



Milk Producers Council

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DATE: June 19, 2015
 TO: Directors & Members

PAGES: 3
 FROM: Rob Vandenhuevel, General Manager

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE

Blocks - \$.0550 \$1.7000
 Barrels - \$.0625 \$1.6600

Weekly Average, Cheddar Cheese

Blocks - \$.0395 \$1.7055
 Barrels - \$.0265 \$1.6730

CHICAGO AA BUTTER

Weekly Change +\$.0150 \$1.9150
 Weekly Average +\$.0255 \$1.8980

DRY WHEY

Dairy Market News w/e 06/12/15 \$4.150
 National Plants w/e 06/13/15 \$4.317

NON-FAT DRY MILK

Week Ending 6/12 & 6/13

Calif. Plants \$0.9079 11,551,528
 Nat'l Plants \$0.9252 22,171,264

Prior Week Ending 6/5 & 6/6

Calif. Plants \$0.9360 12,683,916
 Nat'l Plants \$0.9470 22,594,394

FRED DOUMA'S PRICE PROJECTIONS...

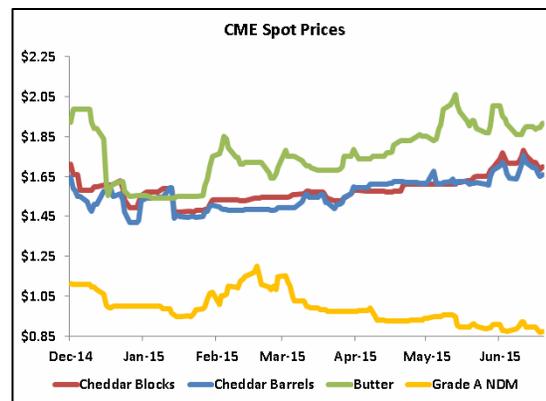
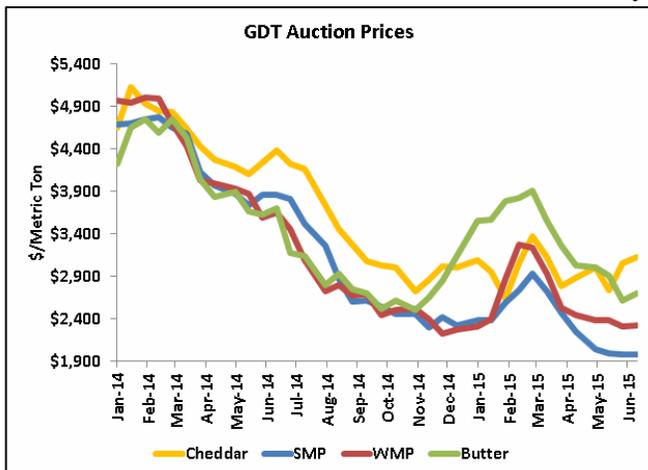
Jun 12 Est: Quota cwt. \$16.49 Overbase cwt. \$14.80 Cls. 4a cwt. \$13.67 Cls. 4b cwt. \$15.60
 Last Week: Quota cwt. \$16.60 Overbase cwt. \$14.90 Cls. 4a cwt. \$13.71 Cls. 4b cwt. \$15.80

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

Milk & Dairy Markets

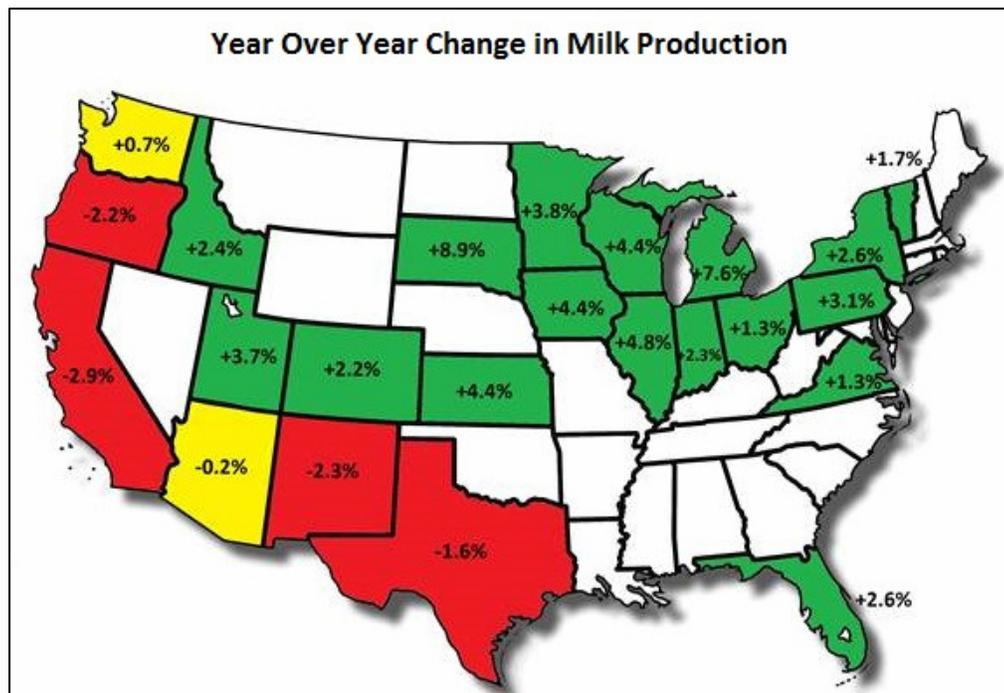
The dairy markets looked a little worn out this week, although they showed signs of strength on Friday. Thanks to a late-week rally, CME spot butter ended at \$1.915/lb., up 1.5¢. The other products retreated. Spot Cheddar blocks dropped to \$1.70, down 5.5¢ from last Friday. Cheddar barrels lost 6.25¢ and closed at \$1.66. Grade A nonfat dry milk (NDM) fell 2.25¢ to 87.5¢. Class III and IV futures posted double-digit losses across the board.

