

Environmental Regulation Changes On The Horizon

If you do not like the regulations that currently are protecting our air and water, just wait, for they are changing and they will not be popular. There are two environmental changes that could have an impact on dairymen and farmers.

Conservation Management Practices (CMP) Planning Program

Conservative Management Practices are farming activities that reduce the "normal" amount of dust kicked up by agricultural operation. Their practices have been developed by farmers, farm groups, NRCS, RCD, the Air District, the Farm Bureau, citrus mutual and the dairy industry, as reported. A CMP plan is required on all farms of 100 contiguous acres or more, more than 500 dairy animals, or more than 190 cattle. One CMP Plans is to be applied in each of the following:

- ☐ 1. Unpaved Road
- ☐ 2. Unpaved Vehicle/Equipment Traffic Areas
- ☐ 3. Land Preparation/Cultural Operations
- ☐ 4. Harvest
- ☐ 5. Other Wind, Dust and Burning
- ☐ 6. Manure Management
- ☐ 7. Animal Movement

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Several meetings will be held to help producers fulfill their plans. CMP plans take effect July 1, 2004. Western Milling LLC has a Waste Management Division that provides consulting, equipment and other products, as well as providing CMP plans for customers. Please call our head agronomist, Warren Hutchings (559-302-1025), for further assistance.

Irrigated Land Waiver

The Central Valley Regional Water Quality Control Board is implementing an action to protect our water. These conditional waivers are part of a long-term effort to address water quality issues from agricultural discharges. If you irrigate crops, you will fall under scrutiny. There are three options:

1. Join a coalition group and comply with the coalition group waiver.
2. Apply for an individual discharge waiver.
3. Submit a complete application for permit.

These permits are implemented to reduce surface water contamination. The waivers contain conditions that require water quality monitoring, implementation of management practices to address water quality problems and reporting to the Regional Board. A complete breakdown on these requirements are accessible at the following web site: www.swrcb.ca.gov/rwqcb5/programs/irrigated_lands/.

GRAIN AND COMMODITY *Comments*

SOYBEAN MEAL

The bloom is off the rose. Soybean meal values have plummeted \$80 a ton from the highs posted on April 5. Excellent growing conditions initiated the slide. As of May 23, 67% of the soybean crop had been planted, compared to the 5 year average of 42%. The early planting had been aided by a dry April, followed by a wet May, especially wet during the last ten days of the month. Many parts of the corn/soybean belt, such as MN and IA, have seen May rains that have been 150-200% of average historical rainfall amounts. Other states, such as MI and WI, have had rain amounts running 300-400% of their average. The wet May could lead to corn acres switching to soybeans due to late planting or replanting of wet areas.

Also bearing down on the market has been the unstable Chinese soybean crushing industry. Allegedly, many Chinese crushers own soybeans priced when the soybean market was @ \$10.00 a bushel on the CBOT. The market is substantially lower today and some traders feel that as much as two million tons of beans may be canceled or defaulted. It has been reported that there may be 4 million tons of soybean inventories at Chinese ports and the Chinese do not need all the beans they have purchased. This speculation has been fueled by the rejection of South American soybean boats due to contamination of beans with fungicides, which are commonly used when planting. It is important to remember the importance of Chinese demand on the U.S. soybean market and how disruptions in their demand can affect our market. As a point of reference, soybeans imported by China have increased from 1.1 million MT in 1996 to 20.73 million MT in 2003.

On May 12, the USDA estimated the 04/05 soybean crop to reach 2.965 billion bushels. They estimate planted acreage to be 75.411 million acres, the yield to be 40 bus/acre and ending stocks to be 190 million bushels. Many analysts feel the planted acreage should be lowered due to the early corn planting that has occurred and that a number closer to 74.5 million acres may be more accurate. This would take 40 million bushels of beans out of production and leave ending stocks closer to 150 million bushels. With old crop ending stocks hanging at 115 million bushels, there is very little room for a weather problem in new crop beans. Keep in mind that the five year average for beans is 37.14 bus/acre, and the U.S. has not had a 40 bushel bean yield since the 94/95 crop.

