



Milk Producers Council

13545 S. Euclid Avenue, Unit B ~ Ontario, CA 91762 ~ (909) 628-6018
 801 S. Mount Vernon Avenue ~ Bakersfield, CA 93307 ~ (661) 833-2549
 222 S. Thor Street, Suite 20 ~ Turlock, CA 95380 ~ (209) 250-1801
 Fax (909) 591-7328 ~ office@milproducers.org ~ www.MilkProducers.org



DATE: September 11, 2015
 TO: Directors & Members

PAGES: 5
 FROM: Rob Vandenhoevel, General Manager

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE

Blocks N/C \$1.6950
 Barrels - \$.0800 \$1.5900

Weekly Average, Cheddar Cheese

Blocks - \$.0200 \$1.6950
 Barrels - \$.0117 \$1.6463

CHICAGO AA BUTTER

Weekly Change +\$.1125 \$2.5650
 Weekly Average +\$.0998 \$2.5063

DRY WHEY

Dairy Market News w/e 09/11/15 \$2.200
 National Plants w/e 09/05/15 \$2.685

NON-FAT DRY MILK

Week Ending 9/4 & 9/5
 Calif. Plants \$0.7752 12,432,388
 Nat'l Plants \$0.7550 27,270,237

Prior Week Ending 8/28 & 8/29
 Calif. Plants \$0.7698 18,405,021
 Nat'l Plants \$0.7445 31,481,713

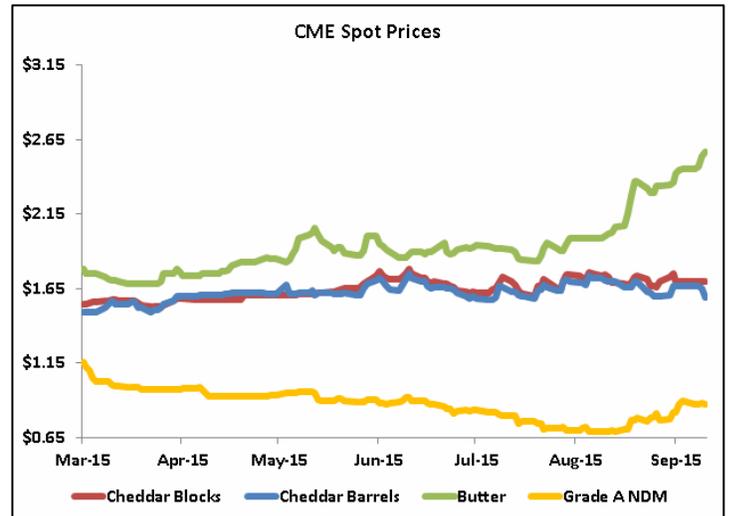
FRED DOUMA'S PRICE PROJECTIONS...

Sept 11 Est: Quota cwt. \$16.57 Overbase cwt. \$14.88 Cls. 4a cwt. \$14.78 Cls. 4b cwt. \$15.21
 Last Week: Quota cwt. \$16.57 Overbase cwt. \$14.88 Cls. 4a cwt. \$14.53 Cls. 4b cwt. \$15.34

MARKET COMMENTARY: (By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com)

Milk & Dairy Markets

The butter market just keeps climbing. This week CME spot butter gained 11.25¢, reaching \$2.565/lb., the latest in a string of fresh calendar year highs. The other products were less buoyant. Spot nonfat dry milk slipped 3¢ to 87¢. Cheddar blocks held steady at \$1.695. Cheddar barrels dropped 8¢ to \$1.59, testing the waters below \$1.60 for the first time since July. Class III futures retreated. 2015 contracts settled between 10¢ and 36¢ lower. 2016 contracts were roughly a nickel lower. Class IV futures were mixed, but most contracts added around 20¢. The Class IV market continues to gain on Class III, and this Friday the October Class IV contract settled at \$16.10, a 9¢ premium to its Class III counterpart.



