

# Milk Producers Council

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## MPC FRIDAY MARKET UPDATE

### CHICAGO MERCANTILE EXCHANGE

Blocks +\$.0275 \$1.3900  
Barrels +\$.0300 \$1.3700

### Weekly Average

Blocks +\$.0520 \$1.3850  
Barrels +\$.0535 \$1.3615

### CHICAGO AA BUTTER

Weekly Change -\$0.0500 \$1.1700  
Weekly Average -\$0.0385 \$1.1815

### DRY WHEY

WEST MSTLY AVG w/e 08/20/09 \$.3200  
NASS w/e 08/15/09 \$.2978

### NON-FAT DRY MILK

#### Week Ending 8/14 & 8/15

Calif. Plants \$.8542 12,707,596  
NASS Plants \$.8684 23,902,764

**CHEESE MARKET COMMENTS:** Prices on the CME continued to increase this week as current production moves lower and demand remains at least steady. The block price is now \$.26 per lb above the old support level. *Dairy Market News* (DMN) reports that buyers seem satisfied that current prices fairly reflect current values despite sizable amounts of product in storage. Prices held ground after Tuesday's report that July milk production did not decrease. Today's report on the amount of cheese in cold storage at the end of July was released after the market was closed. The total amount increased by 80 million lbs over the previous July (but only 10 million above June's level). A similar report a month ago (for June) was taken in stride the following week. Helping out on the demand side, there have been a number of bids for cheese export bonuses approved this week. As schools re-open and the football season begins – it's pizza time!

**BUTTER MARKET COMMENTS:** Although demand for butter remains steady, DMN reports that it is not keeping up with current production. Prices this week on the CME fell four straight days before recovering \$.02 per lb today. The amount of butterfat products in cold storage at the end of July was 17 million lbs more than last July, but virtually unchanged from a month earlier – not too far out of line with where it has been the past three years. DEIP export approvals continue at a fairly brisk rate, earning \$.41 per lb bonuses for butter and \$.48 per lb for anhydrous milkfat. The price decreases for butter over the past several weeks are puzzling; they could be explained by short term concern that current production is heavier than expected and retail sales may not hold through the approaching holiday season.

**POWDER MARKET COMMENTS:** The market for nonfat dry milk continues to be "unsettled" according to DMN analysts. Offers are beginning to be made to the CCC, the first of what is expected to be the majority of what is produced during the 92 day period for the recently increased support prices. The week's price averages remained about unchanged from the previous week. DMN reports that many buyers seem to feel that it's best to buy now at a known price rather than to speculate. The CCC sell-back price for nfdm currently in storage is \$.88 per lb; it will be \$1.012 for the product that is expected to be bought by CCC from now through the end of November.

**WHEY MARKET COMMENTS:** The markets for dry whey, whey protein concentrates, and lactose are reported to be fairly steady. Prices are about where they have been for the past several weeks. The West "mostly" average price remains at \$.32 per lb, and higher than its counterpart in the Midwest. Production and sales of dry whey continues to be well balanced.

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## FRED DOUMA'S PRICE PROJECTIONS...

**August 21 Est:** Quota cwt. \$ 12.15 Overbase cwt. \$10.46 Cls. 4a cwt. \$10.22 Cls. 4b cwt. \$11.29  
**Last Week:** Quota cwt. \$ 12.22 Overbase cwt. \$10.53 Cls. 4a cwt. \$10.53 Cls. 4b cwt. \$11.22

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**JULY MILK PRODUCTION UNCHANGED; COW NUMBERS SHARPLY LOWER:** *(By J. Kaczor)* The milk shortages that some of our industry leaders have been cautioning against still appears to be well beyond reach. Earlier this week USDA released their estimates of milk production for July along with revisions of their report for June. The report showed no change in the total amount of milk produced in June and July, compared with the same months in 2008.

The update for June lowered the number of cows being milked by 8,000 but increased the production per cow by enough to offset the previously reported 0.2% reduction in milk output. The report for July was an almost duplicate of June's. **There were 145,000 fewer cows being milked in July (-1.6%) but the production per cow increased by 38 lbs (+1.6%),** resulting in no reduction in the U.S. milk supply. Weather conditions were definitely a factor, cool and moist in the upper mid-west (ideal for milk production) and hot and dry in the western and southwestern areas. **The total number of cows this July is now only 71,000 more than there were in 2006,** although the production per cow is now averaging 78 lbs more per month (4.7%) than three years ago.

California was reported to have 54,000 fewer dairy cows in July than a year ago and 40 fewer lbs of milk per cow – resulting in a 5% reduction of milk for the month (20 million gallons)! CWT's latest report has 49 California producers leaving production this summer. Eight of the nine highest milk producing states that reduced production during July were in the West.

USDA also released its report on the number of dairy cows culled under federal inspection during July and for the January-July period. A total increase of 205,000 was reported for the seven months this year; about 150,000 of that total can be attributed to two of CWT's herd removal programs, with another 81,000 said to be scheduled for removal by November. The 150,000 cows removed by CWT over the past seven months about equals the difference in U.S. herd size between December and July, 144,000 fewer cows. As to those of our leaders who are concerned about too little milk being produced, they will have to wait a little longer to boast how foresightful they were. And as to those who were condemning CWT's herd removal programs for causing the values of cows to increase, they may want to look at the current values and provide another reason to prolong the much needed rebalancing of supply and demand.