Dairy product prices put in a mixed performance at the Global Dairy Trade (GDT) auction. The trade-weighted index notched its seventh straight decline, falling to its lowest level since 2009. The 1.3% drop was the smallest since the index first turned downward in mid-March. The two most closely watched products barely budged. Skim milk powder (SMP) slipped 0.2% and whole milk powder (WMP) ended 0.1% lower. Cheddar prices climbed 2.4% and butter rose 3.3%. The average winning price for anhydrous milk fat (AMF) was 8.9% lower than at the previous auction, pushing AMF to its lowest level in over five years.

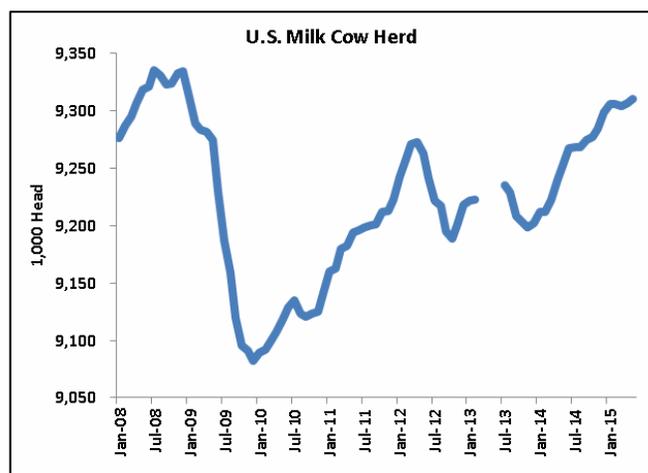


U.S. milk production totaled 18.35 billion pounds in May, up 1.4% from the year before. Regional trends persist, with formidable output in the central U.S. and lower production in the West and Southwest. Output in Wisconsin, for example, exceeded that of May 2014 by 106 million pounds, or 4.4%. Production in Michigan was 7.6% higher than last year.

In contrast, milk production in California totaled just shy of 3.65 billion pounds, down 107 million pounds or 2.9% from a year ago. It was easy to dismiss year-over-year deficits in the Golden State over the past few months because it would have been difficult to exceed the unusually strong output seen in early 2014. But this was less true in May, and so the most recent deficits in California and nearby states should be interpreted as evidence of regional declines.



Cow numbers continue to climb. USDA raised its estimate of the April dairy herd by 2,000 head, and reported a further month-to-month increase of 3,000 head in May. At 9.31 million, the milk cow herd is 58,000 head greater than it was a year ago. Dairy producers have added cows nearly everywhere, and expansion has been especially pronounced in Wisconsin (+9K), Idaho (+11K) and Michigan (+22K). The dairy herd has not been this large since January 2009.

