

# Milk Producers Council

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## MPC FRIDAY MARKET UPDATE

### CHICAGO MERCANTILE EXCHANGE

Blocks -\$0.0550 \$2.2300  
Barrels -\$0.0500 \$2.2000

### Weekly Average

Blocks +\$.0415 \$2.2525  
Barrels +\$.0600 \$2.2250

### CHICAGO AA BUTTER

Weekly Change -\$0.0100 \$1.4800  
Weekly Average -\$0.0200 \$1.4750

### DRY WHEY

NASS w/e 5/24/08 \$.2769 WEST MSTLY AVG w/e 5/29/08 \$.2800

### NON-FAT DRY MILK

Week Ending 5/22 & 5/23

Calif. Plants \$1.3209 14,449,206  
NASS Plants \$1.3144 20,837,870

**CHEESE MARKET COMMENTS:** After climbing to an all-time record high of \$2.285 per lb last Friday, prices for Cheddar blocks gave up 7.5 cents on Thursday. Friday's trading gained some of that back. The supply/demand balance for cheese is close, says Dairy Market News. It's beginning to look like the good dairy story of 2007 is becoming the good dairy story of 2008. "The story" being the fact that cheese manufacturers, despite every reason to increase their output, have been instead producing for the known market. This keeps inventories at levels close to or even below year-earlier levels, thereby keeping buyers on notice, and a little concerned. Cheese exports in the 1<sup>st</sup> quarter of this year totaled 27 million lbs more than last year, but DMN reports that orders for export are slowing as U.S. prices approach international levels. If past patterns are repeated, look for price corrections to approach \$1.85 per lb. Class III futures prices on the CME have softened a bit but are still above \$20.00 per cwt for the June-November months.

**BUTTER MARKET COMMENTS:** Butter production continues on the heavy side, even though cream for soft and frozen product usages continues to absorb a good part of the surplus. DMN reports that there are signs that the heaviest orders for butter exports may be all but over, although that volume through this Summer is expected to remain above last year's level. Butter stocks continue to creep up despite heavy domestic and export demand. The key consideration for continuing heavy U.S. export volume is how much product will be available this year in Europe and New Zealand, and the continued weakness of the U.S. dollar. So far, it looks good for U.S. prospects on both counts.

**POWDER MARKET COMMENTS:** Production of nfdm and skim milk powders continues to be very heavy, but there appears to be more overall demand than supply at the present time. That's hard to figure, considering that inventories continue to climb month by month. DMN reports the market as "steady to firm". Average prices are moving up. The California plant weekly average price last week increased for the fourth week in a row, and remains slightly higher than the national price. Production and sales of whole milk and buttermilk powders are also increasing. Prices for the export market and domestic usage seem to be converging; export prices coming down, domestic prices moving up. The two markets seem disconnected – by a time period of two to three months, and possibly something else. Data on April's exports will be available on June 10<sup>th</sup>.

**WHEY MARKET COMMENTS:** The reports this week on whey products are confusing. DMN reports that prices are steady, and they are – and are well below last year's levels – and yet exporters are resisting current prices. It seems that everybody has turned away from dry whey, and whey protein concentrate is not getting much respect either. The CME futures prices for dry whey linger at 29 cents through July, and guess-work for later months doesn't add much to the outlook. Whey prices in Europe have shown some strength, which could help the U.S. export situation, but not necessarily the level of prices.

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### FRED DOUMA'S PRICE PROJECTIONS...

June '08 Est	Quota cwt. \$19.72	Overbase cwt. \$18.02	Cls. 4a cwt. \$15.43	Cls. 4b cwt. \$20.57
May 30 Final	Quota cwt. \$18.49	Overbase cwt. \$16.79	Cls. 4a cwt. \$15.19	Cls. 4b cwt. \$18.66

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**USDA'S REPORT OF AGRICULTURAL PRICES FOR MAY:** *(By J. Kaczor)* For whatever it is worth, USDA reports that the milk-feed price ratio continues to fall as selected feed cost increases outpace the increase in the national average milk price. The ratios from January to May are 2.66, 2.36, 2.07, 1.89, and 1.83, which means that the purchasing power of the price for a cwt of milk has been steadily declining when it comes to buying a given amount of feed. However, it has been pointed out to me, quite correctly, that it does not necessarily mean that your gross margin is steadily decreasing because **ratios of costs and prices** lose their meaning as the **levels of the costs and prices** increase by significant amounts, which they have. Also, the national numbers for feed inputs lose their relevance when you consider that a typical feed ration can contain a combination of as many as ten different ingredients which presumably are being continually evaluated, some of which may have been home-grown, and some of which may have been purchased at various times over the past nine months – and the national numbers are just averages anyway. I think I have my answer.

**RECOMMENDED READING:** *(By J. Kaczor)* Among the many dairy industry forecasts and outlooks that are published each month, there is one in mind that stands out from the others. Ken Bailey's Dairy Outlook contains a lot of original thinking and is worth the time for those of you who would like to get a well-rounded, objective, discussion of what may lie ahead for the industry. His monthly update of projected income over feed costs (IOFC) based on Penn State's dairy farm usage of feed and the futures markets for milk prices and feed components should be of interest to all producers. Give it a look. The Dairy Outlook can be accessed at <http://dairyoutlook.aers.psu.edu/>.

**DEADLINE SET FOR LIVESTOCK INDEMNITY PROGRAM:** *(By Rob VandenHeuvel)* Many of you have already filed the paperwork for the Livestock Indemnity Program (LIP), which is run by the Farm Services Agency (FSA). This is the program that compensates dairies for the animals that died during designated disaster events. This past week, FSA announced that dairies have until **July 18, 2008** to submit their applications. Any applications submitted after that day will be disqualified.

If you have not prepared your LIP forms yet, and would like assistance from MPC, please call the office at (909) 628-6018.

**REMINDER – CDQAP WORKSHOP NEXT TUESDAY:** *(By Rob VandenHeuvel)* As our Central Valley Representative Betsy Hunter wrote in last week's *Update*, the California Dairy Quality Assurance Program (CDQAP) will be hosting their free workshop aimed at getting dairies “environmentally certified.” Any dairy that wishes to receive this certification **must** attend a CDQAP workshop.

Once you are “environmentally certified”, you can receive up to a 50 percent discount on your annual fees to the Regional Water Board. If you have any questions, you can find more information on our website (<http://www.MilkProducersCouncil.org/060308cdqap.pdf>) or you can call Betsy at 661-205-6721.

**“CARES REPORT” FOR MAY POSTED ON MPC’S WEBSITE:** *(By Rob VandenHeuvel)* As always, the monthly column published by the Community Alliance for Responsible Environmental Stewardship (Dairy CARES) can be read on our website at <http://www.MilkProducersCouncil.org/053008cares.pdf>. This month’s column discusses the importance of utilizing sound science as we work with local legislators and regulators in developing the policies that govern the California dairy industry.

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