

Milk Producers Council

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MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks +\$.0100 \$1.8100
Barrels -\$.0250 \$1.7500

Weekly Average

Blocks +\$.0355 \$1.8005
Barrels -\$.0317 \$1.7630

CHICAGO AA BUTTER

Weekly Change -\$.0275 \$1.3600
Weekly Average -\$.0027 \$1.3675

DRY WHEY

NASS w/e 3/22/08 \$.2447 WEST MSTLY AVG w/e 3/27/08 \$.2600

NON-FAT DRY MILK

Week Ending 3/21 & 3/22

Calif. Plants \$1.3079 11,878,538
NASS Plants \$1.2697 17,990,747

CHEESE MARKET COMMENTS: Dairy Market News reports that production of cheese in the U.S. has been increasing in line with increases in milk production, but sales (buttressed by continuing good export volumes) have been keeping up. Dairy Market News commented this week that the 30-cent drop in average prices over the past 4 weeks on the CME resulted in some additional orders for export. This week, the average price for blocks on the CME closed above \$1.80 per lb. Production levels and sales for export purposes continue to be key considerations for future cheese price levels.

BUTTER MARKET COMMENTS: Increased usage of cream for ice cream production has been taking up some of the extra milkfat that is now available, but DMN reports that U.S. manufacturers are having a difficult time handling the raw product supplies. Prices on the CME rose to within a quarter cent of \$1.30 per lb on Monday before dropping 3.75 cents on Tuesday. Last week's good news on butter inventories apparently was taken in stride. Because of bad weather, the Spring milk flush in the Midwest is still about 4 weeks away.

NONFAT MILK POWDERS: Notice the new title of this section? The reason for the change is to emphasize the fact that there is a very closely related product to nonfat dry milk called "skim milk powder." (See the discussion below of what that could mean and what could or should be done about it.) NFDM Prices reported by California plants to CDFA over the past 5 weeks, and nationally to NASS, as well as the West's "mostly" series compiled by DMN, give the appearance that the steep price decline that began last Summer may have bottomed out. Over this period, the "mostly" price has increased by about 5 cents per lb, and this week's CWAP is now 8 cents higher than its recent low that was reached in the week ending February 29th. But the California series has been bobbing up and down the past 4 weeks, influenced by a high proportion of competitively priced sales for export, which seems to change by substantial amounts from week to week. It should not be concluded that current prices are indicative of what lies ahead. Even with the recent increases, the West "mostly" average price for March will be below where it was last year.

WHEY MARKET COMMENTS: The dry whey market continues to show signs of stabilizing – not strength – just stability. The "mostly" prices reported by DMN are creeping upward. Some manufacturers are saying their stocks of unsold product have come down to comfortable levels, and DMN says the current low prices look interesting to more domestic and export buyers. Not so, however, for whey protein concentrate sales. DMN continues to report the market for 34% WPC as weak, and prices continue to edge downward. When will a plausible reason be given for this melt down?

FRED DOUMA'S PRICE PROJECTIONS...

March 28 Final:	Quota cwt. \$17.87	Overbase cwt. \$16.17	Cls. 4a cwt. \$14.35	Cls. 4b cwt. \$16.94
Last Week:	Quota cwt. \$17.85	Overbase cwt. \$16.15	Cls. 4a cwt. \$14.26	Cls. 4b cwt. \$16.94

WHAT IS SKIM MILK POWDER? *(By J. Kaczor)* SMP is simply nonfat dry milk with its protein content standardized to 34%. The two products look alike, taste alike, are packaged alike, have identical functional properties, can be used inter-changeably, are manufactured in the same plants on the same equipment, and have virtually identical costs. To make the product, the protein content in condensed nonfat milk is slightly blended down by adding low-cost permeate or lactose to the stream of condensed nonfat milk on its way to the drier.

International buyers of nonfat powders prefer a product that has a consistent content profile. SMP is by far the most heavily traded nonfat powder in the world. It is included in the category of "nonfat dry milk" export sales that is reported monthly by USDA's Foreign Agricultural Service. In December and January, SMP production in the U.S. made up 25% of all nonfat powder that was produced, California plants were making about one-third of that volume, and the volume nationally and in California appears to be growing. But **SMP is not nfdm** and therefore is not part of the formulas used by federal orders and California in arriving at appropriate prices for milk used to make what are considered to be market-clearing products. So, sales of SMP are not reportable and there are no means presently available to determine their contribution to the value of milk used in their production. It would be interesting to find out if the reason for their omission from the end-product pricing formulas was merely because SMP production was irrelevant at the time the formulas were first developed. **Now there's an opportunity for CDFA to actually take the initiative on something. What a kick.**

Isn't it time for someone to evaluate the effect that production and sales of SMP has on plant costs and revenues – and potentially, producer revenue? What we now have is one product, nfdm, which is scrutinized from top to bottom – and another, its major counterpart, that is produced and then vanishes from sight. Where are the calls from buyers and sellers for greater price transparency?

