



Milk Producers Council

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TO: Directors & Members

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE

Blocks	+\$.0075	\$1.5350
Barrels	-\$.0250	\$1.4350

Weekly Average, Cheddar Cheese

Blocks	+\$.0235	\$1.5265
Barrels	-\$.0145	\$1.4455

CHICAGO AA BUTTER

Weekly Change	- \$.0525	\$1.3600
Weekly Average	- \$.0330	\$1.3845

DRY WHEY

Dairy Market News	w/e 04/27/12	\$.4963
National Plants	w/e 04/21/12	\$.5931

NON-FAT DRY MILK

Week Ending 4/20 & 4/21

Calif. Plants	\$1.2576	22,112,106
Nat'l Plants	\$1.2404	26,198,896

Prior Week Ending 4/13 & 4/14

Calif. Plants	\$1.3034	14,255,528
Nat'l Plants	\$1.2672	25,380,070

CHEESE MARKET COMMENTS: The question on many people's minds regarding the pattern of milk production over the balance of this year is how soon will enough milk producers realize that potential disaster may be looming. If commodity prices do not recover much from current levels, the tipping point may occur sometime in June when class prices for cheese, butter, and powder could be around \$5/cwt lower than last year's levels, while feed costs may be considerably higher. The situation for California producers could be even worse, if recent reports on monthly mailbox (MB) prices are any indication. A year ago California's January MB price was \$1.36/cwt below the federal order average; this year it is \$4.02/cwt lower, which is far worse than December's \$2.96/cwt. Of course, milk plants and producer cooperatives have the means to reduce the flow whenever they believe there is need to do so. The downward pressure on dairy commodity prices because of the amount of milk being produced **everywhere in the world**, while exports of corn, soybeans, and wheat from the U.S. are soaring, is oppressive. However, the situation on feed costs could turn around quickly, as it has so often in the past. All that is needed is one or two reports of bad weather, bad luck, or weaker than expected international demand. Rumors and stories about abrupt changes in supply and demand for feedstuffs are flying around. As they say, stay tuned. Back to the moment, cheese trading on the CME this week was heavy. Fifty-three carloads were sold this week. Two sellers and four buyers accounted for all of it, in what can be called orderly marketing activity. Barrel prices lost \$.025/lb while blocks gained \$.0075/lb. The spread between the two is \$.10/lb, which is not likely to hold for very long. According to *Dairy Market News* the milk supply situation in Europe and Oceania is much like it is here in the U.S. "...Current output is far exceeding demand" is the comment for Western Europe. Production in the southern hemisphere is also strongly higher on a percentage basis but they are in their slow period, so those increases hurt the market a little less. U.S. cheese and fluid milk demand is expected to decline through the summer, mainly because schools of all kinds release their hostages who then apparently retaliate by boycotting cheese and milk. Meanwhile March class I usage in federal order areas was reported to be 3.4% lower than the previous March and California's class 1 pool usage was calculated to be 6.7% lower. CME class III milk futures this week moved lower for all months on the board; June-August prices average \$.50/cwt lower; September-December prices average \$.25/cwt lower.

BUTTER MARKET COMMENTS: *DMN* reports butter production in all regions to be testing the ability of plants to handle the volume of milk and cream coming their way, but no stories of milk being dumped have been reported so far. Domestic sales have slowed (fewer retail ads was mentioned as one reason) but exports seem to be continuing although the price level for that important outlet is moving lower. After prices fell by \$.0225/lb Monday through Wednesday on the CME, an aggressive offer dropped the price three more cents on Thursday, to where it now rests. Only two carloads were sold this week. The current CME price is now right where *DMN* reports the price to be in New Zealand which is \$.18 per lb below where it is in Europe. Apparently, the move below \$1.40 per lb was too much for futures traders this week. Prices from June through December fell by \$.08

and \$.09 per lb, taking virtually all of the premium from the price through June, but still showing some faith for the months following.

POWDER MARKET COMMENTS: The market for nonfat dry milk appears to be very weak and getting weaker as interest from the export market appears to be lower. Production throughout the U.S. continues to be heavy. Inventories continue to grow. *DMN* says buyers continue to hold back, taking only what is needed right now, waiting for that sign for the bottom. Prices reported for shipments last week fell with a thump for both major series; AMS reported \$1.2404 per lb; California plants reported \$1.2576 per lb. Both reflected heavy volumes. International prices also are lower, about where U.S. prices presently are. The low end of the full range of prices this week for the Western region was \$1.05 per lb, \$.05 lower than the low end in the central region. Production of buttermilk powder continues to be heavy; prices are lower this week, tracking NFDM prices lower. Demand appears to be weak, as buyers act only on current needs.

