

Milk Producers Council

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MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks $-\$.0225$ \$1.3675
Barrels $-\$.0300$ \$1.3400

Weekly Average

Blocks $-\$.0005$ \$1.3845
Barrels $+\$.0100$ \$1.3715

CHICAGO AA BUTTER

Weekly Change N.C. \$1.1700
Weekly Average $-\$.0130$ \$1.1685

DRY WHEY

WEST MSTLY AVG w/e 08/27/09 \$.3200
NASS w/e 08/22/09 \$.2882

NON-FAT DRY MILK

Week Ending 8/21 & 8/22

Calif. Plants \$.8452 23,595,505
NASS Plants \$.8800 21,680,982

CHEESE MARKET COMMENTS: Prices for cheese on the CME held about steady this week – until today when blocks lost 1.75 cents and barrels lost 3.75 cents. Trading for the week was moderate. *Dairy Market News* (DMN) is finding that the U.S. milk supply is being stretched (in a good way) as milk production moves seasonally lower and Class 1 sales continue to be fairly strong. The amount of milk available for cheese plants is reported to be somewhat lower and more of it is being used to produce Mozzarella instead of Cheddar. This is potentially good for future prices. Nonetheless, the higher than expected amount of cheese produced earlier this summer is over-hanging the market – and may be the reason for this week’s price setback. DMN also reports that some manufacturers and buyers are “concerned” (or maybe just speculating?) about a possible extension of time for the higher support prices. Meanwhile, USDA continues to be a steady cheese buyer for its many food and nutrition programs, including the grand old school lunch program.

BUTTER MARKET COMMENTS: Butter production continues to move lower on a seasonal basis although surplus cream from bottling plants is more plentiful and its usage for ice cream production is lower. DMN reports that retail sales are holding steady, but the disappointing summer resort season is about over and food service usage is only fair. (A recent report on restaurant activity said that business this year is down by about 25%.) DEIP offers of butter and anhydrous milkfat continue to be accepted but the amount remaining **of the total** that was allocated through June 2010 is only about 15 million lbs. The good news about that program is that most of the 38 million lbs that was approved for export is yet to be shipped. Prices on the CME this week were unchanged, with moderate trading.

POWDER MARKET COMMENTS: Production of nonfat dry milk and skim milk powder is moving lower and DEIP offers continue to help move product off shore on a regular basis. As of mid-week about 73 million lbs of the total allocated through June 2010 is still available. Recent bonuses have approached \$.11 per lb. DMN notes that all of the DEIP export approvals so far have been for shipments to be made before November 1st at which time the support price is set to revert back to \$.80 per lb. **Correction:** Last week I stated that the minimum sell-back price for any nfdm purchased by the CCC for \$.92 per lb price would be ten percent higher than what was paid (\$1.012 per lb). That is incorrect. This week it was pointed out to me by an FNS official that **the minimum sell-back price is set in the farm bill** at ten percent above the support price of \$.80 per lb. (The current support price comes from **an administrative act** by Secretary Vilsack and does not change what has been legislated.) The official did note that it was unlikely CCC would resell any of its product at less than what it had paid. Average prices for the two major price series moved in opposite directions this week; **the NASS national average for currently priced product increased 1.2 cents per lb while the California plant average which includes all sales was 0.9 cents per lb lower.** The two are now 3.5 cents apart, and it’s beginning to look like California producers may again be handed the short end of the stick by their cooperatives on skim milk prices.

WHEY PRODUCTS COMMENTS: Prices for dry whey this week again held steady, whey protein concentrate and lactose prices again rose. The market for dry whey appears to be evenly balanced: production, domestic and export demand, and inventories appear to be, for the time at least, satisfactory for all. WPC production is moving lower and inventories are steady, but DMN says the current tight market looks like it may be changing. The latest average of the WPC “mostly” price has risen to \$.6425 per lb. That should begin to influence dry whey prices. Lactose prices are now averaging just above \$.25 per lb.

FRED DOUMA’S PRICE PROJECTIONS...

