



# Milk Producers Council

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## MPC FRIDAY MARKET UPDATE – SPECIAL WEDNESDAY EDITION

### CHICAGO MERCANTILE EXCHANGE

Blocks - \$.0450 \$1.7875  
Barrels - \$.0700 \$1.8000

### Weekly Average

Blocks - \$.1397 \$1.8158  
Barrels - \$.1540 \$1.8400

### CHICAGO AA BUTTER

Weekly Change - \$.0375 \$1.6100  
Weekly Average - \$.0843 \$1.6167

### DRY WHEY

**DAIRY MKT NEWS** w/e 11/25/11 \$ .6488  
**NASS** N/A N/A

### NON-FAT DRY MILK

#### Week Ending 11/18 & 11/19

Calif. Plants \$1.4665 9,921,610  
NASS Plants N/A N/A

**CHEESE MARKET COMMENTS:** Once again, we find that considerable damage to price levels can happen in even in a short week of pre-holiday trading. The pattern of price changes on the CME this week was similar to what happened last week, except this week there were no increases to precede the losses. Trading was relatively active with 15 carloads changing hands. The cheese futures price for December lost \$.015 per lb this week, ending at \$1.765 per lb. January’s price is \$.12 per lb lower. The February price is currently the low for next year, at \$1.617 per lb. Class III milk futures gave up some this week; December’s price, at \$18.13 per cwt, is not too far below what the current spot cheese price would support, but prices fall away for January and February. Futures prices relating to the cheese market generally reflect fairly strong continuing skepticism about the current spot prices, but they do not at the present time foresee a price crash. *Dairy Market News* finds that domestic cheese sales have been doing well and production is seasonally active.

**BUTTER MARKET COMMENTS:** Four carloads of butter were sold on the CME this week. An unfilled offer swiped \$.0175 from the price on Monday and two sales on Tuesday combined to remove another \$.02 per lb from the price. Futures prices for butter presently provide fair support for the current spot price of \$1.61 per lb. The December price was unchanged this week, and the January-March prices increased somewhat. The lowest futures price for the next 12 months is \$1.6553 per lb, for February. The NASS report on the amount of butterfat in cold storage at the end of October suggests the recent heavy butter production continues to clear the market. Reports from major buyers and sellers indicate current butter sales are “good,” “very good,” and “brisk.”

**POWDER MARKET COMMENTS:** Despite the usual increase in short-term pre-holiday surplus milk arriving at drying plants, *DMN* says the cash market tone this week for nonfat dry milk is more firm than it was in the recent past. Plants apparently are not concerned about levels of stocks, so while spot carloads of product are being made available those re-sale discounts that partially pulled prices lower not so long ago are gone for now. However, prices reported by California plants continue to slip; the average was \$.0135 lower than the week before, with lower volume. The overall price trend for NFDMM appears to be pointing steadily downward, with lower volumes as skim milk powder production continues to increase. Usage of buttermilk and whole milk powder is seasonally strong and prices for both products have edged higher this week.

**WHEY PRODUCTS MARKET COMMENTS:** The market for dry whey in the eastern region is tight and drying plants are pulling in more condensed whey to help restore stock levels. The market in the Midwest appears to be steady and is tight in the West. The West’s “mostly” average continued to edge upward this week, adding \$.0038 per lb. The NASS price will be published on Friday. Production of whey protein concentrate-34 is steady to higher, in line with the increase in cheese plant volume. WPC prices edged higher and continue to be at record highs for this time of year.

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**FRED DOUMA’S PRICE PROJECTIONS...**

**Nov 23 Final: Quota cwt. \$19.36 Overbase cwt. \$17.67 Cls. 4a cwt. \$17.91 Cls. 4b cwt. \$17.19**  
**Last Week: Quota cwt. \$19.37 Overbase cwt. \$17.67 Cls. 4a cwt. \$17.91 Cls. 4b cwt. \$17.19**

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**OCTOBER MILK PRODUCTION IS UP BY 2.1%; STOCKS OF MAJOR PRODUCTS ON HAND**

**MOVE LOWER:** (by J. Kaczor) Milk production in October expanded at an increasing rate in almost every which way it could. Compared to September, the number of milk cows increased by 9,000, production per cow increased by 45 pounds, and total milk production increased by 437 million pounds. Last year’s month-to-month changes for these categories were 2,000 cows, 39 pounds per cow, and 360 million pounds of milk. Compared to last October, 96,000 more cows were milked, average production per cow was 17 pounds higher, and total production was 330 million pounds greater.