WHEY PRODUCTS MARKET COMMENTS: Much of what applies to the other commodities also applies to dry whey, except some end users of DW are said to be buying ahead, possibly in response to offers that should not be refused. Prices are generally lower for the week. Production and inventories continue to grow. One possible bright note comes from *DMN*'s comment on DW in Europe: prices are steady to higher, but the explanation is unclear as to why. The AMS price for dry whey shipped last week was about unchanged, and continues to be well above the averages of the price ranges reported for various regions in the U.S. With deeply discounted sales becoming more common for dairy powders, the bottom of the full range of prices for all products is beginning to be more important and meaningful than the "mostly" price ranges. All powders except whole milk powder appear now to be competing for the same business. Manufacturers with enforceable contracts are envied; buyers with enforceable contracts are rueful. It is a jungle out there.

FRED DOUMA'S PRICE PROJECTIONS...

Apr 27 Final:	Quota cwt. \$15.83	Overbase cwt. \$14.14	Cl. 4a cwt. \$14.80	Cl. 4b cwt. \$13.43
Last Week:	Quota cwt. \$15.90	Overbase cwt. \$14.20	Cl. 4a cwt. \$14.98	Cl. 4b cwt. \$13.44

A BIG WEEK IN CONGRESS FOR DAIRY POLICY REFORM: (*By Rob Vandenheuvel*) While dairy farmers across the country are continuing to struggle under the economic stress of a milk price that fails to cover the costs of producing that milk, our elected officials that serve on the Senate Committee on Agriculture, Nutrition and Forestry (we'll use "Senate Ag Committee" for short) took bold and decisive action this week that should give dairies throughout the country reason for some mild optimism.

This past Thursday, the Senate Ag Committee approved their version of the 2012 reauthorization of our nation's farm policies (known as the "Farm Bill"), with a bipartisan vote of 16-5. Included in the legislative package are provisions from the *Dairy Security Act* (also known as the "Peterson-Simpson Bill"). As regular readers of this newsletter know very well by now, MPC strongly supports the *Dairy Security Act*, and we're not alone. Dairy trade associations and cooperatives from around the country have lined up in support of this legislation to reform our Federal safety net policies. In case you missed it last week (<http://www.milkproducerscouncil.org/uploads/042012.pdf>), MPC co-signed a letter with 28 other dairy organizations/cooperatives from around the country in support of the *Dairy Security Act* provisions outlined in the Senate Ag Committee's version of the 2012 Farm Bill.

While this week's passage of the dairy legislation out of the Senate Ag Committee is an important and exciting milestone, it is also a reminder of how much work we still have in front of us. The Committee-passed Farm Bill now goes to the full U.S. Senate to be debated and voted on by all 100 U.S. Senators. The U.S. House of Representatives must also go through their process of having the House Ag Committee write a Farm Bill and have it debated/voted on by the 435 Members of the U.S. House of Representatives. At that point, any

differences between the Senate and House versions of the 2012 Farm Bill would have to be reconciled, possibly through a “conference committee.” Ultimately, both the House and Senate will need to pass identical legislation. Then, after all that happens, the President must sign the bill in order for it to become the law of the land. So long-story-short: **we have more work to do.** For those of us who have fought hard to promote the *Dairy Security Act*, we need to continue calling/writing/emailing our Members of the House and Senate.

At the same time the Senate Ag Committee was wrapping up their process of writing and approving their version of the 2012 Farm Bill, the House Ag Committee’s Subcommittee on Dairy, Livestock and Poultry was holding a hearing on dairy policy in the 2012 Farm Bill. While there was quite a bit of testimony given in support of the *Dairy Security Act*, it was clear that the International Dairy Foods Association (IDFA, which is the main lobbying organization for many of the nation’s dairy product processors) continues to use all the tools available to them to attack the *Dairy Security Act*. Their opposition in the hearing, which was expressed in testimony by Jon Davis, CEO of Davisco Foods International, Inc., is specifically aimed at the Dairy Market Stabilization Program – the piece of the *Dairy Security Act* that empowers dairy farmers to collectively and quickly respond to supply/demand imbalances by temporarily adjusting milk production.

IDFA’s opposition comes as no surprise. Dairy farmers have a perishable product produced by a living animal, giving us a constant supply of milk we must sell everyday. And due to factors that are too many to go into in this article, our individual dairies have every incentive to produce as much milk as possible everyday, regardless of the profitability of producing that milk at any given time. On the other side of the equation, those who buy our milk are under no obligation to buy milk everyday, nor are they forced to buy from any specific dairy. That inherently creates a severe imbalance of power within our industry – an imbalance that greatly favors the processors who buy our milk.