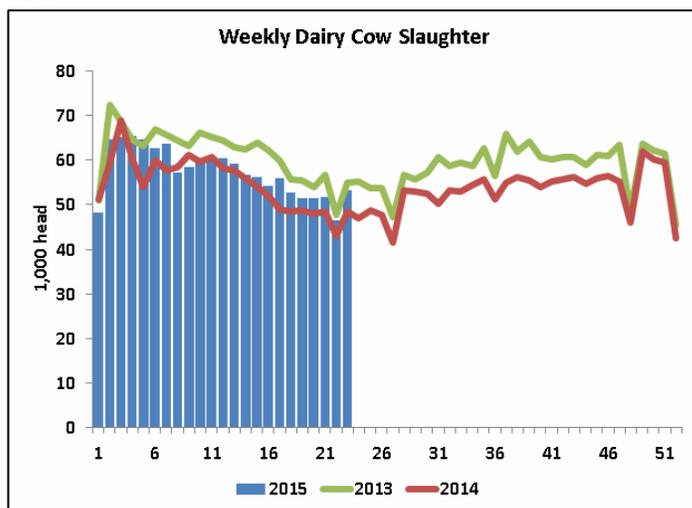


For the week ending June 6, dairy cow slaughter totaled 53,201 head, up 9.7% from the same week in 2014. The weekly total was likely skewed upward due to pent-up slaughter following a holiday-shortened week. So far this year, the dairy cull rate is 4.6% ahead of last year's pace. But there is clearly no shortage of replacement heifers, and the herd continues to expand.

Estimates of slaughter and herd size highlight regional dichotomies. In much of the West, milk prices are inadequate, and dairy producers are cutting back. For the year-to-date, dairy cow slaughter in Region 9, which includes California and Arizona, is up 12.2% from 2014.

Slaughter is up 8.9% in the Northwest and up 24.8% in Region 6, which includes New Mexico and Texas. In the rest of the nation, dairy cow slaughter is down 3.1% from 2014.

Dairy producers in the West are doubly disadvantaged. Although feed costs are lower than they have been in years, they are notably higher than expenses in the Corn Belt. Producers in the West must also contend with some of the lowest mailbox milk prices in the country. According to *Dairy Market News*, dairy producers in California, New Mexico and Western Texas received just \$14.45/cwt., \$14.51 and \$15.47 for their milk in March. This is not enough to cover expenses and it was much lower than the \$17.32 and \$17.46 reaped by their competitors in Minnesota and Wisconsin. However, outside of the traditional cheese states, strong milkflows and low milk powder prices are weighing on revenue.



Dairy producers in Indiana and Michigan, for example, received little more than their competitors in the West, pocketing \$15.56 and \$15.89, respectively. These figures suggest that milk output could continue to slide in the West, but dairy producers in the heart of the country are likely inclined to keep their barns full.

Grain Markets

Heavy rains kept farmers out of the fields this week. There are millions of acres of soybeans waiting to be planted and it's already late June. Soybean futures soared in response. The November contract gained 35.5¢ and settled at \$9.3975 per bushel.

Wet weather is also a problem for corn. Much of the Western Corn Belt is in great shape, but in Kansas, Missouri and the Eastern Corn Belt, a number of fields will need to be replanted or abandoned. The surviving crop in soggy fields could be stunted. In the long run, plentiful global grain stocks are likely to pressure corn prices, but for now, the trade is keeping an anxious eye on the forecast. Corn futures were largely unchanged this week after much back-and-forth.

DAIRY CARES COLUMN – AN UPDATE ON EFFORTS TO PROTECT THE TRICOLORED BLACKBIRD: *(By Rob Vandenheuvel)* In case you missed it, the current issue of the monthly *Dairy Cares Newsletter* has been posted on our website at: <http://www.milkproducerscouncil.org/cares.htm>. This month's column revisits an issue we discussed earlier this year: industry efforts to facilitate the growth of the Tricolored Blackbird population. As you may recall, this breed of bird received an emergency listing under the State's Endangered Species Act late last year. That ruling, while temporary in nature, triggered in requirements for farmers to allow for Tricolored Blackbirds who have begun the nesting process to complete that process, even if that means delaying harvest of the field. Dairy groups worked with impacted producers and USDA's NRCS to coordinate this delay when these birds were identified on a property. The current issue of the *Dairy Cares Newsletter* gives an account of one such situation on a Tipton dairy owned by Frank Mendonsa.

As an update since this newsletter came out, the California Fish and Game Commission took this issue up at a meeting earlier this month. Included on the agenda was a recommendation by staff to initiate a further review and possibly move towards a full listing of the Tricolored Blackbirds on the Endangered Species Act. After testimony, including a comprehensive presentation by Dairy Cares opposing that effort, the Commission voted to reject the staff recommendation. We can credit that vote to the tremendous efforts of dairymen like Frank Mendonsa and others who played a role in helping to facilitate the growth of these bird populations through their willingness to delay harvest of their fields. Those efforts will continue in the coming years as these birds make their way back to your fields next breeding season, so this is far from the last we've heard on this. MPC would like to extend a thanks to not only the dairymen who participated in this effort (including some of our members), but also the staff of Dairy Cares who did a tremendous job of representing the industry throughout this process and providing a compelling presentation earlier this month to the Fish and Game Commission.