Clarification of a comment: In a comment made last week on the potential importance of a surge in production of SMP, it was stated that CDFA no longer reports its production. They no longer report it as a separate item; it is now included in a catch-all category with 8 other products, therefore effectively concealing whatever importance it may have. NASS does report production of SMP, but not inventories or sales. A change in reporting production of SMP was necessary in California because fewer than 3 plants are producing the product, but CDFA ineptly passed on the obvious option of including it with its identical twin product, nonfat dry milk.

CALIFORNIA'S FEBRUARY MILK PRODUCTION INCREASE GOES TO BUTTER AND POWDER:

(By J. Kaczor) The amount of milk available to California milk plants in February increased by 1,771,000 lbs per day, compared to February 2007. CDFA reported usage of that milk this week. On a per day basis, **Class 1 and 3 usage was virtually unchanged**; Class 2 usage was up due to an increase in production of cottage cheese, yogurt, and cream products other than sour cream. **Cheese production was down by more than 7%**. There was only one place to go with the rest of that milk – to butter and dry powders. That additional 1.8 million lbs of milk per day is equivalent to about 74,000 lbs of butter and 143,000 lbs of dried product per day. CDFA reported that average **butter production increased by 80,000 lbs per day and production of dried products (including nonfat dry milk, skim milk powder, and 7 others) increased by an average of 225,000 lbs per day**. The supply and usage numbers balance out quite nicely, after allowing for the possible production of anhydrous milk fat (which is not reported) and the reduction in the amount of milk used to produce cheese. The difficulty California butter/powder plants had in handling the additional milk is well known and was widely reported. National figures will be published next week.

REMINDER – THREE MORE WDR WORKSHOPS IN THE CENTRAL VALLEY NEXT WEEK: *(By Rob VandenHeuvel)* Attention MPC members in Kern, Fresno and Stanislaus Counties – this week CDQAP is coming to your county to talk about the 2nd phase of the new Central Valley “Waste Discharge Requirements.”

Initial reports from CDQAP are that attendance is substantially less during this phase than in the original workshops last fall. This is understandable, as many dairies have hired outside consultants to handle the tedious monitoring and paperwork required under the new WDR. However, it is in everyone’s best interested to have someone on their dairy with an understanding of the required items, since it is ultimately the dairyman – not the consultant – that is legally responsible to meet the Water Board’s requirements. I encourage as many of our members to attend as possible.

Below are the three locations for next week’s workshops. (Notice the differences in time for each area)

Tuesday, April 1st – Kern County

9 am – 12 pm

Kern County Cooperative Extension Office, 1031 S. Mount Vernon Avenue, Bakersfield

Wednesday, April 2nd – Fresno County

9:30 am – 12:30 pm & 1:30 – 4:30 pm

Riverdale Memorial Hall, 3085 W. Mount Whitney, Riverdale

Thursday, April 3rd – Stanislaus County

9:30 am – 12:30 pm

Stanislaus County Ag Center, 3800 Cornucopia Way, ABC Room

***** And as always, if you have any questions or need assistance with any part of the new water regulations, please feel free to contact myself (909-992-9529 – cell) or Betsy Hunter, our Central Valley Representative (661-205-6721 – cell). *****

FSA TOWN HALL ON DISASTER RELIEF SCHEDULED FOR APRIL 9TH: *(By Rob VandenHeuvel)* As I mentioned in last week's newsletter, the San Bernardino and Riverside County Farm Service Agencies (FSA) have scheduled a town hall meeting on Wednesday, April 9th at 10 am at the Chino Fairgrounds/Brindersen Hall. FSA officials will explain the new Dairy Disaster Assistance Program, which compensates dairies for milk production losses during designated disaster periods (please note that this is a different program than the Livestock Indemnity Program that dairies have been signing up for over the past few months).

The deadline to signup for these benefits is May 4th. If you would like to apply for the program on the day of the town hall meeting, you will need to bring a copy of your annual 2003-2007 creamery statements and inventory records.

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