CLASS III MILK

April milk production in the 20 major states was 12.6 billion pounds, down 0.9% from April 2003. California production was up 1.2% over last year at 3.07 billion pounds. Cow numbers dropped 81,000 head in the 20 states (2,000 more head than March) while increasing in California by 29,000 to 1.7 million head. Milk production per cow for the 20 states increased by 3 pounds while California's per cow production dropped by 10 pounds.

The April production was more than the market expected, thus milk and cheese prices at the Chicago Mercantile Exchange have been under pressure. Spot prices for block cheese have traded down to \$1.80 per pound (from recent highs near \$2.20) and butter to \$1.77. Seasonal declines in demand due to the end of the school year have added to the pricing pressure. Prices may be near a short-term bottom as we approach the warmer temperatures of summer.

WHOLE COTTONSEED

The first USDA projection for the 04/05 vs 03/04 cotton crop point toward a reduction of 4.0% in production. This is based on the acreage in the prospective plantings report, coupled with historical average abandonment and yield. World production, on the other hand, is forecasted at nearly 10% above this past year due primarily to the effects of higher world prices.

Although it appears as though old crop supplies still probably need to be rationed via further potential price escalation (California remains today the cheapest seed in the nation on a freight adjusted basis), the price of competing feedstuffs still is key to the future price direction of whole cottonseed. If competing ingredients stay in this relative area, it will be difficult to rally seed prices much further as consumption will decrease. On the other hand, if competing ingredient prices rally due to a weather scare or other event, whole seed would undoubtedly follow.

The cotton crop in California is off to a wonderful start thus far and some ginners are already predicting that we could pick cotton a week to 10 days earlier than normal this fall.

ALMOND HULLS

Flat as a pancake. Prices have not moved at all over the last 30 days. Spot prices for hulls delivered HTV remain in the low \$100's. Spot demand continues to absorb short-term supply pushes. Huller's are now entering the "end of the pile" and "come and get it" phases of the marketing season. All of which means, we will have a fairly liquid supply of spot loads in the middle market for the next 60 days.

New crop has gone to sleep since Easter. Offers are in the \$100 HTV range for clock shipment. Little or nothing has traded since the grain markets started to decline. Offers have not gone down with the grains because most of the hullers sold a relatively large amount of hulls during the March-April panic and are in a "comfortable" sold position, for the time being. So..... if the grains continue to waffle and dairyman stay out of the market for the next 30-60 days, we expect new crop prices to start to decline by mid summer. We don't, however, look for a dramatic move to the downside. Low to mid 90's will find plenty of support in the market.

CORN

USDA released the first Supply and Demand estimate for the 2004-05 crop year. They used a surprisingly high corn yield of 145.0 bushels per acre which resulted in a 10.425 billion bushel crop estimate. Total usage at an estimated 10.505 billion bushels left the carryout to use ratio at 7.0%, slightly smaller than their 7.7% estimate for the current season.

Corn planting ran at a record pace this year reaching 95% on May 23rd versus the five-year average of 85%. Because of the record pace, trade believes we have picked up acres in excess of the 79.0 million acres USDA forecasted in March. Along with the planting progress, the corn-belt saw timely rains through the 21st of May. Corn futures dropped a total of sixty-cents from the recent highs as a result of an excellent start to the crop.

But rains have not stopped and now markets are concerned about the conditions of planted corn. Heavy rains (5-10" across Iowa in three days!) along with a wet forecast have rallied prices twenty cents a bushel off recent lows. As of this writing, the corn crop needs sunshine and warmer temperatures to recover, which we should see coming into the month of June; but the trade will now wrestle again with the acreage and yield questions. The pressure is still on for a large corn crop as demand is projected to be a record. Look for Supply and Demand update June 11th and a very important Planted Acreage Report on June 30th.



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