

# PREMIER PRESS

MAY 2011



## SCC Limit Reduction Rejected

The National Conference of Interstate Milk Shipments (NCIMS) rejected a proposal by National Milk Producers Federation (NMPF) that would phase in a lowering of the legal limit for somatic cell counts (SCC) from 750,000 to 400,000 over a three year period for Grade A milk. Legislation has been introduced in Congress to mandate the lowering of the limit for SCC's in Grade A milk. Also more international buyers are scrutinizing the SCC levels in milk that was used to manufacture dairy products that are being exported. Some cheese and nonfat dry milk powder manufacturers are taking steps to eliminate milk with high SCC's from their milk supply.

## 2010 Patronage Dividends

A patronage dividend of \$0.27/CWT was announced by Premier Milk at its annual meeting in April. According to the bylaws of PMI, 80% of the earnings or \$0.216/cwt will be allocated to each member's equity account and the remaining 20% of the earnings or \$0.054/cwt will be paid in checks that will be mailed this week. The volume of milk on which this check is paid is based on the 2010 milk production that was marketed through Premier Milk.

## About Us - Premier Milk, Inc.

Premier Milk, Inc. (PMI) is a USDA-approved dairy marketing cooperative, organized under the Capper-Volstead Act. The Capper-Volstead Act provides that PMI members are allowed by law to negotiate together for setting prices for the sale of their milk. PMI is a business that is owned by all its members, who market their milk through the cooperative. Currently there are thirteen members/owners of PMI and they each own a portion of PMI, based on the volume of milk they have marketed through PMI since becoming a member/owner of the cooperative. This structure provides strength and continuity to the cooperative in the event that any one member should decide to exit the dairy business or leave the cooperative for any reason. In this structure, PMI is no different than any other dairy cooperative.

Since the members are in fact the owners of PMI, each member builds equity in the cooperative to represent their portion of ownership. Equity is built in two ways at Premier Milk: 1) \$0.10/cwt deduction from the milk check; and, 2) retained earnings of the cooperative. To have full equity in PMI, each member must build an equity account dollar amount that equals \$0.80/CWT times the annual milk production from the latest calendar year. After PMI's first two years of operation, its members/owners had retained earnings of \$0.168/

cwt and \$0.216/cwt deposited into their equity account as dividends. Also our member/owners had received a portion of those earnings in the form a check. Our founding members, after three years of operation by PMI, should have all of their equity fully paid up if their milk production was constant: \$0.30/cwt from three years of deductions and over \$0.50/cwt from the first three years of earnings. After the equity is fully paid up, then the \$0.10/cwt deduction is eliminated from the milk check and the member is paid via check, the full value of the earnings. Two things that can vary the time frame in which equity is fully paid up: 1) changes in milk production by the member, and 2) earnings of the Premier Milk.

As member/owners of the cooperative, it is important to stay in touch with business matters. Each year, every cooperative will have an annual meeting for their members to attend. As you know, PMI recently held its annual meeting, sharing information through its board and management about how well the cooperative performed during this last year. This was also a time to ask questions about the direction of the cooperative and how it has performed financially.

Successful cooperatives will its members involved and fully informed as to how the business is functioning, and management is held accountable. If

you as a member/owner of the PMI are happy with the cooperative's performance, let us know. More importantly, if for any reason you are unhappy, you also need to let us know!

**Chocolate Milk Under Attack** – The Minneapolis School District has outlawed chocolate milk in their school district starting with summer school and continuing into next year. The school district claims that there is too much sugar and too many calories in chocolate milk as compared to regular unflavored (white) milk. The Florida State Board of Education is considering a similar action. A proposal has been offered to ban chocolate milk, but it is currently being studied and a final decision will be offered later this year. 73% of the school milk in Florida is chocolate milk. If chocolate milk is banned, it is expected that more than half of those who formerly drank chocolate milk will not switch to white milk. The volume of fluid milk sales in the Florida market will decrease by approximately 5% if this ban is passed. The Los Angeles school district is considering a similar ban as well. Sadly, these moves ignore the fact that for many children, school milk (including chocolate milk) is a critically important source of much-needed calcium and Vitamin D to which they may otherwise not have access.

