

Milk Producers Council

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MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks - \$.0025 \$1.2900
Barrels N.C. \$1.2975

Weekly Average

Blocks - \$.0090 \$1.2685
Barrels - \$.0595 \$1.2750

CHICAGO AA BUTTER

Weekly Change +\$.0050 \$1.1875
Weekly Average +\$.0025 \$1.1860

DRY WHEY

WEST MSTLY AVG w/e 03/27/09 \$.2000
NASS w/e 03/21/09 \$.1738

NON-FAT DRY MILK

Week Ending 3/20 & 3/21

Calif. Plants \$.8087 14,831,862
NASS Plants \$.8183 21,686,138

CHEESE MARKET COMMENTS: Prices for barrels and blocks on the CME continued to decrease this week through Wednesday before recovering Thursday and Friday. The trading was active: 27 truckloads of blocks and 39 of barrels. *Dairy Market News* believes last week's report on the increase in the amount of cheese in storage at the end of February influenced most of what happened early in the week. DMN also reports that orders for deliveries after the Easter/Passover season are lower, but so is production. The \$1.30 per lb area is still considered by many to be a point beyond which prices may have difficulty moving until the spring milk flush is over. The continuing block/barrel price inversion apparently is no longer the concern it has been in the past, according to DMN, nor should it be because supply responses eventually fill the buyers' needs.

BUTTER MARKET COMMENTS: Butter prices inched up again this week in quiet trading on the CME. DMN reports that buyers believe prices should come down a bit after the holiday sales end. Retail sales continue to be good, and some food service orders are said to be somewhat larger than in recent weeks. Increased usage of butterfat for cream products, cultured products, and frozen desserts, along with a leveling out of milk production could bring butter production in March to below last year's levels. That would be very helpful, considering the export market for butter and butterfat products has all but vanished again.

POWDER MARKET COMMENTS: Demand is good and is absorbing current production, and prices continue to edge up across the country. Prices from Fonterra's whole milk powder (wmp) auction on March 3rd, for deliveries in May, increased for the first time in 9 months. That's encouraging. While not a substitute for nonfat dry milk, prices for wmp were tracking with most other major commodities, including nonfat powders. That, along with yesterday's announcement by U.S. Secretary of Agriculture Vilsack that the 200 million lbs of surplus nonfat powder that had been purchased over the past 6 months is being removed from the "uncommitted" category and will be incorporated into USDA's food and nutrition programs, should help to keep prices moving upward. The average of the Western "mostly" price for nonfat powder in March appears to have risen to the level where it was in 2006 and, based on current market conditions, should be above that benchmark year from hereon out.

WHEY MARKET COMMENTS: Production and sales of dry whey appear to be nicely balanced. Domestic and export sales are increasing, stocks are said to be more than comfortable, and prices continue to edge up on a weekly basis. The Western "mostly" average price moved up another cent this week, and the rate of increase appears to be increasing. The CME futures market for dry whey shows an 8.5 cent per pound price increase by June. DMN says "the entire market psychology has totally changed from just a month ago." That has a nice ring to it. The market for whey protein concentrate is steady, stocks are mostly committed, but prices may have plateaued for a time as buyers try to gauge future supplies.

FRED DOUMA'S PRICE PROJECTIONS...

March 27 Final: Quota cwt. \$ 11.54 Overbase cwt. \$ 9.84 Cls. 4a cwt. \$ 9.67 Cls. 4b cwt. \$10.45
Last week: Quota cwt. \$ 11.55 Overbase cwt. \$ 9.85 Cls. 4a cwt. \$ 9.66 Cls. 4b cwt. \$10.49

USDA ANNOUNCES PLAN TO USE CCC-OWNED NONFAT POWDER FOR DOMESTIC FEEDING PROGRAMS: *(By J. Kaczor)* Talk about a “win-win” decision! Yesterday, U.S. Secretary of Agriculture Tom Vilsack, with the stroke of a pen, virtually swept away the 200 million lb mountain of nonfat dry milk (nfdm) that began building last October when the Commodity Credit Corporation (CCC) began buying up surplus production. That stock, presently in storage in California warehouses, is costing the federal government close to \$400,000 per month for storage and interest costs. In last week’s *Update*, this stock of product was described as a very big problem blocking significant increases in nfdm prices even after domestic demand strengthens. Elimination of this powder with its mandated sell-back price of \$.88 per lb, now **greatly improves the outlook for price improvement through this year.** That’s the first “win.”

