



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: March 10, 2017
TO: Directors & Members

PAGES: 4
FROM: Kevin Abernathy, General Manager

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE

Blocks - \$.0950 \$1.3850
 Barrels - \$.0375 \$1.4000

Weekly Average, Cheddar Cheese

Blocks - \$.0740 \$1.4325
 Barrels - \$.0525 \$1.4235

CHICAGO AA BUTTER

Weekly Change \$N.C. \$2.1625
 Weekly Average - \$.0120 \$2.1675

DRY WHEY

Dairy Market News w/e 03/10/17 \$4.900
 National Plants w/e 03/04/17 \$5.130

NON-FAT DRY MILK

Week Ending 3/3 & 3/4
 Calif. Plants \$0.9258 6,173,797
 Nat'l Plants \$0.9267 13,791,677

Prior Week Ending 2/24 & 2/25

Calif. Plants \$0.9619 5,072,529
 Nat'l Plants \$0.9549 11,488,726

FRED DOUMA'S PRICE PROJECTIONS...

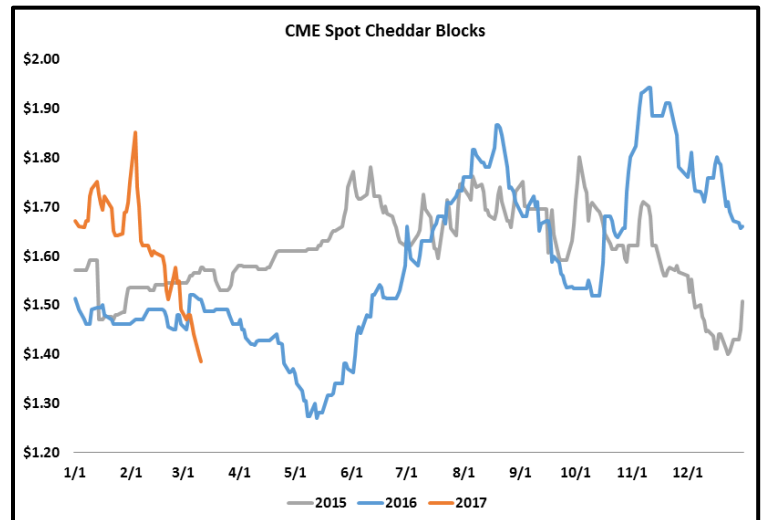
March 10 Est: Quota cwt. \$16.12 Overbase cwt. \$14.42 Cls. 4a cwt. \$14.84 Cls. 4b cwt. \$13.67
Last Week: Quota cwt. \$16.49 Overbase cwt. \$14.79 Cls. 4a cwt. \$15.12 Cls. 4b cwt. \$14.27

MARKET COMMENTARY

By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com

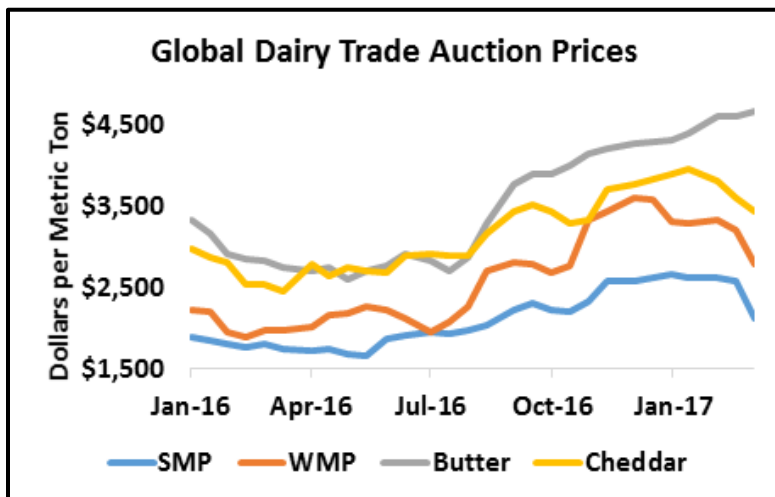
Milk & Dairy Markets

In the '90s classic *Black Sheep*, Chris Farley's character tumbles end-over-end down a steep mountain, pauses to catch his breath, and then falls again. The cheese market has suffered a similarly bruising descent. This week CME spot Cheddar blocks plunged 9.5¢ to \$1.385/lb., the lowest price since last June, at the culmination of an overwhelming spring flush. Barrels slipped 3.75¢ to \$1.40. For a while, Class III futures held firm, but by Friday they plummeted as well. Nearby Class III futures finished 10¢ to 23¢ lower, while deferred futures were mixed.



