



Milk Producers Council

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FROM: John Kaczor

MPC FRIDAY MARKET UPDATE

CHICAGO MERCANTILE EXCHANGE

Blocks +\$.0275 \$1.6025
Barrels +\$.0350 \$1.5600

CHICAGO AA BUTTER

Weekly Change +\$.0250 \$1.8000
Weekly Average +\$.0180 \$1.7910

NON-FAT DRY MILK

Week Ending 7/16 & 7/17

Calif. Plants \$1.1909 8,465,211
NASS Plants \$1.2335 14,938,814

Weekly Average

Blocks +\$.0435 \$1.5970
Barrels +\$.0265 \$1.5465

DRY WHEY

WEST MSTLY AVG w/e 7/16/10 \$.3850
NASS w/e 7/17/10 \$.3615

NOTE: Due to an overwhelming level of spam, MPC has changed our email address. Our new address is office@milkproducers.org. Please make the change in your address book for future reference. Thank you.

CHEESE MARKET COMMENTS: Cheese prices on the CME withstood two potentially damaging reports this week: the unexpectedly large increase in June milk production on Tuesday and a somewhat disappointing cold storage report on Thursday. Prices for both styles posted solid gains, all of which occurred without sales. Sellers did finally return on Thursday and Friday, but prices remained at their highs for the week. Dairy Market News (DMN) reports that “appreciably lower” current milk production (and milk components) has tightened cheese output, at least in some parts of the country. The combination of higher cheese prices and lower prices for some products used for vat fortification should help boost production, but the high price for butter could act as a deterrent. The report of more American cheese in cold storage at the end of June (compared to the prior month) was tempered by lower amounts of Swiss and other natural cheeses, and had no apparent effect on the market. About seventy percent of American cheese is cheddar, and much of that is being held for aging. A plausible rationale for ignoring higher inventories is that the cheese market is growing in all its facets and higher inventories are to be expected. There’s logic to that reasoning, but producers are looking for reasons to get excited about a tightening of supply and demand. Fewer imports and higher exports are helping that goal to come closer.

BUTTER MARKET COMMENTS: The report on the lower amount of butterfat products in cold storage on June 30th, seven percent below May and twenty-five percent below a year earlier, provided solid evidence that the butter market is firm. Current butter production is falling, in part because cream is being bid away from churns. According to DMN, buyers do not foresee a shortage of butter later this year, in part because retail sales have begun to slow as prices rise. Helping to keep the global balance under control is the report this week that virtually the entire stock of butter held in government warehouses in Europe was sold. With a purchase of one truckload on Thursday, the butter price on the CME touched \$1.80 per lb, a level not seen since late 2004.

POWDER MARKET COMMENTS: The market for nonfat dry milk is unsteady and uncertain. DMN reports that many buyers are looking for, and expect, prices to be lower at least sometime this year. Reasons include higher milk U.S. milk production, New Zealand’s projection of higher milk production, Europe’s very large government-owned inventory, uncertain global demand, current U.S. inventories, and some continuing re-sales. Prices reported this week for sales last week were steady for current sales reported to NASS and about \$.04 per lb lower for sales made by California plants. Better outlooks for buttermilk and whole milk powders, with steady demand and relatively tight supplies. However, prices for buttermilk powder are reported to be weakening in the west because of California nfdm prices, some of which this week were at the \$1.08 per lb level.

WHEY PRODUCTS MARKET COMMENTS: The market for dry whey is generally steady, with production keeping pace with cheese production and domestic and export sales clearing plants readily. Prices reported to NASS for sales made last week were about unchanged; the average of the Western “mostly” price edged lower by

a fraction of a cent. DMN is finding brokers and export buyers sense lower prices, perhaps soon, because of the general weakness and uncertainty surrounding the market for nonfat dry milk. Buyers of whey protein concentrate prices are said to expect prices to weaken (as for other dry dairy protein products) but has not yet happened.

FRED DOUMA'S PRICE PROJECTIONS...

July 23 Est:	Quota cwt. \$ 15.98	Overbase cwt. \$14.28	Cls. 4a cwt. \$15.68	Cls. 4b cwt. \$13.37
Last week:	Quota cwt. \$ 16.06	Overbase cwt. \$14.37	Cls. 4a cwt. \$16.03	Cls. 4b cwt. \$13.31

MILK PRODUCTION IN JUNE INCREASES BY 2.4%: *(By J. Kaczor)* USDA has updated its data for the first five months this year relating to milk production. Production per cow per month was virtually unchanged but more cows were found for each month, along with a little more milk. The net increase in number of cows for May was 8,000; production per cow was 1 lb higher; milk production was adjusted upward by 29 million lbs. Those adjustments should not be considered large, but they're important for those who manage industry models which track how milk producers respond to everything that did, does, or could affect their futures.