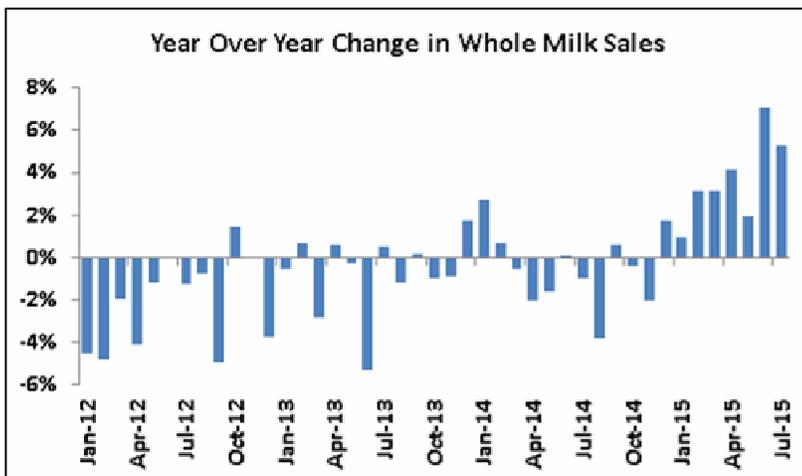
The butter market is strong for some familiar reasons. Hot humid weather has depressed both milk production and components in many areas. Other users continue to reduce the volumes of cream available for churns. In July, whole milk sales reached 1.22 billion pounds, up 5.3% from a year ago and up 1.1% from June on a daily average basis. It is September, when the butter market often peaks. Inventories are starting to recede and holiday orders are beginning to roll in.

Cheese is more plentiful. Dairy Market News reports, "Supply is a little stronger than demand, causing inventories of some varieties to build. Manufacturers are hoping the increase in fall demand will start to draw

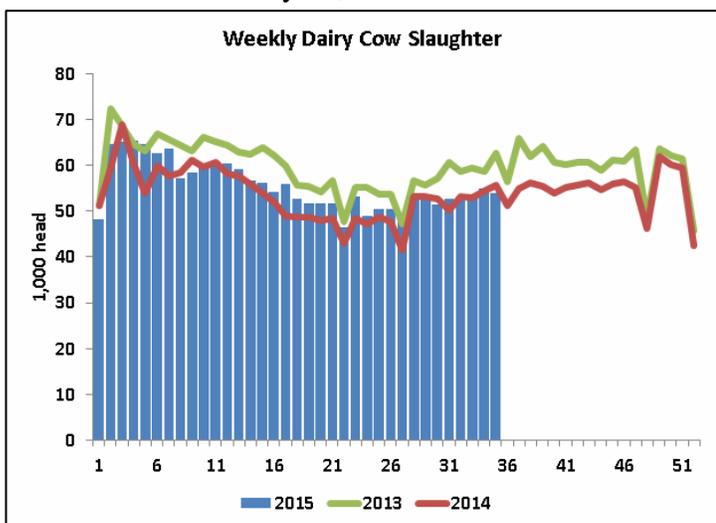
down inventories.” Demand remains robust, particularly for mozzarella as school is back in session and students, busy moms and football fans are all more likely to order a pizza than they were during the summer.

There is a lot of milk powder in the world, and demand has been lackluster for some time. Many end users stocked up months ago and then stepped away from the market. But time has passed and some end users have made a dent in their inventories. The powder market is perking up and buyers seem a little more active.

This does not mean that milk powder prices are poised for a steep or sustained rally, as the resistance in the spot market clearly demonstrated this week. However, it is beginning to feel like the August lows will hold.



A more lively milk powder market would be particularly welcomed in New Zealand, where dairy producers have been hardest hit by the global milk powder rout. Fonterra expects 2015-16 milk collections to fall between 2% and 3% short of last year, but in a statement this week the cooperative noted that their outlook may deteriorate further.



