

# PREMIER PRESS

AUGUST 2011

## PMI Directors Meeting

PMI's directors met via conference call on August 4<sup>th</sup>. Board actions included the approval of PMI's support and enrollment in CWT for the years 2012-13 at a level of \$0.02/CWT to assist in dairy product exports. The board also approved the development of PMI's own self-generated scoring program related to and in accordance with the FARM inspection program. Starting in 2012, Rick Hedrick, who is a certified FARM program inspector, will make inspections for the FARM program and for PMI member's scores. PMI's scores will only be used internally as a tool to enhance understanding of the FARM program and to insure member compliance. Other discussion items included NMPF's Foundation for the Future, PMI quality review, and other industry affairs.

## CDL Rumor

The U.S. Dept. of Transportation has clarified a misunderstanding of farmers needing Commercial Driver Licenses (CDL's) for driving agriculture equipment on public roads. Deputy Secretary John Porcari stated that the DOT is not proposing any changes that would require any such thing, nor did they ever intend to require farmers having CDL's when driving any agriculture equipment on public roads. The rumor started when one Midwestern state misinterpreted some language concerning crop leasing.



## Premier Milk Inc.

1531 SE 36th Avenue, Suite D  
Ocala, Florida 34471

Phone: (352) 433-2527

Fax: (352) 433-2547

[www.premiermilk.org](http://www.premiermilk.org)

[info@premiermilk.org](mailto:info@premiermilk.org)

## Foundation for the Future

Foundation for the Future (FFTF) is a program designed by members of National Milk Producer Federation (NMPF). Directors from member cooperatives, along with NMPF staff developed this program over the course of the last two years to its current status. Still a work in progress, FFTF has three major components:

**1. Dairy Producer Margin Protection Program (DPMPP)** – This is a program designed to help protect your farm's margin between milk price and feed cost. "Margin" is determined by subtracting the average U.S. feed cost from the U.S. all-milk price. A cash payment from the government will kick in when the margin dips below \$4.00/CWT. This cash payment will be the difference between the targeted \$4.00/CWT and the actual calculated margin below \$4.00/CWT. This payment will be paid on 75% of your milk production base. Each individual dairy can also purchase up to an additional \$4.00/CWT in margin above the \$4.00/CWT level. This allows for up to \$8.00/CWT in potential margin insurance. This additional margin protection will be the difference between the calculated margin that is above \$4.00/CWT and the target level of the additional margin purchased. This additional margin will be paid out on 90% of your milk production base. Your milk production base is the highest annual milk production in the last three years. The key in this program is to know and understand the relationship between your mailbox price and the U.S. all-milk price and the relationship between your feed costs and the feed cost calculation. To make an intelligent decision, you must know your margin between your own feed costs and your own mailbox price.

**2. Dairy Market Stabilization Program (DMSP)** DMSP is a program designed to function when supplies are too great and margins have decreased. This program will provide a temporary incentive for all dairies to cut back milk production. This program kicks in when the margin (U.S. all-milk price minus feed cost calculation) goes below \$6.00/CWT for two consecutive months. If your milk production has increased over your base production level, then you will not be paid for all of your increased production. Your milk production base is either (your choice) a rolling aver-

age of the last 3 months or the same month one year earlier. In this program, if the margin is between \$5.00 and \$6.00/CWT, then you will be paid the higher of 98% of your base milk production or 94% of your current milk marketings. If the margin is between \$4.00 and \$5.00/CWT, then you will be paid the higher of 97% of your base milk production or 93% of your current milk marketings. And if the margin is less than \$4.00/CWT, then you will be paid the higher of 96% of your base milk production or 92% of your current milk marketings. Once the margin is above \$6.00/CWT for two consecutive months, then this program is set aside until low margins would trigger it to become active again.

**3. Federal Milk Marketing Order Reform** – Included in the reforms is the elimination of end-product pricing and the use of regulated make allowances for butter, powder and cheese plants. Instead, base milk prices would be established by surveying cheese plants throughout the U.S. for their competitive milk prices. Also instead of pooling all the different classes and milk values, only Class I differentials would be pooled in each respective Federal Milk Marketing Order and shared with the producers who are pooled on that market.

Collin Peterson of Minnesota has introduced the FFTF in the U.S. House of Representatives. This proposed legislation is currently being done outside the Farm Bill, so it could be implemented on a faster schedule. However it could be tied in with the Farm Bill since a new Farm Bill is supposed to be enacted in 2012. Along with this new dairy program, the MILC and Support Price Programs will be eliminated. So the FFTF programs will be the only dairy programs that will provide some type of income support for dairy producers when margins get squeezed. More information can be found at [www.futurefordairy.com](http://www.futurefordairy.com).

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# Premier Milk MARKET MINUTE