June's report shows 11,000 cows were added by the beginning of the month, production per cow per day decreased by 0.5 lb, and milk production per day decreased by 4.6 million lbs. Total production for the month was 400 million lbs more than a year earlier, an increase of 2.4%. The number of cows has now increased each month over the prior month since December, and the rate of expansion has been increasing since March. Also steadily increasing is production per cow. Last year, the ideal weather for milk production in the Midwest was off-set by dismal milk prices and the monthly increase in production per cow for the first six months of the year averaged only 11 lbs. This year, despite less than ideal weather, the increase from January to June in production per cow averages 49 lbs, and has risen from +30 lbs in January to +64lbs in June. Average production per cow for June, 1,790 lbs, was a record high for the U.S.

An increase in milk production over last June was expected, but its size is almost twice that projected by most forecasters. That was a surprise, but not necessarily a disappointment, according to DMN. Here's the math: 1.27% fewer cows (108,000 fewer) and 3.71% more milk per cow (64 lbs) equals 2.44% more milk. Likely reasons include lower feed costs and higher milk prices. Looking ahead to the report for July, very hot weather in the West and hot and humid weather in the Midwest and East (which continues through today) should effect production per cow, but the growth in number of cows is expected to continue. CWT's herd retirement program, just getting underway, may shave a few thousand from the increase in July and could almost flatten the growth in August. We'll see.

The five Western and six Midwestern states, reviewed in earlier articles here, continue to perform almost identically. Combined, they represent 71% of the milk produced by the 23 largest milk producing states and 66% of all milk production. In June, the Western states added a total of 4,000 dairy cows; the Midwesterners added 3,000. Production per cow, compared to May, was down by 0.9% in the West and down by 0.1% in the Midwest. The total increase in number of cows since last October in the five Western states was 10,000 and 8,000 in the six Midwestern states. All other states added 8,000 cows over that period.

Compared to May, California added 1,000 cows in June (the first such increase in more than a year); daily production per cow was 0.8 lbs lower; and daily milk production was 1.1 million lbs lower. Compared to a year ago, California had 54,000 fewer cows, production per cow was 80 lbs higher for the month, and total milk production was 114 million lbs higher (+3.5%).

MPC PARTICIPATES IN A WIDELY-ATTENDED INDUSTRY MEETING TO EXPLORE LONG-TERM DAIRY POLICY OPTIONS: *(By Rob Vandenheuvel)* As I've mentioned in previous newsletters, MPC is part of a coalition funding an economic analysis and modeling of both the "Dairy Price Stabilization Act" (which is now H.R. 5288 and S. 3531) and the National Milk Producers Federation's policy proposal entitled, "Foundation for the Future." This modeling work is being done by Dr. Mark Stephenson (University of Wisconsin) and Dr. Chuck Nicholson (Cal Poly SLO).

This past week, 55 individuals from 30 different organizations, representing tens of thousands of dairy farmers across the country, met in Chicago to hear from the economists and discuss their initial findings. While Drs. Stephenson and Nicholson still have more work to do before publishing a final report, the meeting gave the group a great opportunity to interact with the economists and get some preliminary results from the model. Those results will be released when the work is compiled in a final report, due to come out in early September. So stay tuned...

REMINDER: DAIRYMEN URGED TO JOIN THE EFFORT IN ASKING THE GOVERNOR TO VETO SB 1121: *(By Rob Vandenheuvel)* This past Tuesday, SB 1121 – which would mandate that farm workers receive overtime pay for hours worked over 8 hours per day or 40 hours per week – was officially “enrolled” and sent to the Governor’s desk to be either signed or vetoed. The Governor has 12 days to either sign or veto the bill. If no action is taken by the Governor in the next 12 days, the bill becomes law.

As I’ve mentioned in the past couple newsletters, 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. If you haven’t already done so, **I strongly encourage all of you to visit this website and send in your message as soon as possible** (<http://capwiz.com/cfbf/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.

ANIMAL WELFARE WORKSHOP SCHEDULED IN CHINO ON AUGUST 18 & 19: *(By Rob Vandenheuvel)* Earlier this year, the California Dairy Quality Assurance Program (CDQAP) conducted workshops throughout the Central Valley to educate dairy farmers on a new national industry program called the National FARM (Farmers Assuring Responsible Management) Program. While the FARM program is a national initiative, California cooperatives and creameries have taken the lead in implementing the program here in our state. Later this year, the first step of the program will begin, with your coop staff conducting a walk-thru of your dairy.

The point of the CDQAP workshops is to prepare dairymen for what the program will mean for your dairy. **I strongly encourage all dairies to send a representative to the meeting to learn more about this program.** A flyer is being mailed out to dairymen with the details of the workshop (*it’s posted at www.milkproducerscouncil.org/aug10farm.pdf*), but Part I of the workshop is scheduled for **1 – 4 pm on Wednesday, August 18th**, and Part II is scheduled for **9 am – 12 pm on Thursday, August 19th**. The meeting will be held in Brinderson Hall at the Chino Fairgrounds (*5410 Edison Avenue, Chino, CA 91710*).