Aug 28 Final:	Quota cwt. \$ 12.14	Overbase cwt. \$10.45	Cls. 4a cwt. \$10.19	Cls. 4b cwt. \$11.29
Last Week:	Quota cwt. \$ 12.15	Overbase cwt. \$10.46	Cls. 4a cwt. \$10.22	Cls. 4b cwt. \$11.29

VIEWS, INPUTS, AND STUDY COMMITTEES: (By J. Kaczor) Imagine for a moment the number of telephone calls, e-mails, meetings, and visits that have occurred between dairy farmers and their elected representatives since it became clear early this year that milk prices may not bounce back from their historic lows. Hundreds? Thousands? Tens of thousands? However many there were (if only one in five of all milk producers made a single call during this time the number would be tens of thousands), it looks like our elected representatives and appointed officials still haven’t gotten enough input.

The House Subcommittee on Livestock, Dairy, and Poultry put on quite a show in July over a three week period by holding a hearing for the explicit purpose of receiving testimony from a wide variety of sources on how to solve the problem of milk prices in the U.S. too low for producers to survive. California is represented on this subcommittee by Congressmen Joe Baca (D-Ontario), Dennis Cardoza (D-Merced) and Jim Costa (D-Hanford). Prior to that, for a number of reasons the industry’s two major trade associations, IDFA for processors and manufacturers and NMPF for producers, formed task forces and study committees to look into, among other things, how milk prices can better reflect its real value on a fair and timely basis.

After the Subcommittee hearing, two more “committees” were formed. The first, a re-formed and re-activated Congressional Dairy Farmer Caucus was announced to “*facilitate better interaction between elected officials and dairy farmers.*” Seriously, that’s how it was described by the founders. By actual count, Congress now has a 263rd caucus of some kind to help them facilitate various matters between various interested parties. The purpose statement goes on to say that it’s the intention of the caucus to work with “industry leaders.” After they receive input from the major cooperatives across the country, will they have interest in hearing from anyone else? The person to direct that question to for California producers is Congressman Devin Nunes (R-Visalia) who is a co-chair of the caucus.

The other committee that was announced this week is Secretary Vilsack’s Dairy Industry Advisory Committee, as part of USDA’s efforts to listen to and respond to the needs of producers. This one actually could do some good. The news release says “*The Obama Administration is committed to working with all sectors of the dairy industry to develop changes to the dairy pricing system to avoid the boom and bust cycle behind the crisis facing many dairy farmers this year.*” That one rings a bell, doesn’t it? *Milk Producers Council* (MPC) has been ringing that bell for more than two years, developing the concept that reasonable individual incentives for producers to maintain their production within reasonable limits may be enough to precisely correct exactly what Secretary Vilsack recognizes is the cause for the current milk price bust.

This committee will include no more than fifteen people, and is intended to include producers and producer organizations, processors and processor organizations, handlers, consumers, academia, retailers, and state agencies. In one sense, that’s good because more voices and more views often tends to nullify cutting edge ideas and programs in favor of a compromise of some kind. But that doesn’t seem to leave much room for broad representation of producers on the committee. **At this point milk producers don’t need a compromised solution, they need a real solution.** MPC and like minded producers and their organizations need to consider how their viewpoints can best be represented on this committee.

REMINDER – NEED TO HEAR FROM SOUTHERN CALIFORNIA DAIRIES INTERESTED IN CUTTING THEIR WATER BOARD FEES IN HALF *(By Rob Vandenheuvel)* I mentioned in last week's newsletter that the California Dairy Quality Assurance Program is hosting two separate environmental stewardship courses in Modesto and Tulare next month. These courses are required for a dairy to be CDQAP-certified, which earns you a 50% discount on your annual fees paid to the State Water Resources Control Board. If you missed last week's newsletter, you can find more details on this flier that's been sent out by CDQAP: <http://www.milkproducerscouncil.org/2009cdqapcertif.pdf>.

I've heard from a number of dairies that are interested in attending a class held in Southern California, but I want to hear from more of you. If you haven't gotten in touch with us yet, but are interested in the class, please call Debi at (909) 628-6018. CDQAP staff are willing to host these classes in Southern California, but they want to be sure there will be sufficient interest to make it worthwhile. Like I wrote last week, the Southern California classes will likely be held in October.

I've also heard from several dairies who took CDQAP-certification classes a number of years ago, wondering if those classes can be used for this certification. The answer is yes. If you believe you or someone from your dairy has already attended the CDQAP classes, please give us a call and we can confirm that. If you have, in fact, already finished the class, all you will need is an on-site evaluation, which MPC can assist you in coordinating.