

Milk Producers Council

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MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks -\$1.900 \$2.0100
Barrels -\$0.0625 \$2.0175

CHICAGO AA BUTTER

Weekly Change -\$0.0525 \$1.3200
Weekly Average -\$0.0192 \$1.3550

NON-FAT DRY MILK

Week Ending 11/23 & 24

Calif. Plants \$1.8862 4,137,214
NASS Plants \$1.8903 8,827,484

Weekly Average

Blocks -\$0.0578 \$2.1255
Barrels -\$0.0515 \$2.1115

DRY WHEY

NASS w/e 11/24/07 \$0.4460 WEST MSTLY AVG w/e 11/30/07 \$0.4425

CHEESE MARKET COMMENTS: The all-time record high price for block cheese of \$2.2025 per lb that was reached on the CME on Monday lasted only until Thursday when the price plunged 19.25 cents per lb. It looks like it was a collective decision. No sales were involved, only 3 uncovered offers. Barrel prices followed down today with a loss of 11 cents. These 2 single-day price drops also set a record. You read it here before: **the CME is a thin market**, and can undergo **sharp** changes **instantly**. Even though price changes like these are highly disruptive and immensely costly, today's prices correct the recent wide spreads between blocks and barrels, and could help to stabilize the market because **the fundamentals continue to support strong cheese prices**. That does not mean additional price decreases will not happen, but because cheese production continues to track closely with cheese consumption, inventories remain under control and buyers need to remain in the market.

BUTTER MARKET COMMENTS: The strong holiday buying period has ended and buyers are now "assessing" their future needs. At the same time, butter production remains heavy as surplus cream shifts back to the churns. Prices on the CME this week continued to edge downward. \$1.32 butter on November 30th, with a heavy overhang in storage, is better than what could be expected. No mention was made this week by USDA on how much butter is being exported.

NONFAT DRY MILK: The Central region "spot" price dropped to \$1.815 per lb this week, the Western price to \$1.835. The California plant average (CWAP) last week fell by another 1 cent. Sales are being reported as low as \$1.73 per lb. **The CWAP has now plunged 20 cents per lb in just 6 weeks. That's the equivalent of \$2.00 per cwt for milk.** The CWAP sales volumes recently fell to their lowest levels in 2 years, while production is increasing. Yes, that means inventory levels are climbing and Dairy Market News (DMN) reports that some product, already sold, is being resold to clear away excess product. **[Historical note:** while nfdm inventories have been higher than last year's levels since July, they are still a third lower than they were just 2 years ago and an astounding 82% lower than 3 years ago.] The continuing reliable reports about the tightness of worldwide nfdm supply makes it ever more difficult to understand the sudden turn-about in prices for this widely traded major dairy commodity. We are attempting to get a sense of what is happening from the major seller of the product. When we get a response, we will pass it along.

WHEY MARKET COMMENTS: The market for dry whey **seems** to be firm, according to DMN. Exports continue to be the bright spot. However, some domestic buyers, having been "burned" by contracted volumes and prices this year, are said to be holding back from commitments for next year. That's o.k. Better to be safe than sorry. The product should be available when it is needed, and then prices may be higher than now. Prices for concentrated whey products continue to be on the weak side, although still about 50% higher than last year. Lactose (surprisingly) and whey permeate (not surprisingly) continue to be the bottom feeders in this market. Apparently this year's **price volatility** for lactose has taken a toll on export demand, and **price levels** on domestic demand.

FRED DOUMA'S PRICE PROJECTIONS...

Nov 30 Final: Quota cwt. \$21.95 Overbase cwt. \$20.25 Cls. 4a cwt. \$20.86 Cls. 4b cwt. \$19.74

**** Last weeks CDFA announcement on the new class 4a and 4b formulas are not effective until December, but if they were in place in November these would be the prices:*

Quota cwt. \$21.47 Overbase cwt. \$19.77 Cls. 4a cwt. \$20.67 Cls. 4b cwt. \$18.86

REQUEST MADE TO RECONSIDER RECENT HEARING DECISION: *(By J. Kaczor)* On November 27th, Western United Dairymen sent a formal request to the California Department of Food and Agriculture (CDFA) to reconsider its decision to remove the whey component from the formula for determining the level of minimum prices for milk used to produce cheese in California. The essential reason for this request is a belief that CDFA abused its authority in making a change to the pricing formula that was not supported by testimony or evidence in the hearing and which does not comply with important statutory standards. If that complaint sounds familiar, you **have** been paying attention to CDFA's actions, attitudes, and positions on major dairy industry issues of interest to producers throughout this year. It might be worth referring back to the November 2nd edition of this Update to again read the article headed "Comments on the California Hearing Process" which laid out a reasonable case for reforming the hearing process, if not the hearing panel members.