**TIME TO REVIEW YOUR MILC APPLICATIONS:** *(By Rob Vandenheuvel)* It seems like an eternity ago, but back in February and March, all of you signed up for Milk Income Loss Contract (MILC) payments for the 2008-09 fiscal year (which covers October 1, 2008 – September 30, 2009). The next fiscal year starts October 1, 2009, and depending on what you entered on your MILC application earlier this year, your "start month" for the upcoming fiscal year could be any of the next twelve months. *If you didn't enter any month for the upcoming year, by default your start month will be the same month as last years (likely February or March).*

While the milk prices have risen above the levels we saw in March, it appears – according to latest estimates (such as the projections on Cornell University's website: [dairy.cornell.edu](http://dairy.cornell.edu)) – that payments may continue to be available throughout the rest of this year, and possibly into 2010. What that means is that even if you maxed out on your 2.985 million lbs that were eligible to receive MILC payments during this recent fiscal year, starting October 1<sup>st</sup>, the program starts over for you.

For those of you interested in selecting October 2009 as the start month for the 2009-10 fiscal year, the CCC-580M form (which is the form you use to modify your MILC contract) must be filed with your local Farm Services Agency (FSA) office on or before September 14, 2009.

Anyone who isn't sure what their start month is for the 2009-10 fiscal year needs to get in contact with their local FSA office as soon as possible to find out what their start month is. Any members needing assistance with this is urged to call the MPC office at (909) 628-6018.

**WANT TO CUT YOUR WATER BOARD FEES IN HALF? GET YOUR DAIRY CERTIFIED!** *(By Rob Vandenheuvel)* As you all know, in a few months the State Water Resources Control Board will want their 2010 annual fees. For a 1,000 cow dairy, that means cutting a check to the Water Board for more than \$1,800. For a 1,500 cow dairy, it's more than \$3,800, and for a 3,000 cow dairy, it's more than \$6,100!

For those of you that didn't already know, there is a way to get that fee reduced. **Any dairy that is "certified" under the California Dairy Quality Assurance Program (CDQAP) automatically gets their fee cut in half.** This certification includes attending two separate three-hour courses on water quality (and for Central Valley dairies, an additional two-hour course on air quality). In addition, your dairy must pass an on-site evaluation.

To allow dairies to take advantage of this discount for the coming year, CDQAP has scheduled two opportunities next month to take the courses. The first opportunity will be in Modesto, where the air quality course will be held on the morning of **September 1<sup>st</sup>** and the water quality courses will be held on the mornings of **September 15<sup>th</sup> and 22<sup>nd</sup>**. The second opportunity will be in Tulare, with the air quality course scheduled for the morning of **September 2<sup>nd</sup>** and the water quality courses on the mornings of **September 17<sup>th</sup> and 24<sup>th</sup>**. For specific details on times and locations, check out CDQAP's flyer: <http://www.milkproducerscouncil.org/2009cdqapcertif.pdf>.

**For dairies located in Southern California** who are interested in taking the class, you can either attend the classes in Tulare or Modesto, or you can let MPC know you'd like to attend a class in Southern California. **CDQAP staff have indicated they are willing to host a series of classes in Southern California**, but they want to be sure there will be sufficient interest to make it worthwhile. **ANY dairy in Southern California interested in attending a CDQAP certification class should contact MPC immediately.** Please call (909) 628-6018 and let Debi know you are interested. If we can accommodate a class, it will likely be held in October.

**ATTENTION CENTRAL VALLEY DAIRIES – FEDERAL FUNDS AVAILABLE FOR DEVELOPING AND IMPLEMENTING YOUR WASTE MANAGEMENT PLANS:** *(By Rob Vandenheuvel)* Another grant has become available for dairies interested in getting federal funds to help Central Valley dairies pay for the development and implementation of their Waste Management Plans (WMP). As you all know, over the next year each facility in the Central Valley will need to develop a WMP as part of your compliance with the new water quality regulations. The WMP, which must be submitted to the Regional Water Board by July 2010, requires the expertise of a registered civil engineer to develop and certify the plan. Upon approval of the WMP, there may also be facility improvements needed to implement the plan.

USDA's Natural Resource Conservation Service (NRCS) recently announced that nearly \$6 million will be available this year to help dairies pay for the preparation and implementation of these WMP's. The funding is available under the Agricultural Water Enhancement Program (AWEP).

The deadline for submitting an application to your local NRCS office is August 28<sup>th</sup>, so you need to act soon. For those of you interested in applying for these funds, please contact MPC's Central Valley Representative Betsy Hunter at (661) 205-6721 or contact your local NRCS office. You can also find the application on our website at: [www.milkproducerscouncil.org/2009awepapp.pdf](http://www.milkproducerscouncil.org/2009awepapp.pdf).