



# Milk Producers Council



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## MPC FRIDAY MARKET UPDATE

### CHICAGO MERCANTILE EXCHANGE

Blocks +\$.0200 \$1.3875  
Barrels +\$.0325 \$1.3800

### CHICAGO AA BUTTER

Weekly Change +\$.0500 \$1.6200  
Weekly Average +\$.0200 \$1.5900

### NON-FAT DRY MILK

**Week Ending 4/23 & 4/24**  
Calif. Plants \$1.0825 17,195,092  
NASS Plants \$1.1774 18,409,074

### Weekly Average

Blocks +\$.0125 \$1.3830  
Barrels +\$.0210 \$1.3690

### DRY WHEY

**WEST MSTLY AVG** w/e 4/23/10 \$4.000  
**NASS** w/e 4/24/10 \$3.523

**CHEESE MARKET COMMENTS:** Cheese prices on the DME changed direction again this week, upward, with very little trading going on. Blocks are now again within \$.11 per lb of where they were only two weeks ago. *Dairy Market News* (DMN) doesn't offer much in the way of insight on why last week's hyper-active spot market virtually disappeared. Here's one possible reason – uncertainty. Topping the list of items traders are uncertain (and concerned) about is the amount of cheese in storage. [In last week's comments the amount in storage at the end of March was reported to be 1+ million lbs; that was a typo, of course – the amount was 1,000 times larger, at 1+ billion lbs, an all time record.] DMN reports production is increasing along normal seasonal patterns and sales are picking up as buyers prepare for the Memorial Day weekend, and for summer. According to DMN, the concern about stocks on hand continues to have some manufacturers easing up on production, which could cause buyers to consider stocking up now against possibly much higher prices this fall. (The monthly cost of storage, if additional warehouse space is used, is about \$.015 per lb.) Based on the most recent futures prices for September for dry whey and butter, Brian Gould's formula shows that average cheese prices need to be about \$.13 per lb higher than today's CME closing prices in order to generate a class III price for September of \$15.10 per cwt, which is still the highest shown for the year. That milk price, plus the added revenue from higher class usages, less the ultimately lower revenue from butter/powder prices, won't reach the level that is needed by the vast majority of U.S. dairy farmers. CWT's export assistance program for American cheeses continues to rack up near-term and future exports (the latest report totals about 20 million lbs for shipments through October), and more can be expected. Excellent work, CWT. Keep focused, please.

**BUTTER MARKET COMMENTS:** Another week with no trades of butter on the CME, but prices nonetheless increased three of the five days, for a total gain of \$.05 per lb. Sales have dropped off, as expected, after the Easter/Passover weekend, but DMN reports that export sales appear to be strong, with more unsalted butter being produced for those buyers. The September futures butter price reached \$1.70 per lb today, and there are indications it could go higher. Current production is increasing, but the availability of cream is expected to be tighter as butterfat content in milk begins to decrease seasonally and usage for other products, principally ice cream, continues to ramp up.

**POWDER MARKET COMMENTS:** DMN sees the market for nonfat dry milk as firm, with manufacturers willing to hold product back in anticipation of higher prices down the road. Demand for domestic and export usages are reported to be improving. High usage of condensed skim by some buyers is helping to support the apparent firmness in powder prices. Production is increasing seasonally. Most production is low and medium heat product. Production of dry buttermilk is increasing along with butter production; production of dry whole milk is lagging as dryers schedule maximum time for nonfat product production. Prices reported for nonfat dry milk sold last week were higher for current sales reported to NASS (+\$.033 per lb) and lower for California plants (-\$.029 per lb). Interesting point: California plants, which produce and sell about 80% of the powder in the western region, managed to sell nonfat dry milk last week at an average price that was **about \$.03 per lb lower** than the low end of the range of all prices reported to DMN for the week. That's a skill that Dairy

America seems to have perfected. Can't wait to compare DA's prices for March and April to the prices for powders that were exported during those months. The California plant average price fell to \$.095 per lb below the NASS price.

**WHEY PRODUCTS MARKET COMMENTS:** The market for dry whey and whey protein concentrate is described as steady this week. Price ranges in the spot markets were basically unchanged; the average price for sales reported to NASS were \$.0125 per lb lower for the week, and is now about \$.05 per lb below the West "mostly" price. Production and demand were as expected for this time of year. But a sense of unease about what may happen if China does what they threaten to do – to immediately terminate imports of dairy products from the U.S., based upon what sounds like a typical attempt to save face, without proper grounds. China is an important customer for U.S. produced whey-based products; U.S. exporters shipped an average of 18 million lbs per month of dry whey and WPC to China in January and February. Apparently the "issue," which has to do with proper quality certifications, must be resolved before the end of May. Isn't it ironic (the song goes)? China, the country which two years ago was reported to be prosecuting about 4,000 of their officials per month for bribery and racketeering, and which was shown to have postponed taking action against certain of their milk plants for selling their products which caused permanent damage to their children (until after the Olympics ended), and which has been found numerous times permitting cheap products to be shipped to the U.S. which contained materials or ingredients known to cause permanent damage to U.S. children. Yes, that China – concerned about proper certification regarding quality standards of U.S. dairy products. Among other things, they do know how to issue an insult, but they don't know how to do it without looking foolish.