This is not just for Southern California dairymen. If you are in the Central Valley, and missed your opportunity to go to a closer workshop, you’re encouraged to come attend this one. CDQAP would like to know how many folks are planning to attend, so **please RSVP for the meeting by calling the MPC office at (909) 628-6018 or send an email to office@milkproducers.org.**

AN OUTSTANDING COMMENTARY ON DAIRY FARM LABOR FROM IOWA DAIRYMAN DARIN DYKSTRA: *(By Rob Vandenheuvel)* In the July 20th edition of “The CommStock Report,” editor David Kruse included an email written by Iowa dairyman (and former California dairyman) Darin Dykstra. The email addresses the issue of dairy farm labor and its place in the discussion over our nation’s immigration policy. It’s been printed below, and I encourage everyone to read it closely:

Email from Iowa dairyman Darin Dykstra, as printed in the July 20th edition of “The CommStock Report”:

“When I read your commentary for today, I thought I should respond and let you in on what my experience is being a dairyman. First, I know of no dairymen or dairywomen that pay their employees minimum wage.

Here, I start my employees at \$9.58/hr and after 3 months, if they are still here, they get a \$340 bonus and I buy them health insurance that costs me anywhere from \$150-180/month. Some of my upper management employees (5 of them) have the same family coverage that I do, which costs around \$500/month. All employees also get 10 days paid vacation. I have 1 white/American born employee and 31 Latino employees.

“I give tours of the dairy to 20-30 groups (some numbering over 50) each year that range in age from kids to retired people. I’m willing to give up some bio-security on the dairy in order to educate people on where the dairy products they consume originate from and also show them how much we care about what we do. One of the subjects the older generation seems to always bring up is the fact that there are Latinos milking the cows. I usually tell them what was said in the previous paragraph and engage them in some (hopefully) educational discussion.

“The fact is that most people don’t understand that I and several other dairy owners (in northwest Iowa) have tried to hire white/American workers and it has, so far, turned out the same way every time. In April of 2009, we had 2 sets of Latino brothers that actually came to blows in the milking parlor. We had to fire 3 of the 4 immediately. We put out an ad on the Iowa Workforce Development web site and got a quick response from about 5 people. They either called or came to the dairy and we hired 3 of them. Two of them were 21-22 year old young men that were quite hungry for work. The other was a 45 year old man that had milked several years earlier at a 200-300 head dairy. One of the 20 year olds never even showed up the day we told him to and the other lasted for 2 days and could not get out of bed on the third day. The 45 year old made it through 1 shift and called it quits. I asked him when he picked up his check why it didn’t work out for him and he said it was a lot different than what he remembered from his previous milking job. He said he just couldn’t keep up. It was an honest answer that I appreciated. We also called back to the other people that had inquired about the job, but never got a response back.

“I can’t tell you about all the conversations I’ve had with dairy owners about labor on our dairies. And it is not just the big dairies having the problem; it is 50-80 cow dairy people also. One dairy manager told me how a 16 year old boy they employed was to start his milking shift at 4 PM and how his mother called her 15 minutes before his shift and said he would not be able to come in to milk because he had been at the lake all day and was sunburned, hot and tired. Smaller dairy people are also dealing with less and less willing high schoolers/college kids willing to milk cows.

“Which leads me to the question: How much would we have to pay American workers to do the jobs on our dairies that need to be done every day, 24 hours per day? Our buddy [U.S. Congressman] Steve King has talked a lot about slowly rounding up all the illegals and shipping them out and that it would be good for America because wages would increase and we wouldn’t have to pay for all the services that they are using for free. He has even suggested the 2 million people in prison should be doing our farm labor because of our shortage. Wow, I would be so excited to work with them. They would make ideal milkers! My wife would be thrilled to have them around too! All mockery aside, there is no doubt that the immigration/illegal problem exists and it needs to be fixed. But if Americans enjoy the abundance of meat, eggs and dairy products they can buy in our stores, then we certainly need willing and able-bodied people doing the work it takes to get it to the store shelves.

“One last talking point. All of the workers on these dairies do pay taxes! I know of no one that pays cash to any of their workers. That would truly be insane and impossible (book keeping, IRS and tax wise). Remember, none of the illegals that are paying into Social Security will ever benefit from it. Americans are being told every day, that employers are benefiting from cheap labor and illegals don’t pay taxes. All Americans benefit from the work that gets done to put food in front of them. We need a reliable and stable workforce for agriculture, plain and simple. Most Americans will not do the dirty, smelly, monotonous jobs that are a part of agriculture.”