What the *Dairy Security Act* – and specifically the Dairy Market Stabilization Program – does is begin to shift some of that power. The program is designed to be used quickly, temporarily and rarely. But the fact that under the program, U.S. dairy farmers would have the ability to collectively respond to negative on-the-farm margins with production adjustments is something that IDFA correctly sees as a fundamental shift of market power away from them and towards the individual dairy farmers. This is a legislative change they will fight to the bitter end, so as dairy farmers, we must be fully engaged in the legislative process, defending the *Dairy Security Act* through the Senate, through the House of Representatives and all the way to the President’s desk.

PUBLIC SERVICE ANNOUNCEMENT FOR PEOPLE WHO PROBABLY NEED ONE: (*by J. Kaczor*)
Milk is considered one of nature’s near perfect foods for good reason. In fact, over the years the industry improved in the best way possible on the original version that came straight from cows. Which way was that? It wasn’t by stuffing things into milk to make it seem more than it already was, or by making it seem something it was not. Instead, various proportions of cream and skim milk are combined to make four separate products in order to satisfy the full range of needs and tastes for all who understand how important lifelong usage of milk and other dairy products is to good health. To be sure, there is a growing number of milk products designed to add to the health benefits provided by milk (reduction of lactose is one and supplemental omega-3 fatty acids is another) but the mainstream products, listed below, are unchanged from the form designed by Mother Nature so many years ago.

The four products are milk, reduced fat milk, lowfat milk, and nonfat milk. Pursuant to FDA regulations, their labels tell the full story of what they contain. The ingredients of whole milk are milk and vitamin D3, nothing more. All four of the milk choices contain vitamin D3, the vitamin that helps a body absorb its calcium intake. The other three milks contain another added vitamin, vitamin A palmitate, which replaces loss of the vitamin A when milkfat is reduced or removed from whole milk. In addition to the added vitamins, the contents of reduced fat milk and lowfat milk are milk and nonfat milk. The content of nonfat milk is nonfat milk. Clean and simple and so beneficial one would think the federal and state rules protecting against the misusage of their names, which tend to mislead consumers, would be better enforced.

Dairy products, milk especially, are so beneficial that an entire industry has risen to imitate the real thing. The imitations have much lower ingredient costs than milk and are priced considerably higher than the products they seek to replace. Their manufacturers use eye-catching carton designs and heavy advertising because of so little the products actually contain. Those who buy that stuff get what they pay for, but one wonders how many of them really know what they are drinking and what they may be serving to their children.

The table to the right shows what the labels for four of the many imitation milks say is inside the cartons. None of them contain milk or a milk product but, based on a recent look into a store's "dairy case," many use "milk" in the product name or place the word immediately below the product name. I wonder why. Since all of these imitations caution the user to "shake well before using," that phrase may be the best way for consumers to know the product is not a dairy product. The ingredients are listed in the order of their predominance in the carton. Sure, the water is distilled, or maybe is purified, but is nothing but water. And, as you may have guessed, high on the list is "cane juice" or "cane syrup" which is nothing more than slightly sweeter, less processed sugar cane containing the same amount of calories as regular sugar. The brown rice, soybeans, and almonds are really highly processed meal or powder. Makes you wonder about the solids content of those products.

Product "A"	Product "B"	Product "C"	Product "D"
Water	Water	Water	Water
Brown rice	Soybeans	Almonds	Coconut cream
Safflower oil and/or canola oil and/or sunflower oil	Water Cane juice Cocoa powder	Cane Juice Cocoa Calcium carbonate	+guar gum Cane syrup Vanilla extract
Tricalcium phosphate	Natural flavors	Sea salt	Natural flavors
Sea salt	Tricalcium phosphate	Locust bean gum	Calcium phosphate
Vitamin A palmitate	Salt	Potassium citrate	Magnesium phosphate
Vitamin D2	Carrageenan	Carrageenan	Carrageenan
Vitamin B12	Vitamin A phosphate Vitamin D2 Riboflavin	Sunflower lecithin Vitamin A palmitate Vitamin D2 DL-alpha tocopherole	Guar gum Vitamin A palmitate Selenium Zinc oxide Folic acid Vitamin B12

A final public service announcement for consumers of organic dairy products: the good news is you can be sure they are as good as their non-organic counterparts, and way better than any of the exhibits in the above line up.