MANAGERS NOTE *(By Rob VandenHeuvel): MPC strongly supports Western United Dairymen's request for reconsideration of this hearing decision, and has informed CDFA of our support. This is a major issue with huge financial implications for California dairy families. All of you should have received a news alert yesterday from MPC requesting a "Call for Action." I encourage each of you to write CDFA Secretary A.G. Kawamura and Governor Arnold Schwarzenegger and let them know of your opposition to this unjustified slashing of producer revenue.*

NOVEMBER'S CHEESE AND BUTTER-POWDER MILK PRICES: *(By J. Kaczor)* November's minimum milk prices for 4a and 4b usage classifications were reported today. Class 4a is \$20.66 per cwt, down \$.76 from October; Class 4b is \$19.75 per cwt, up \$2.00 from October. These high prices may be the last for a long time. Indications for December are to anticipate sharply lower levels because of the crash in nonfat dry milk prices, the softening of butter prices, the correction in cheese prices, the removal of current whey values from the 4b formula, and the increases in make allowances and sales price adjusters -- all of which remove value from about 85% of California-produced milk.

A COLUMN WORTH READING ON IMMIGRATION *(By Rob VandenHeuvel)* In the October 2007 *California Political Review* magazine, an opinion column was written by "Joe California Farmer" on the issue of agriculture and immigration. The ag community in the United States is facing its most serious threat in recent history as many "pro-business" conservatives are ignoring the economic and labor needs of this country and refusing to support a reasonable immigration policy that provides an adequate workforce on American farms and other key industries. I've attached the article below. *(One note on the article: the author references the Department of Homeland Security's enforcement regulations that were planned earlier this Fall. As you may know, a judge has temporarily blocked that program since then.)*

Americans Won't Do These Jobs

By "Joe California Farmer"

California Political Review, September/October 2007 issue

I have been a conservative Republican my entire adult life. I don't know that I have ever voted for a Democrat. But I am very concerned about the current attitude of my fellow conservatives. For me the immigration debate is not simply a political policy argument. The outcome of this debate has make-or-break consequences for my livelihood. I am a California farmer. Most people, unfortunately including my fellow conservatives, have no idea about the fragility of the economic foundation upon which huge segments of American agriculture is based.

Most farming operations require a significant amount of manual and low-skilled labor. In my own case, I have about a dozen employees. They have been with me for, in some cases, up to 20 years. When I hired them, I checked their documents, I made copies of them and filled out the I-9 form from the Immigration Service. I put it in the file and the guys went to work. These are family men. They have wives and children who go to school.

These men go to church, they have cars and bank accounts, a couple even own homes and they pay taxes, both to the state and federal governments. But I suspect they are not here legally. I have suspected it for some time, because every year the Social Security Administration sends out “no match” letters. These letters inform me that the Social Security number listed on the employee’s w-2 form does not match the name of the person to whom the taxes are being attributed. I am under no obligation to do anything other than check my records to see if I have correctly transmitted the information I have. This I do, but the discrepancies continue. So what should I do? Fire all these guys? Who is going to do the work? There is not a replacement labor supply available.

My story is typical. I would love to have a legal labor supply, but there is no prospect that I can get one. Americans will not do the jobs that we need filled. I tested this out some years ago, when my operations were smaller. I had a college student working for me who was graduating and moving on. This person was attending a large agriculture college nearby. I listed my job opening at the college and found about a half dozen ag students interested in the job, but when they learned that it involved night and weekend work, as well as some bending over, they all declined. It wasn’t the pay, it was the work. So I hired an immigrant.

The homeland Security Department has recently announced that within the next few weeks they will be implementing regulations that will require employers to fire employees with “no match” Social Security numbers. This action will cause chaos in the farming community which will spill over in unpredictable ways to the rest of society. Produce will rot in the fields, cows will go un milked and unfed. Fruit will wither on the vine and deliveries to American grocery stores will be greatly disrupted.

Furthermore, one wonders if the terminated employees, numbering into the millions, will fade peacefully into the sunset. I can assure you, no Americans will be clamoring to take these now open positions. Foreign firms may be excited to send replacement food supplies into the United States. Food will flow to money and Americans will pay whatever is necessary to be fed, but how will such a policy benefit America? Conservatives are thoughtful people, but the immigration debate does not appear to be driven by a rational evaluation of facts.

Immigrants come to America today for the same reason people have always come to America: they seek a better life. You and I would do the same if we were somewhere else. America needs these workers. U.S. agriculture cannot exist without immigrant labor and the amount of legal immigration allowed under current law is nowhere close to adequate to supply the labor demand.

The one glimmer of hope I have seen stems from legislation, called the AgJobs bill, that some courageous senators are pushing in Congress. It would issue employees like mine a “blue card” that would enable them to keep working in agriculture and give them an opportunity, over many years, to earn a normalized immigration status. I can hear howls about “amnesty.” Call it what you want, but conservatives should be about common sense problem solving, not name calling. We have a problem in this country. We need to solve it. Throwing huge segments of our society into chaos is not smart and is not necessary.

“California Political Review” is a bi-monthly magazine with numerous columns discussing current political debates in California. For more information, their website is www.cppf.us.

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