In comparison, the Class IV markets exuded stability. Spot butter moved back and forth, but ultimately closed unchanged at \$2.1625. The milk powder market seems to have fallen far enough for now. CME spot nonfat dry milk (NDM) climbed 0.5¢ this week to 81¢. Class IV futures were mixed and little changed.

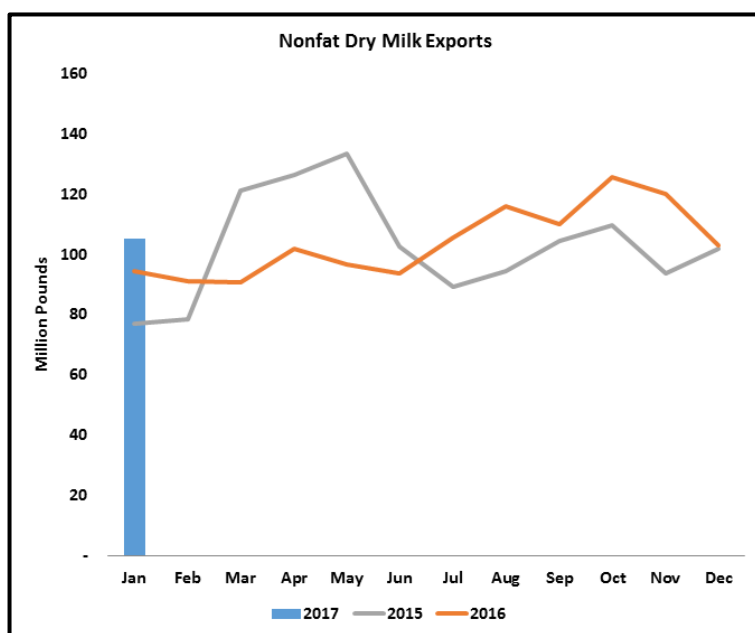
For all the hand-wringing about our trade relationship with Mexico, at the end of the day, pesos matter more than politics, and American milk powder is the cheapest in the world. That's likely why the U.S. NDM market was able to so easily shake off the weakness at the Global Dairy Trade (GDT) auction on Tuesday. Skim milk powder (SMP) prices dropped 15.5% from the previous event, and the average winning price for whole milk powder (WMP) was down 12.4%. Even after such a sizable setback, SMP at the GDT is equivalent to NDM at \$1.03, far above the U.S. market.



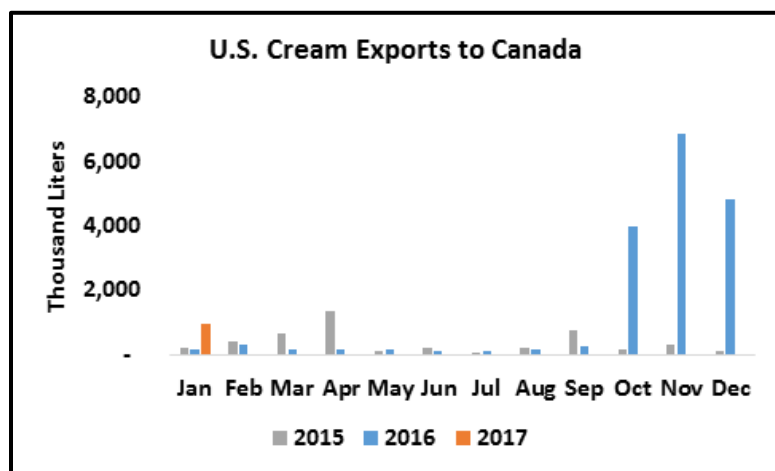
Why then, is Mexico so conspicuously absent from the U.S. milk powder market? There are likely a number of reasons. Mexican milk production climbed 4.6% in 2016, and imports of NDM and SMP grew 10.5%. It is unlikely that Mexican demand for milk powder grew enough to absorb greater domestic production and substantially higher imports. Rather, Mexican milk powder buyers are well-stocked and patient. The strong dollar and weak peso encourage continued inaction. Global milk powder inventories have grown as well, offering end users the opportunity to diversify their sourcing should they find it advantageous. Mexico's tariff structure