One way milk production did not expand was broadly, across all regions. Instead, the pronounced bias towards western and southwestern states’ expansion continued to dominate. Expansion among the top 23 milk-producing states also continued at a higher rate than in the other 27 states, and was widely mixed: seven states (those in the west and southwest) added a total of 93,000 cows, eight others added a total of 33,000 cows, two stayed the same, and six others were milking 15,000 fewer cows. Six of the top 23 states reported less milk produced this October than a year ago, five had production ranging from no change to +2%, six had increases ranging from 2.4% to 3.8%, and six had increases of 5.7% or more. Imagine the widely different situations faced by producers throughout the U.S., and the difficult decisions leading to the actions taken during the month.

USDA reports California added more cows than any other state compared to a year earlier, 27,000, and had the largest increase over the previous year in total milk production, 79 million pounds, an increase of 2.4%. For what it is worth, that was ever so slightly more than the increases in Texas, with its 20,000 additional cows and 72 million more pounds of milk, an increase of 9.8% over last October. Those increases, and the others, likely translate into a goodly amount of butter, powder, cheese, and whey proteins, which is now being tabulated and will be reported by NASS next week.

California’s numbers bear discussion lest someone take umbrage with their “expansionistic” appearance. First, the table here shows the number of cows milked this year by California producers is not really higher than it was in 2006, which itself was a down year, is only 12,000 higher than the nightmare year of 2009, and is 66,000 below the dream year of 2008. Those numbers compare well to the other states’ counts which are well above 2006’s level and only 39,000 below the peak year. Second, California’s 6% increase in milk production over the five years shown (the numbers in the table reflect thousands of cows and million lbs of milk) totally comes from increases in production per cow. That reflects astute management practices in the face of outrageously high feed costs compared to all but a handful of other states, and to lower mailbox prices bar none. Do not take umbrage – instead, tip hats to the dedication and determination evidenced by what California is accomplishing.

<b>California and U.S. Milk Output Compared</b>				
<b>Month of October, 2006-2011</b>				
	<b>California</b>		<b>Other 49 States</b>	
<b>Year</b>	<b>Cows</b>	<b>Milk</b>	<b>Cows</b>	<b>Milk</b>
<b>2006</b>	1,778	3,222	7,329	11,635
<b>2007</b>	1,826	3,413	7,355	11,957
<b>2008</b>	1,845	3,382	7,479	12,233
<b>2009</b>	1,767	3,205	7,329	12,215
<b>2010</b>	1,752	3,346	7,371	12,558
<b>2011</b>	1,779	3,425	7,440	12,805

Coming back to the total increase in milk production, however it is compared and measured (month to month or year to year), the increase is huge. Adding to the volume of milk available this year for use by U.S. manufacturers is the amount that is no longer needed by U.S. bottling plants. USDA’s latest, dismal, report on that volume was for September: Class 1 usage for the month was 0.9% below the same month a year ago and was 1.5% lower for the first nine months of the year. That is exactly what California’s number was for the same nine-month period, and it appears those valuable sales may be getting even weaker – California’s Class 1 pool usage for this October was 1.9% below last October, a loss of 9.8 million lbs. The trade-off being made by the industry (less Class 1 usage and more market-clearing usage) certainly is not in the best interests of U.S. and California milk plants that are in the fluid milk business and it remains to be seen if it is in the best interests of U.S. milk producers.

There is some positive news this week in terms of the changes in the amount of butterfat and cheese in cold storage at the end of October relative to changes in the amount of those products produced. USDA reported that butter and butterfat products in long term storage facilities was 21 million lbs lower than a month earlier, and was only 20 million lbs higher than last October despite an increase of about 200 million lbs more product produced during the year. Stocks of American cheese were 20 million lbs lower than a month earlier, and were 25 million lbs lower than a year earlier, about equal to the change in production of those products during the year. For all cheese, about 120 million more lbs was produced in the past year while stocks of all cheese were 45 million lbs lower at the end of that period than at the beginning. Next week, the NASS report on October dairy product production will be available which will enable a calculation of the monthly commercial “disappearance” of these important products.

