



# Milk Producers Council

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## MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE			CHICAGO AA BUTTER			NON-FAT DRY MILK		
Blocks	+\$ .0125	\$1.4800	Weekly Change	+\$ .0325	\$1.4500	<b>Week Ending 2/24 &amp; 2/25</b>		
Barrels	+\$ .0100	\$1.4800	Weekly Average	+\$ .0049	\$1.4205	Calif. Plants	\$1.3521	14,551,213
<b>Weekly Average, Cheddar Cheese</b>			<b>DRY WHEY</b>			NASS Plants	\$1.3681	18,743,944
Blocks	+\$ .0040	\$1.4790	DAIRY MKT NEWS	w/e 03/02/12	\$ .5450	<b>Prior Week Ending 2/17 &amp; 2/18</b>		
Barrels	+\$ .0107	\$1.4845	NASS	w/e 02/25/12	\$ .6113	Calif. Plants	\$1.3401	17,024,275
						NASS Plants	\$1.3637	19,973,007

**John Kaczor is not available to provide the commodity comments this week.**

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

March 02 Est:	Quota cwt. \$16.11	Overbase cwt. \$14.41	Cls. 4a cwt. \$15.38	Cls. 4b cwt. \$13.26
Feb '12 Final:	Quota cwt. \$16.41	Overbase cwt. \$14.72	Cls. 4a cwt. \$15.51	Cls. 4b cwt. \$13.42

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**ANOTHER MONTH OF DISCOUNTED MILK FOR OUR STATE'S CHEESEMAKERS; UNIFIED DAIRY COALITION READY TO FIGHT BACK:** (By Rob Vandenheuvel) As we can see in Fred Douma's figures above, the California Class 4b price – the minimum price that California's cheese manufacturers must pay for their milk – was \$13.42 per hundredweight in February. Today, the Federal Milk Marketing Orders (FMMO) – the regulatory structure that exists in most of the dairy industry outside of California – announced their February Class III price (applicable for milk sold to FMMO cheese plants) was \$16.06 per hundredweight. **That's a difference of \$2.64 per hundredweight!**

As regular readers of this newsletter are well-aware, this is just the latest evidence of a disturbing and outrageous trend. Six months ago, the California Department of Food and Agriculture (CDFA) updated the Class 4b pricing formula after a two-day hearing was held last summer. **Since that new formula was put in place (September 2011), our California Class 4b price has trailed the FMMO Class III price by an average of \$2.66 per hundredweight.** In that time, California's dairy farmers have sold more than 1.4 billion lbs of milk per month to our cheese plants. **So in short, our California cheese manufacturers have enjoyed a discount – courtesy of California's Department of Food and Agriculture – of more than \$37,000,000 per month on the milk they've bought over the past six months (that's over \$220 million since September!).** And of course that's directly at the expense of the roughly 1,700 dairy farmers who desperately need all the revenue available in order to operate in this high-cost environment of dairy farming.

Over the past year, there have been a couple attempts to rectify this situation. As I noted above, a hearing was held last summer with this specific issue a focal point of that hearing. The data in the paragraph above should be enough evidence that the changes implemented at that hearing fell **woefully short of adequate**. Then in December, Western United Dairymen submitted a petition to re-examine the issue. Despite letters of support for that request by MPC and other dairy organizations and cooperatives, CDFA denied that hearing request.

Fast forward to today: A joint petition for a hearing was submitted to CDFA by a coalition consisting of most of the major dairy producer organizations and cooperatives in California. **These groups collectively represent nearly 80% of the milk produced in California:**

- Alliance of Western Milk Producers
- California Dairies, Inc.
- California Dairy Campaign
- Dairy Farmers of America – Western Area Council
- Land O'Lakes, Inc.
- Milk Producers Council
- Security Milk Producers Association

The petition requests changes to the California Class 4b formula that would enable our Class 4b price to more closely align with the FMMO Class III price. Further, this unified dairy producer coalition has retained the services of Paul Hastings LLP, a highly-respected international law firm, to assist the coalition in this endeavor. **With a system that is giving our State's cheese manufacturers a government-discount over the past six months of more than \$220,000,000, and an Agriculture Department that as of December, wasn't even willing to hold a hearing on the matter, the unified dairy producer coalition strongly believed that we needed a fresh perspective.**

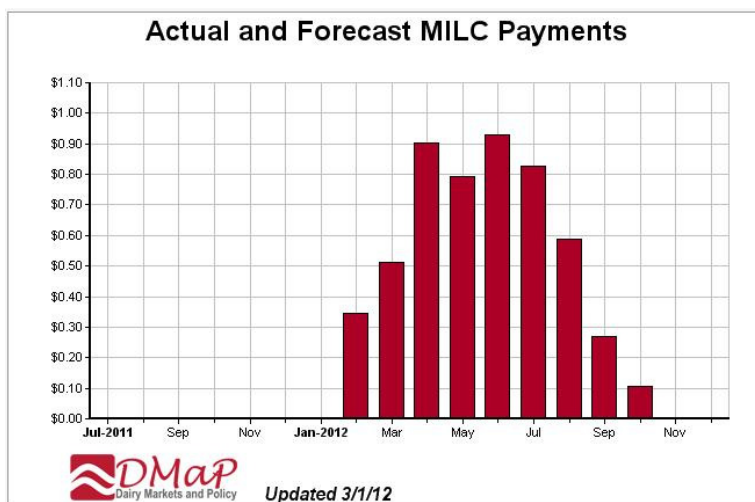
Some have accused MPC and other members of this unified coalition of being “emotional” during the discussion of this important issue. On behalf of MPC, let me respond: **YOU BET WE'RE EMOTIONAL ABOUT THIS.** This is not some academic exercise. This is about the economic success or failure of real California dairy families. This is about a government-mandated discounting of milk that could be the difference between individual dairies surviving or having to close down. And finally, **it's about a fleecing of the California dairy families that appears to be in direct conflict with the California law that states that our prices need to be in a “reasonable and sound economic relationship with the national value of manufactured milk products.”**

We have much more work to do, but today marked a great day for California's dairy families. Too often in this industry, we allow our differences get in the way of success. Today, these seven organizations put any differences aside and united behind a common approach to advocate on behalf of the California dairy families on this vitally important issue. Let's hope it results in much-needed relief for our dairies.

**12 MORE DAYS UNTIL THE NEXT MILC DEADLINE:** *(By Rob Vandenheuvel)* For several weeks, we've been writing about the upcoming filing deadlines for the Milk Income Loss Contract (MILC) program.

As a reminder, the MILC program only makes payments on the first 2.985 million lbs of milk produced per dairy each year (which is only about one month of production for a 1,500 cow dairy, or two months of production for a 750 cow dairy, etc.). Therefore, the month each dairy selects as its “start month” will determine when that dairy will start collecting payments on its 2.985 million lbs.

Since dairies are forced to make decisions about future months in the Milk Income Loss Contract (MILC) ahead of time (changes to your dairy's contract must be submitted by the 14<sup>th</sup> of the month prior to your “start month”), we're left in the position of trying to guess where milk and feed prices are heading. Various organizations around the country publish projected MILC payouts in future months, which can be helpful for dairies hoping to sign up for optimal months (a chart from the University of Wisconsin-Madison with projected payment rates is above).



MPC members needing any assistance with their MILC paperwork should contact the MPC office at (909) 628-6018 or [office@milkproducers.org](mailto:office@milkproducers.org).