



Milk Producers Council

13545 S. Euclid Avenue, Unit B ~ Ontario, CA 91762 ~ (909) 628-6018
801 S. Mount Vernon Avenue ~ Bakersfield, CA 93307 ~ (661) 833-2549
Fax (909) 591-7328 ~ office@milkproducers.org ~ www.MilkProducers.org



DATE: July 9, 2010
TO: DIRECTORS & MEMBERS

PAGES: 2
FROM: John Kaczor

MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks +\$.0725 \$1.5275
Barrels +\$.1000 \$1.5000

Weekly Average

Blocks +\$.0796 \$1.5006
Barrels +\$.0811 \$1.4781

CHICAGO AA BUTTER

Weekly Change +\$.0125 \$1.7625
Weekly Average +\$.0151 \$1.7531

DRY WHEY

WEST MSTLY AVG w/e 7/2/10 \$.3863
NASS w/e 7/3/10 \$.3727

NON-FAT DRY MILK

Week Ending 7/2 & 7/3

Calif. Plants \$1.2765 8,083,373
NASS Plants \$1.2816 11,239,692

CHEESE MARKET COMMENTS: It doesn't seem to make sense – the increases in cheese prices on the CME, that is. Senseless or not, the higher prices translate into potentially higher milk prices, which milk producers will accept most gladly. Why might these price increases be called senseless? Because stocks of unsold cheese have been setting monthly record highs for the past seven months, as cheese production continues to increase faster than the increase in sales. This has been going on for more than a year. Since cheese is readily available, why does a succession of buyers go to the CME bidding higher prices to unknown sellers when they can call around to plants in their search for product? That's a question for some University Extension Department dairy economists to study. And, why don't plants that have cheese available respond to those bids? A cat and mouse game, perhaps. Until today, prices advanced on the CME six straight trading days without any trades occurring. According to USDA's latest projection, issued this week, the outlook is for more milk to be produced in the U.S. this year, resulting in another lowering of their price projections. Short term, meaning July through September, milk production per cow should be lower than expected because of adverse weather: high heat in the west and southwest, and heat and humidity in the mid-west and east. CWT's announcement that bids to remove 34,400 cows in July and August should also help to dampen milk output. However, based upon what is presently known, it really looks like the recent strength in cheese prices, while very, very, welcome to producers, is founded more on speculation than fundamentals. However, it's worth noting that the highest price shown for the class III milk futures this year is \$14.84 per cwt (October), which requires an average NASS cheese price for that month to be what is now a reachable \$1.58 per lb.

BUTTER MARKET COMMENTS: This week's average price for butter on the CME is within \$.005 per lb of being the highest it's been since early 2005. The higher prices, which are readily passed through to consumers, are affecting sales. Dairy Market News (DMN) says many buyers are taking a "wait and see" position, meaning purchases beyond immediate needs are not being made because of uncertainties about future prices. It's just a question of price, apparently, not of product availability. Churners also seem willing to allow cream for normal summer usages to go without concern. Futures traders have gotten more confident than earlier this year; prices for August rose to \$1.73 per lb after today's trading, and remain above \$1.60 per lb through January.

POWDER MARKET COMMENTS: The market for nonfat dry milk is weakening. DMN says lower prices, when offered to all, are not getting great response. The weekly average prices for the low volume sold last week, reported by NASS and CDFA (for California plants), got back about what was lost the previous week when sixteen million lbs or so was dumped by Dairy America. Questions again are raised about who benefited most from that dump, and how much of that extra product will back into and affect future sales. DMN says the market tone for nfdm is weakening, partly because exports are slow and exporters are pressing for lower prices. (May's exports will be available next week.) Prices for dry buttermilk held steady in the mid-west but were a bit weaker in the west, although still above levels for nfdm. Prices for dry whole milk held steady for the week, and remain higher than the winning prices this week in Fonterra's global auction.

WHEY PRODUCTS MARKET COMMENTS: Prices for dry whey held steady this week, and the NASS average price for sales made last week rose by almost a full cent per lb. Sales are reported to be slow going into and following the July 4th holiday week, and may remain slow for the summer. Exports also are somewhat lower and price resistance is apparent. The markets for whey protein concentrates and dry lactose also appear to be somewhat weaker, possibly in response to the unsteady market for nonfat dry milk. WPC continues to offer the best prices among all dairy products on a per lb of protein basis.

FRED DOUMA'S PRICE PROJECTIONS...

July 9 Est:	Quota cwt. \$ 15.98	Overbase cwt. \$14.28	Cls. 4a cwt. \$16.01	Cls. 4b cwt. \$13.12
Last week:	Quota cwt. \$ 15.61	Overbase cwt. \$13.92	Cls. 4a cwt. \$15.52	Cls. 4b cwt. \$12.64

CWT APPROVES 194 BIDS TO RETIRE HERDS: *(By J. Kaczor)* On Wednesday, CWT announced the approval of 194 bids involving 34,442 dairy cows. The average production per cow is about 6 gallons per day. Winning bidders will begin to be visited next week to verify the number of cows and milk production records before final approval is given. CWT had said they will not accept any bids which calculate out to more than \$3.75 per cwt of milk, which should be the difference between the value of a cow for beef versus the average value per cow for the entire herd (including dry cows) as milk producers. (Producers keep the money paid by the slaughterhouse.) The cows may all be gone before the end of August. While the net effect of this program was and is debatable, there is no doubt about the immediate effect – few cows producing milk through the summer and into early fall.

PRICES FALL ACROSS THE BOARD IN FONTERRA'S LATEST GLOBAL AUCTION: *(By J. Kaczor)*

For a third month in a row, average prices fell for the whole milk powder, skim milk powder, and anhydrous milkfat offered by Fonterra in its internet auction. Because the opening prices for each product in each product category are set at 15% below the winning prices for the prior auction, and because that was about where bidders believed prices should be, it didn't take much time for the auction to finish. The winning prices for the "spot" month (September) are \$1.55 per lb for whole milk powder, \$1.37 per lb for skim milk powder, and \$2.38 per lb for anhydrous milkfat. It was over in sixty minutes; 111 of the 115 bidders got what they wanted. Fonterra attributed the price weakness to a change in focus by bidders – from concern about future shortages to concern about possible weakness in consumer demand.

The auctions are scheduled to be held twice a month beginning in September. Quantities of product for the month will be split evenly for the two monthly sessions. Next month, dry buttermilk will be added to the line of products offered.

DAIRYMEN URGED TO JOIN THE EFFORT IN ASKING THE GOVERNOR TO VETO SB 1121: *(By Rob Vandenheuvel)*

This past month, SB 1121, introduced by State Senator Dean Florez (D-Bakersfield), breezed through the California legislature, despite opposition from farm groups across the state. The bill, if signed into law, would force employers of agricultural employees to pay overtime wages for hours worked in excess of 8 hours per day or 40 hours per week. Under current law, those thresholds are 10 hours per day or 60 hours per week. SB 1121 now sits on Governor Arnold Schwarzenegger's desk awaiting either a signature or a veto.

The California Farm Bureau Federation has taken a lead in opposing the legislation and has set up a website where individuals can fill in a few spaces and have an email or letter sent on your behalf to the Governor's office urging him to veto the bill. **I strongly encourage all of you to visit this website <http://capwiz.com/cfb/issues/alert/?alertid=15204776>.** There are strong forces trying to force this bill into law, and major papers in the state are urging the Governor to sign the bill. The Governor's office needs to hear from you, your son, your daughter, your parents, your neighbor, and anyone else you can get to send him the loud and clear message that he needs to veto this bill.