## 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)

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MILK INC.  
*Where Premium Quality Comes Standard.*



# Premier Milk MARKET MINUTE

| Commodity Prices           | Sept.     | October   | Nov.      | Dec       | Jan       | Feb       | Mar       | April     | Current   |
|----------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| Cheese - World Market      | \$ 1.8030 | \$ 1.8489 | \$ 1.8937 | \$ 1.8937 | \$ 1.9845 | \$ 2.0070 | \$ 2.0034 | \$ 2.0071 | \$ 2.0071 |
| Cheese - CME Block         | \$ 1.7374 | \$ 1.7246 | \$ 1.4619 | \$ 1.3825 | \$ 1.5140 | \$ 1.9064 | \$ 1.8125 | \$ 1.6033 | \$ 1.7075 |
| Cheese - CME Barrel        | \$ 1.7114 | \$ 1.7119 | \$ 1.4520 | \$ 1.3768 | \$ 1.4868 | \$ 1.8680 | \$ 1.8049 | \$ 1.5750 | \$ 1.7100 |
| Cheese - NASS              | \$ 1.7016 | \$ 1.7666 | \$ 1.6152 | \$ 1.4606 | \$ 1.4076 | \$ 1.7449 | \$ 1.9722 | \$ 1.6983 | \$ 1.6528 |
| Butter - World Market      | \$ 2.0922 | \$ 2.1933 | \$ 2.1957 | \$ 2.1376 | \$ 2.1702 | \$ 2.3686 | \$ 2.3973 | \$ 2.3672 | \$ 2.3870 |
| Butter - CME Cash          | \$ 2.2262 | \$ 2.1895 | \$ 1.9595 | \$ 1.6310 | \$ 2.0345 | \$ 2.0610 | \$ 2.0863 | \$ 1.9958 | \$ 2.0700 |
| Butter - NASS              | \$ 2.1570 | \$ 2.1893 | \$ 2.0230 | \$ 1.6539 | \$ 1.8428 | \$ 2.0680 | \$ 2.0591 | \$ 1.9975 | \$ 2.0791 |
| NFDM - World Market        | \$ 1.4374 | \$ 1.4081 | \$ 1.3324 | \$ 1.3580 | \$ 1.5309 | \$ 1.7931 | \$ 1.7415 | \$ 1.6443 | \$ 1.6273 |
| NFDM - Central A.O.M.      | \$ 1.2325 | \$ 1.2450 | \$ 1.2350 | \$ 1.2625 | \$ 1.4038 | \$ 1.5663 | \$ 1.6225 | \$ 1.5880 | \$ 1.6600 |
| NFDM - NASS                | \$ 1.1383 | \$ 1.1674 | \$ 1.1953 | \$ 1.1848 | \$ 1.2530 | \$ 1.3728 | \$ 1.4945 | \$ 1.5680 | \$ 1.6136 |
| Whey - Central A.O.M.      | \$ 0.3444 | \$ 0.3519 | \$ 0.3550 | \$ 0.3575 | \$ 0.3800 | \$ 0.3900 | \$ 0.4113 | \$ 0.4513 | \$ 0.4950 |
| Whey - NASS                | \$ 0.3615 | \$ 0.3676 | \$ 0.3736 | \$ 0.3789 | \$ 0.3935 | \$ 0.4234 | \$ 0.4578 | \$ 0.4808 | \$ 0.4936 |
| F. O. 6 Class I @ Tampa    | \$ 20.90  | \$ 21.98  | \$ 22.64  | \$ 22.36  | \$ 20.60  | \$ 21.29  | \$ 23.63  | \$ 24.83  | \$ 25.15  |
| Net Cl. I Prem. @ Tampa    | \$ 3.04   | \$ 3.04   | \$ 3.04   | \$ 3.12   | \$ 2.93   | \$ 3.01   | \$ 3.01   | \$ 3.17   | \$ 3.17   |
| F.O. 6 Class I Utilization | 87.9%     | 85.6%     | 86.6%     | 85.7%     | 83.9%     | 84.2%     | 82.4%     | 83.2%     |           |
| F. O. 6 Blend @ Tampa      | \$ 21.04  | \$ 21.46  | \$ 21.61  | \$ 20.69  | \$ 20.32  | \$ 21.38  | \$ 22.88  | \$ 23.88  |           |
| PMI - Average SCC          | 280,257   | 230,461   | 225,325   | 217,235   | 215,135   | 209,751   | 214,008   | 228,420   |           |
| PMI - Average SPC          | 9,206     | 9,077     | 8,272     | 5,984     | 8,494     | 10,269    | 6,383     | 8,299     |           |
| PMI - Average PIC          | 15,202    | 9,972     | 21,863    | 17,180    | 16,906    | 58,834    | 38,112    | 25,388    |           |
| Premiums Paid - PMI        | \$ 0.45   | \$ 0.48   | \$ 0.42   | \$ 0.49   | \$ 0.51   | \$ 0.34   | \$ 0.51   | \$ 0.48   |           |
| PMI Cen FL Price           | \$ 21.91  | \$ 22.33  | \$ 22.34  | \$ 21.40  | \$ 20.68  | \$ 21.78  | \$ 23.07  | \$ 23.58  |           |