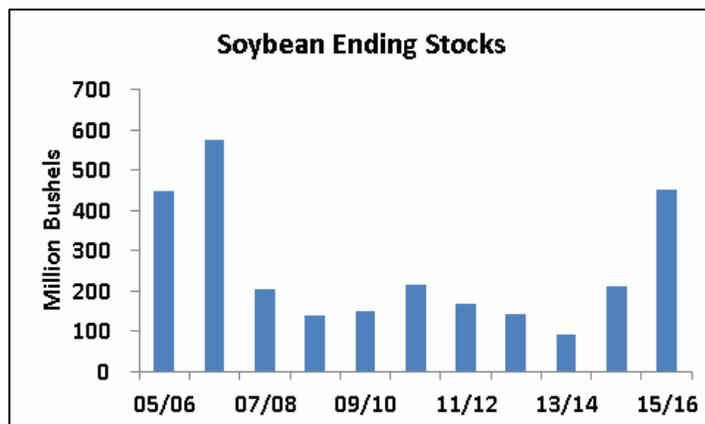
“Farmers are responding to the lower forecast Farmgate Milk Price by returning to more traditional farming practices. They are reducing the use of feed supplements, and lowering stocking rates per hectare as they concentrate on utilizing pasture. Market data from several independent sources show that cows are being culled at higher rates than last season while many of our farmers are also providing early advice that they are expecting significant year on year volume reductions.”

For the week ending August 29, dairy cow slaughter totaled 53,915 head, down 3.4% from the same week a year ago. After nearly eight months, dairy cow slaughter is 3.7% ahead of last year’s pace.

Grain Markets

USDA updated its monthly Crop Production and World Agricultural Supply and Demand Estimates on Friday. The agency lowered its ending stocks estimates for corn and soybeans in both the 2014-15 and 2015-16 crop years. This spurred the corn market higher. December futures closed at \$3.87 per bushel, up 24¢ from last Friday. Soybean futures gained 7.75¢ and closed at \$8.7425.

Although USDA’s ending stocks figures were lower than the August forecast, they are still large by historic standards. USDA expects there will be more nearly 1.6 billion bushels of corn leftover as next year’s harvest dawns. While this is lower than the 1.7 billion bushels of corn in inventory at the end of the previous crop year, it hardly suggests scarcity. At 13.6 billion bushels, the corn crop is large, and dairy producers should continue to enjoy low feed costs for the foreseeable future.



Soybeans are even more plentiful. USDA projects 2015-16 ending inventories of 450 million bushels, 20 million bushels lower than the August estimate. If realized, this would be the largest ending stocks figure since the 2006-07 crop year.

“Last year, U.S. soybean prices remained stubbornly buoyant as export demand tightened domestic supplies despite a record-breaking harvest.” But as the *Daily Dairy Report* noted, “That is unlikely to happen this year. Farmers in Brazil and Argentina have also enjoyed big yields in back-to-back seasons, and market forces are finally enticing them to sell.”

“Earlier this week, Standard and Poor’s downgraded Brazil’s sovereign debt to junk status.” The *Daily Dairy Report* added, “The Brazilian real has fallen to its lowest level against the dollar in almost 13 years, making Brazilian soybeans more attractive to foreign buyers than U.S. supplies. Due to concerns about the economy, credit has tightened in Brazil, and farmers there are more aggressively selling their crops to finance the upcoming growing season.”

Dairy producers and other domestic end users have paid a stiff price for canola and soybean meal over the past few years. These costs are finally falling, and there is room for further decline. Low feed costs may lack the glamour that accompanies sky high milk prices, but they can certainly benefit dairy producers’ bottom lines. A cheap ration cannot return dairy producers to the heady days of \$24 milk, but it can improve profitability without eroding demand for dairy products, helping to avoid the bust that inevitably follows a booming milk market.

A GREAT Q&A DOCUMENT ON THE CA-FMMO PROCESS: *(By Rob Vandenheuvel)* With the September 22nd start of the California Federal Milk Marketing Order (CA-FMMO) hearing process rapidly approaching, the U.S. Department of Food and Agriculture (USDA) put out a great 2-pager answering the many of the common questions being asked about the hearing process. You can find the document attached to the end of this newsletter.

REMINDER – MARGIN PROTECTION PROGRAM DEADLINE IN LESS THAN THREE WEEKS: *(By Rob Vandenheuvel)* For anyone interested in signing up for the Margin Protection Program (MPP) or if you already signed up last year and need to designate your coverage level for 2016, the deadline to submit that paperwork to your local Farm Services Agency (FSA) office is Wednesday, September 30th. For dairies that already signed up for the program last year, the process this year is very simple, including a 2-page document (Form CCC-782) and your \$100 administration fee. Any premiums associated with enrolling in higher levels of coverage would be due in 2016 (either in a lump sum or in two installments, similar to this past year). MPC members needing assistance in processing this paperwork should contact Kevin (kevin@milkproducers.org), Betsy (betsy@milkproducers.org) or myself (rob@milkproducers.org).