Commodity Prices	Dec	Jan	Feb	Mar	April	May	June	July	Current
Cheese - World Market	\$ 1.8937	\$ 1.9845	\$ 2.0070	\$ 2.0034	\$ 2.0071	\$ 2.0412	\$ 2.0355	\$ 2.0236	\$ 1.9772
Cheese - CME Block	\$ 1.3825	\$ 1.5140	\$ 1.9064	\$ 1.8125	\$ 1.6033	\$ 1.6856	\$ 2.0975	\$ 2.1150	\$ 2.0250
Cheese - CME Barrel	\$ 1.3768	\$ 1.4868	\$ 1.8680	\$ 1.8049	\$ 1.5750	\$ 1.6902	\$ 2.0483	\$ 2.1124	\$ 2.0800
Cheese - NASS	\$ 1.4606	\$ 1.4076	\$ 1.7449	\$ 1.9722	\$ 1.6983	\$ 1.6534	\$ 1.8999	\$ 2.1243	\$ 2.1485
Butter - World Market	\$ 2.1376	\$ 2.1702	\$ 2.3686	\$ 2.3973	\$ 2.3672	\$ 2.4026	\$ 2.4366	\$ 2.4154	\$ 2.3558
Butter - CME Cash	\$ 1.6310	\$ 2.0345	\$ 2.0610	\$ 2.0863	\$ 1.9958	\$ 2.0724	\$ 2.1077	\$ 2.0443	\$ 2.0725
Butter - NASS	\$ 1.6539	\$ 1.8428	\$ 2.0680	\$ 2.0591	\$ 1.9975	\$ 2.0292	\$ 2.1287	\$ 2.0304	\$ 2.0812
NFDM - World Market	\$ 1.3580	\$ 1.5309	\$ 1.7931	\$ 1.7415	\$ 1.6443	\$ 1.6429	\$ 1.7000	\$ 1.6364	\$ 1.5890
NFDM - Central A.O.M.	\$ 1.2625	\$ 1.4038	\$ 1.5663	\$ 1.6225	\$ 1.5880	\$ 1.6450	\$ 1.6781	\$ 1.6610	\$ 1.5900
NFDM - NASS	\$ 1.1848	\$ 1.2530	\$ 1.3728	\$ 1.4945	\$ 1.5680	\$ 1.6120	\$ 1.6520	\$ 1.6159	\$ 1.5726
Whey - Central A.O.M.	\$ 0.3575	\$ 0.3800	\$ 0.3900	\$ 0.4113	\$ 0.4513	\$ 0.4894	\$ 0.5050	\$ 0.5290	\$ 0.5450
Whey - NASS	\$ 0.3789	\$ 0.3935	\$ 0.4234	\$ 0.4578	\$ 0.4808	\$ 0.4929	\$ 0.5233	\$ 0.5494	\$ 0.5631
F. O. 6 Class I @ Tampa	\$ 22.36	\$ 20.60	\$ 21.29	\$ 23.63	\$ 24.83	\$ 25.15	\$ 25.72	\$ 26.43	\$ 26.83
Net Cl. I Prem. @ Tampa	\$ 3.12	\$ 2.93	\$ 3.01	\$ 3.01	\$ 3.17	\$ 3.17	\$ 3.25	\$ 3.17	\$ 3.17
F.O. 6 Class I Utilization	85.7%	83.9%	84.2%	82.4%	83.2%	80.0%	82.4%	84.8%	
F. O. 6 Blend @ Tampa	\$ 20.69	\$ 20.32	\$ 21.38	\$ 22.88	\$ 23.88	\$ 24.18	\$ 25.04	\$ 25.44	
PMI - Average SCC	217,235	215,135	209,751	214,008	228,420	223,166	254,403	291,897	
PMI - Average SPC	5,984	8,494	10,269	6,383	8,299	8,771	15,273	17,889	
PMI - Average PIC	17,180	16,906	58,834	38,112	25,388	14,550	15,834	23,607	
Premiums Paid - PMI	\$ 0.49	\$ 0.51	\$ 0.34	\$ 0.51	\$ 0.48	\$ 0.52	\$ 0.49	\$ 0.39	
PMI Cen FL Price	\$ 21.40	\$ 20.68	\$ 21.78	\$ 23.07	\$ 23.58	\$ 23.60	\$ 25.39	\$ 25.87	

(with rBST-free premium)

Price Forecasts	August	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr
PMI Cen FL Price	\$ 26.38	\$ 26.45	\$ 25.03	\$ 23.33	\$ 22.76	\$ 23.01	\$ 23.25	\$ 21.88	\$ 21.03

(with rBST-free premium)

Class III Milk Futures	Mar	April	May	June	July	Current
Aug-11	\$ 17.03	\$ 17.70	\$ 19.22	\$ 19.07	\$ 21.46	\$ 21.56
Sep-11	\$ 17.04	\$ 17.78	\$ 19.04	\$ 18.44	\$ 20.67	\$ 19.50
Oct-11	\$ 16.94	\$ 17.44	\$ 18.40	\$ 17.83	\$ 19.67	\$ 18.48
Nov-11	\$ 16.79	\$ 16.87	\$ 18.05	\$ 17.15	\$ 18.65	\$ 18.09
Dec-11	\$ 16.60	\$ 16.77	\$ 17.50	\$ 16.69	\$ 17.71	\$ 17.74
Jan-12	\$ 16.08	\$ 16.23	\$ 17.10	\$ 16.34	\$ 17.21	\$ 17.05
Feb-12	\$ 15.95	\$ 16.05	\$ 16.60	\$ 16.27	\$ 16.96	\$ 16.96
Mar-12		\$ 15.89	\$ 16.50	\$ 16.20	\$ 16.90	\$ 16.95
Apr-12			\$ 16.45	\$ 16.11	\$ 16.89	\$ 16.95
May-12			\$ 16.35	\$ 16.00	\$ 16.85	\$ 16.95
Jun-12				\$ 15.95	\$ 16.87	\$ 16.93
Jul-12					\$ 16.97	\$ 16.92

MILC Projections	
Jan-11	\$ -
Feb-11	\$ -
Mar-11	\$ -
Apr-11	\$ -
May-11	\$ -
Jun-11	\$ -
Jul-11	\$ -
Aug-11	\$ -
Sep-11	\$ -
Oct-11	\$ -
Nov-11	\$ -
Dec-11	\$ -

Note: Class III milk futures prices are quoted at the close on the last day of the month.