shipments that may have been misreported or not reported by individual states.
- Preliminary numbers are put together at the state level by specialists in the Livestock Branch of the National Agricultural Statistics Service (NASS), and then sent to a Review Board for review, editing, and assembly.
- The state specialists also conduct a monthly survey of individual producers which includes approximately 10,000 established contacts, stratified by size of production. (Producers in the larger size categories are more likely to be included than those who produce lesser amounts.)
- Producers in the survey are asked how many cows were on the premises that day and how much milk was produced. This information is used to arrive at an estimate of production per cow, and by comparison to numbers from the prior month, to an estimate of the change in number of cows.
- Because monthly data is subject to omissions, duplications, and mistakes in reporting, recording, and processing, revisions are made the following month for the 23 largest milk producing states, and for the total.
- Further revisions to cow numbers, production per cow, and total milk production for the prior six months are made based upon a larger survey of all cattle that is made in January and July. If appropriate, the monthly survey sample also may then be re-configured.
- A final revision can occur each February, based upon additional information that was not available for inclusion in the regular monthly reports. For example, the February 2009 report surprised us by revising 2008's monthly data for milk cows by +44,000, production per cow by +192 lbs, and total milk production by +293 million lbs.

While the monthly milk production report is "only" an estimate, it's a darn good one. It's timely and as complete as the circumstances of the industry allows. The annual revision should not be taken to diminish from the reliability of the monthly reports. The changes that are made are necessary updates and are used to further modify the structure of the monthly sample of producers, and for statisticians to revise their industry models. Both contribute to a more accurate and better comprehension of the current status of the industry's production capability.

MOMENTUM FOR THE DAIRY PRICE STABILIZATION PROGRAM CONTINUES TO GROW: *(By Rob Vandenheuvel)* Last week, staff from more than 20 U.S. Senate offices were briefed on the Dairy Price Stabilization Program (DPSP). In an effort to move the debate from “concept” to “details,” the program has been drafted into legislative text by U.S. House and Senate attorneys, with the anticipation that a bill can be introduced in the House and/or Senate in the near future.

MPC was represented by President Syp Vander Dussen, Vice-President Geoffrey Vanden Heuvel and myself. We were joined in the presentation by dairy farmers from throughout the country, including Dairy Farmers Working Together (DFWT) – a group made up of dairymen from Vermont. Our thanks to DFWT, who was instrumental in setting up the staff briefing.

There is a lot of grassroots support for the DPSP, but we need to get to the point where we can begin debating the details of the plan, and seeing if there is a political coalition that can shepherd this proposal through Congress. Last week marked a huge first step in that process. A similar staff briefing in the U.S. House of Representatives is being planned for the coming weeks, so stay tuned.

For those interested in reading more about the DPSP, you can check out our website (www.milkproducers.org) or you can visit the website of the Coalition to Support the DPSP (www.stabledairies.com).

NEW CARES COLUMN POSTED TO OUR WEBSITE: *(By Rob Vandenheuvel)* The Dairy Cares Report for September has been posted to our website at: <http://www.milkproducerscouncil.org/cares.htm>. This month’s report reflects on all the hard work by our Central Valley dairies to comply with the complicated and burdensome water regulations that began in May 2007. The dairy industry gets beat up on a regular basis by environmentalist extremists; but in reality we are more highly-regulated than any other agricultural industry. Dairies go to great lengths to protect the water resources we benefit from, and it’s important that our message gets out.

A NOTE FROM ONE OF OUR ASSOCIATE MEMBERS: *(By Rob Vandenheuvel)* This week, an article from the Livestock Marketing Association was sent to us from one of our associate members. I’ve pasted much of the article below. Given the latest strategy by animal rights extremists of embedding employees with hidden cameras on farms throughout the U.S. (the latest on a farm in Pennsylvania), everyone in livestock agriculture needs to protect themselves. Most dairies are responsible farmers, giving their cows the best care possible. But these people have an agenda: stopping the consumption of meat and dairy products. And it appears they will stop at nothing. In the past year, we’ve seen evidence of trespassing, stealing (or “rescuing”) calves, and of course, the use of hidden cameras on embedded employees. This is a new era, and our industry need to adjust accordingly.

Latest PETA probe shows importance of checking out job applicants

As Published in the Livestock Marketing Association’s Dairy News Briefing (Sept. 30, 2009)

A new undercover investigation by People for Ethical Treatment of Animals is a reminder that everyone in animal agriculture...must find out as much as possible before hiring a potential employee.

PETA has released a video and still photographs showing animal abuse by workers at a Pennsylvania dairy farm that allegedly supplies milk to the Land O’Lakes company. A PETA representative worked undercover on the farm in Pennsylvania “for several months,” according to a PETA statement accompanying the video. PETA is also reporting that two persons have been charged with cruelty to animals. The group is urging consumers to boycott Land O’Lakes products, **become vegans and, of course, end consumption of dairy products.** Land O’Lakes is investigating the claims, it said in a statement issued Tuesday.

Don’t hire any new employees without asking for references, and checking them out thoroughly, Livestock Marketing Association official warned. Placing their employees “undercover” is a favorite tactic of groups like PETA and the Humane Society of the U.S. – which means employers, especially in the livestock industry, must do a better job of pre-employment screening.