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

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|------------------------|----------------------------|------------------------------|-----------------------------|-----------------------------|
| <b>May 2010 Est:</b>   | <b>Quota cwt. \$ 14.51</b> | <b>Overbase cwt. \$12.81</b> | <b>Cls. 4a cwt. \$13.91</b> | <b>Cls. 4b cwt. \$12.03</b> |
| <b>Apr 2010 Final:</b> | <b>Quota cwt. \$ 14.31</b> | <b>Overbase cwt. \$12.61</b> | <b>Cls. 4a cwt. \$13.43</b> | <b>Cls. 4b cwt. \$12.30</b> |

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**NMPF'S PETITION FOR ENFORCEMENT AGAINST FALSE AND MISLEADING LABELS FOR IMITATION DAIRY PRODUCTS:** *(By J. Kaczor)* National Milk Producers Federation sent a petition to the U.S. Food and Drug Administration for the Agency to begin to do what was promised ten years ago, namely, to "take appropriate and immediate action" against the selling of misbranded, mislabeled, and misleading products. The petition is dated April 28, 2010. The issue is the growing number (the petition includes a listing of several hundred) of products which use "milk" as part of the product's name or label, or which in one way or another makes a favorable but unfounded claim of equal or even superior nutritional composition to the milk or milk product being imitated.

NMPF's letter asserts that FDA has a legal responsibility to make a "comprehensive effort to address the problem." Numerous types of foods and beverages sourced from soybeans, rice, hemp, and nuts, were among the examples given from the growing number of products that have "misappropriated" dairy terminology. Those who are interested in helping in this cause should first visit NMPF's website where the press release and the letter can be found. The time for that is well worth spending. The next step should be a call to your representative in Congress. NMPF's petition for action should be followed up with hundreds of calls or letters to FDA from Congressmen and women supporting the specific request National Milk is making. Urge them to do that. FDA's likely response is "lack of resources to do the job." Can there be a more appropriate reason for Congress to give FDA what they need? And while you're at it give National Milk a call or an e-mail thanking them for taking another shot at those who seem to be hi-jacking the outstanding reputation the U.S. dairy industry has built over the past half-century.

**GREAT DISCUSSION ON THE DAIRY PRICE STABILIZATION PROGRAM AT USDA COMMITTEE:** *(By Rob Vandenheuvel)* This past month, MPC President Syp Vander Dussen and I traveled to Washington, DC to present the details of the Dairy Price Stabilization Program (DPSP) to the USDA Dairy Industry Advisory Committee (DIAC). The DIAC is a 17-member committee established by USDA Secretary Tom Vilsack made up of producers and representatives of cooperatives, processors and consumers. The primary focus of the committee is to review the issues of: (1) milk price volatility; and (2) dairy farmer profitability.

MPC's presentation on the DPSP was received with much interest, particularly since legislation is currently being developed in the U.S. Congress that would implement the proposal. I've posted a copy of the presentation MPC has been giving to groups around the country when advocating support for the DPSP. I strongly encourage each of you to read through it, as it will help bring more clarity to the proposal. You can read the presentation at: <http://www.milkproducerscouncil.org/spring2010dpsp.pdf>. And as always, if you have any questions, don't hesitate to call the office (909-628-6018) or shoot me an email at [rob@milkproducers.org](mailto:rob@milkproducers.org).

**ON A RELATED NOTE, SUPPORTERS OF THE DPSP USING FACEBOOK TO SPREAD THE WORD:** *(By Rob Vandenheuvel)* This past week, a young dairyman from Minnesota started a group on Facebook called, "Support the Dairy Price Stabilization Act." The page serves as a central location to get more information on the legislation being developed in Congress to implement the Dairy Price Stabilization Program – a program that readers of our newsletter are very familiar with (see article above).

In its first week, the site has already attracted more than 180 supporters from many regions of the country. For those of you who participate in Facebook or have friends and family that do, I'd encourage you to check the page out: <http://www.facebook.com/group.php?gid=111614708875997>.

**READY TO GET YOUR DAIRY ENVIRONMENTALLY CERTIFIED? SCHEDULE AN INSPECTION DATE SOON:** *(By Rob Vandenheuvel)* Over the past several months, a number of dairies throughout the state have attended California Dairy Quality Assurance Program (CDQAP) certification courses, with the goal of becoming environmentally-certified and receiving a 50 percent reduction in their annual fees to the water board. The final step in that process is an on-site evaluation by George Salsa, the official third-party evaluator for CDQAP.

To set up an appointment with George, you need to call his office at (530) 574-0524. George's office will schedule an appointment with you and provide the checklist you'll need to conduct the evaluation. George will be conducting these evaluations in the Central Valley throughout the spring and summer. For dairies in Southern California, George has scheduled the week of May 24 – 29 to conduct those evaluations. As a reminder, the dairymen must cover the cost of these evaluations, which is \$550 per dairy.

If anyone has any questions, please contact the MPC office at (909) 628-6018.