The action taken by Secretary Vilsack essentially transfers ownership of virtually all of the powder purchased by CCC from the “uncommitted” category to USDA’s Food and Nutrition Service (FNS) for use in 15 different domestic feeding programs. Most notable of these is the National School Lunch Program and The Emergency Food Assistance Program for needy people. The nfdm provided by FNS under this action **is supplemental** to the food items presently being provided through their programs, making those programs even more effective. That’s the second “win.”

There’s even a bonus. Because all of the nfdm is in commercial bags suitable for long term storage, most of it needs to be transported, repackaged, in some cases re-processed, and in some cases traded for other products to be used in supplemental feeding programs. This is a massive program. Vilsack’s decision will generate additional business activity well beyond the relatively simple act of transporting more than 4,400 truckloads of product from here to there. That’s the third “win,” for the U.S. economy. USDA’s news release says that products should be moving through the supply chain starting in the spring and continuing through the year.

Credit for this decision should be spread widely. National Milk Producers Federation’s letters, telephone calls, and meetings, as well as those from local and regional producer trade associations, and individual producers, got the attention of the media and Congress. Letters and calls from Congressmen and U.S. Senators followed. All helped to make the case to USDA and to the Executive branch for the need for practical, effective, action.

CLARIFICATION: *(By J. Kaczor)* Last week, we questioned the “*If*” in the following quotation from a report from an interview with the CEO of CWT: “If we can get a significant herd retirement underway, relatively soon...” CWT wishes to clarify the point being made. The question did not pertain to the timing of the next action; it was directed at their concern about bids coming in with unreasonably high estimates of cow values – which would reduce the number of bids CWT would or could approve. The point is now clear, but we hope CWT will not deprive those CWT members who elect to exit the industry of a little something extra, if that’s what it takes, for their ultimate contribution, in order to maximize the help for those who struggle on.

GROWTH MANAGEMENT PLAN CONTINUES TO BE EXPLORED THROUGHOUT THE COUNTRY: *(By Rob Vandenheuvel)* Last Friday, MPC participated in a “Northeast Dairy Summit” hosted by a producer trade association in Vermont – Dairy Farmers Working Together. MPC President Syp Vander Dussen and I attended the summit on behalf of MPC. Also in attendance were industry representatives from the Idaho Dairymen’s Association and Southeast Milk, Inc. (a cooperative with members in Florida, Georgia, Alabama, and Tennessee).

The Growth Management Plan was discussed at length during the summit, with Dr. Chuck Nicholson from Cornell University’s Program on Dairy Markets and Policy presenting their analysis of the program. If you recall, MPC hired Cornell University to analyze the program a couple months ago. Dr. Nicholson’s presentation

last week in Vermont was very similar to the presentation made at the California industry forum last month in Modesto hosted by Western United Dairymen. And like we saw in Modesto last month, the producers in Vermont that I spoke with after the presentation were very intrigued by the Growth Management Plan.

For those of you who may not be familiar with the Growth Management Plan, I'd encourage you to read through the Q&A we published in this newsletter last month (http://www.milkproducerscouncil.org/q&a_gmp.htm). You can also find Dr. Nicholson analysis of the GMP at: <http://www.milkproducerscouncil.org/021909gmp.pdf>. Western United Dairymen has also posted the audio from Dr. Nicholson's presentation at their forum on February 18th, which can be found at: <http://www.westernuniteddairymen.com/feb192009meeting.htm>. If you've got some time, the presentation is worth listening to.

NEW MPC OFFICE OPENED IN BAKERSFIELD: *(By Rob Vandenheuvel)* In addition to our office in Chino, **Milk Producers Council now has an office in Bakersfield!** We are located in the Kern County Farm Bureau Building at 801 S. Mount Vernon Avenue, Bakersfield, CA 93306. The office will be staffed part-time by our Central Valley Representative Betsy Hunter and me. You can contact the office at 661-833-2549.

ONLY A COUPLE MORE DAYS TO SIGN UP FOR MARCH'S MILC PAYMENT: *(By Rob Vandenheuvel)* As I wrote last week, it looks like the March MILC payment will be the highest monthly payment of the year. It is highly recommended that any producer who has not already signed up do so now. Producers have until Tuesday, March 31st to have the paperwork submitted to your local Farm Services Agency office (*Note: that does not mean postmarked – it must be received by FSA by March 31st*). Please contact MPC (909-628-6018) if you need any assistance in filling out this paperwork.

SOUTHERN CALIFORNIA DAIRIES – AQMD'S ANNUAL EMISSIONS REPORT DUE NEXT THURSDAY: *(By Rob Vandenheuvel)* For any dairy that has an air permit in the Chino/Ontario and San Jacinto regions, your AQMD Annual Emissions Report (and of course your fee) is due by **next Thursday** (April 2nd). Any member needing assistance in filling out this report should contact MPC at (909) 628-6018.

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