SAVE THE DATE – DEMONSTRATION OF ELECTRIFIED FEEDING STATION NEXT MONTH: *(By Kevin Abernathy, Director of Regulatory Affairs)* Next month, MPC will join Philip Verwey Farms in Hanford, California in demonstrating an electrified stationary feed mixing operation. This alternative to traditional diesel-powered mixer trailers was part of a Technology Advancement Program, which is the San Joaquin Air Pollution Control District’s “strategic approach to encouraging innovation and development of new emission reduction technologies” *(from their website)*. MPC was able to work with Philip Verwey Farms to secure the grant funding, and the project is now fully operational.

More details will be provided in the coming weeks, but in the meantime, I’d encourage any interested folks to mark their calendars to attend this demonstration at 10 am on Wednesday, October 7th. If you have any questions, please contact me at kevin@milkproducers.org or 209-678-0666.



Agricultural Marketing Service

USDA Hearing on Proposals for a California Federal Milk Marketing Order



When and Where is the Hearing?

- Location: Clovis Veterans Memorial District Building, located at 808 Fourth Street, Clovis, CA 93612.
- Days and time: The hearing will start on Sept. 22, 2015, at 9 a.m. and continue on business days until its conclusion, unless otherwise indicated by the judge. It will not convene from Oct. 12 to 13, 2015.
- Note: The hearing will move temporarily from Oct. 22 to 23, 2015, to the Piccadilly Inn Airport Hotel at 5115 E. McKinley Avenue, Fresno, CA 93727.

What Should I Expect?

- The setting is similar to a courtroom, with an Administrative Law Judge presiding.
- Witnesses present data and testimony on the proposals.
- A listen-only audio feed of the hearing will be webcast. The link will be posted online at www.ams.usda.gov/caorder before the hearing begins.
- The hearing may continue for several weeks.
- All testimony and questions are transcribed and published at www.ams.usda.gov/caorder approximately 2 to 3 weeks after the end of each hearing week.

What Happens the First Week?

- During the first stage of the hearing, the U.S. Department of Agriculture (USDA) enters documents and data into evidence. Given the volume of material, this may take several days.
 - ▶ A USDA witness will present and explain data and analyses requested by the industry.
 - ▶ A USDA witness will describe the Preliminary Economic Impact Analysis.
- Once the government witnesses conclude testifying, the judge will begin hearing testimony from proponents on their proposals. The order of testimony may follow the order listed in the [Tentative Hearing Schedule](#).

What Happens Next?

- Under the direction of the judge, the hearing will continue until all of the evidence and testimony is presented.
- A complete record is needed to develop program recommendations.
- After the hearing is complete, the Administrative Law Judge will request transcript corrections and post-hearing briefs.
- USDA issues a Recommended Decision based on the evidence presented during the rulemaking and requests public input.
- USDA issues a Final Decision. If a Federal Milk Marketing Order is recommended, dairy farmers potentially covered by the Order vote on whether to adopt it. A “yes” vote by more than two-thirds of the dairy farmers or dairy farmers representing two-thirds of the milk produced is needed to approve the order.

How Do I Participate?

- The hearing is open to the public. All interested persons are welcome to attend and participate.
- USDA plans to issue periodic updates to alert interested parties of the hearing’s progression. Updates will be posted online at www.ams.usda.gov/caorder and tweeted via the Twitter feed of USDA’s Agricultural Marketing Service: @USDA_AMS.
- To participate, you must be physically present at the hearing.
- Upon arrival at the hearing site, please inform USDA staff you wish to testify. The judge will try to accommodate you.
- Dairy farmers will be given priority to testify. If you wish to schedule a specific day and time to testify, USDA will make every effort to accommodate your request.
- All witnesses are sworn in by the judge, and all testimony is given under oath or affirmation.
- All witnesses are subject to cross-examination by anyone in attendance in connection with their testimony.
- You may ask any witness questions about his or her testimony. When prompted by the judge, approach the microphone and identify yourself.