**A SPECIAL THANKS TO OUR 2011 ASSOCIATE MEMBERS:** *(By Rob Vandenheuvel)* While a majority of the funding for Milk Producers Council comes from the dairy families we represent, MPC is proud to have strong support from other businesses and individuals that have an interest in maintaining a vibrant dairy industry in California. These Associate Members recognize the value MPC brings to the California and U.S. dairy industry and their financial support plays an integral role helping us be a strong voice our members. **A special thanks on behalf of the MPC board of directors, members and staff goes out to:**

**Platinum Associate Member:**

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**Thanks again to all of our Associate Members for your support!**

Anyone else interested in supporting MPC with an associate membership should visit our website ([www.milkproducers.org](http://www.milkproducers.org)) or contact us directly at [office@milkproducers.org](mailto:office@milkproducers.org) or (909) 628-6018. **Our dairy members greatly appreciate all the support we get.**

**FAILURE OF CONGRESSIONAL “SUPER COMMITTEE” IMPACTS NEAR-TERM OUTLOOK FOR DAIRY POLICY REFORM:** *(By Rob Vandenheuvel)* The dust is still settling on the announcement this week that the Congressional “Super Committee” has failed in its attempt to come up with more than \$1 trillion in deficit-reduction legislation. Why does this failure impact the near-term outlook for dairy policy reform? Because last week, it was announced that the House and Senate Agriculture Committees had included provisions from the *Dairy Security Act* (a.k.a. the “Peterson-Simpson Bill”) in their package of agricultural policy reforms that was submitted to the Super Committee for inclusion in their proposal.

As regular readers of this newsletter are well aware, the *Dairy Security Act* replaces our current Federal safety net policies (MILC, Price Support and the Dairy Export Incentive Program) with a new system that includes a “Dairy Producer Margin Protection Program” and a “Dairy Market Stabilization Program.” In short, these two new programs would act as a one-two punch on behalf of dairy farmers, providing our dairies with the ability to quickly respond to supply/demand imbalances and a margin protection program that is vastly superior to the current MILC and Price Support Programs in protecting dairy farmers’ equity. It also would have structured it in a way that more efficiently uses government dollars – resulting in government expenditures that are about 20 percent less than what we are expected to spend on our current safety net programs.

As things settle down in Congress, we will be evaluating in future issues of this newsletter where our industry now stands in terms of implementing much-needed policy reform. Making fundamental change is never easy – particularly in an industry where regional, size and ideological differences among individual dairy farmers all-too-often stands in the way of making fundamental changes that are good for all producers. But as with all worthwhile efforts, we must continue to press on and overcome these obstacles. **We cannot afford to fail.** So stay tuned...

**NOT A MEMBER OF MPC YET? WANT TO JOIN?** *(By Rob Vandenheuvel)* As we’ve mentioned in recent weeks ([http://www.milkproducerscouncil.org/111111\\_kevinabernathy.htm](http://www.milkproducerscouncil.org/111111_kevinabernathy.htm)), **MPC is actively seeking new members.** As a voluntary, producer-led trade association, we rely on memberships to fund the organization. With the recently-announced addition of Kevin Abernathy as our Director of Regulatory Affairs, MPC members now have access to top-notch representation on the increasingly-important environmental regulations that impact our farms, in addition to the well-known work we have been doing on behalf of our members on a host of other important issues (more on that in the article linked above).

Dairies and allied industry partners interested in pursuing a membership with MPC can find a membership form on our website ([www.milkproducers.org](http://www.milkproducers.org)). In addition, please feel free to contact us directly via email ([office@milkproducers.org](mailto:office@milkproducers.org)) or phone (909-628-6018).

**On behalf of the Board and Staff of MPC, we want to wish  
you and your family a wonderful Thanksgiving!**