(with rBST-free premium)

| Price Forecasts  | May      | June     | July     | August   | Sept     | Oct      | Nov      | Dec      |
|------------------|----------|----------|----------|----------|----------|----------|----------|----------|
| PMI Cen FL Price | \$ 23.70 | \$ 25.11 | \$ 24.38 | \$ 24.61 | \$ 24.70 | \$ 24.17 | \$ 23.96 | \$ 22.92 |

(with rBST-free premium)

| Class III Milk Futures | Dec      | Jan      | Feb      | Mar      | April    | Current  |
|------------------------|----------|----------|----------|----------|----------|----------|
| <b>May-11</b>          | \$ 14.78 | \$ 17.25 | \$ 17.40 | \$ 16.70 | \$ 16.41 | \$ 16.48 |
| <b>Jun-11</b>          | \$ 15.00 | \$ 16.74 | \$ 16.95 | \$ 16.86 | \$ 17.33 | \$ 17.80 |
| <b>Jul-11</b>          | \$ 15.45 | \$ 16.70 | \$ 16.97 | \$ 17.40 | \$ 17.73 | \$ 18.71 |
| <b>Aug-11</b>          | \$ 15.56 | \$ 16.70 | \$ 17.03 | \$ 17.70 | \$ 17.97 | \$ 18.58 |
| <b>Sep-11</b>          | \$ 15.66 | \$ 16.74 | \$ 17.04 | \$ 17.78 | \$ 18.02 | \$ 18.46 |
| <b>Oct-11</b>          | \$ 15.73 | \$ 16.66 | \$ 16.94 | \$ 17.44 | \$ 17.89 | \$ 18.06 |
| <b>Nov-11</b>          | \$ 15.66 | \$ 16.46 | \$ 16.79 | \$ 16.87 | \$ 17.34 | \$ 17.72 |
| <b>Dec-11</b>          | \$ 15.55 | \$ 16.48 | \$ 16.60 | \$ 16.77 | \$ 16.93 | \$ 17.21 |
| <b>Jan-12</b>          |          | \$ 15.73 | \$ 16.08 | \$ 16.23 | \$ 16.43 | \$ 16.73 |
| <b>Feb-12</b>          |          |          | \$ 15.95 | \$ 16.05 | \$ 16.16 | \$ 16.36 |
| <b>Mar-12</b>          |          |          |          | \$ 15.89 | \$ 16.12 | \$ 16.30 |
| <b>Apr-12</b>          |          |          |          |          | \$ 16.11 | \$ 16.29 |

| MILC Projections |      |
|------------------|------|
| <b>Jan-11</b>    | \$ - |
| <b>Feb-11</b>    | \$ - |
| <b>Mar-11</b>    | \$ - |
| <b>Apr-11</b>    | \$ - |
| <b>May-11</b>    | \$ - |
| <b>Jun-11</b>    | \$ - |
| <b>Jul-11</b>    | \$ - |
| <b>Aug-11</b>    | \$ - |
| <b>Sep-11</b>    | \$ - |
| <b>Oct-11</b>    | \$ - |
| <b>Nov-11</b>    | \$ - |
| <b>Dec-11</b>    | \$ - |

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