allows for up to 80,000 metric tons of NDM or SMP imports tariff-free each year from WTO members, which include Europe, New Zealand, and Argentina. End users at home and abroad have been well-served to sit on the sidelines and threaten to move their business elsewhere. But cheap product will likely coax some of them back to the market eventually.

U.S. milk powder exports to Mexico in January totaled 41.9 million pounds, down 4.6% from the impressive volumes of a year ago. Exporters managed to step up sales elsewhere; U.S. exports of NDM in January reached 105.25 million pounds, up 11.3% from the previous year. February volumes will likely be less inspiring.



U.S. cheese and curd exports in January totaled 52 million pounds, down 21% from December but up 3% from a year ago. Butter exports were more than twice as large as last year's paltry showing, but in comparison to previous years, volumes were nothing special. Exports of butter and other varieties of milkfat in January fell 28.4% from year-ago levels, and imports continued to climb. Canadian imports of U.S. butter and cream were down substantially from the heady volumes seen late last year, but they were still up noticeably from January 2016. U.S. dry whey and whey protein concentrate exports remain strong. They were up 14.7% and 51.5%, respectively, from last January.



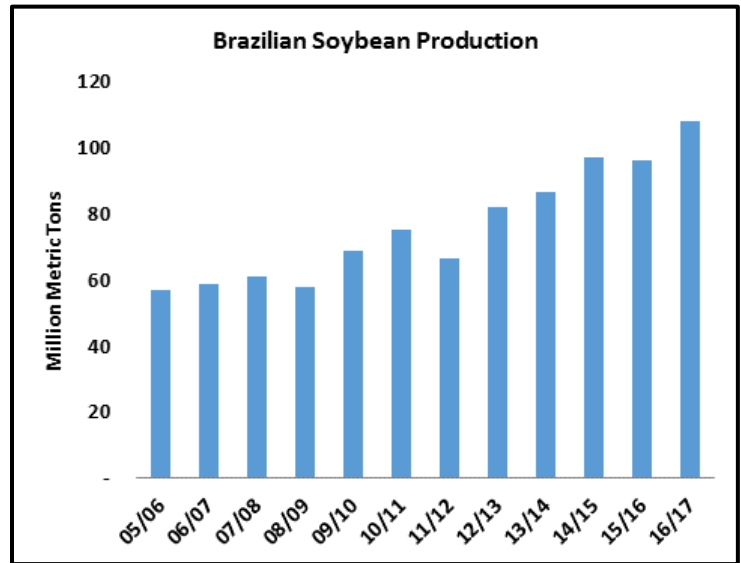
U.S. dairy product exports and domestic demand are not keeping pace with growing output, and dairy product inventories are growing. This is particularly evident in the cheese market. Mild weather is not helping matters. Milk handlers in the Northeast have requested temporary permission to dispose of milk on farms while retaining their pooling privileges. In the heart of the country, milk is selling for as much as \$6.00 under Class III, although most spot milk is moving at discounts ranging from \$1.50 to \$4.00 under. In

New Mexico, “handlers are actively looking for additional sales outlets... to avoid, as much as possible, discarding milk,” according to *Dairy Market News*. There are some processing issues that have exacerbated the situation, so some of the oversupply issues in the Southwest may ease as plants return to capacity. Nonetheless, it’s clear that milk is abundant and processing capacity is already unequal to the fledgling spring flush.

Grain Markets

The grain and oilseed markets took a big step back this week. May corn futures settled at \$3.6425 per bushel, down 16.5¢. Soybean futures lost nearly 30¢. Fund investors, who had been pouring money into commodities, began to reverse course. This was most noticeable in the energy markets. Crude oil futures lost ground every day this week, falling 9% from Friday to Friday. The selloff was apparent in agricultural futures as well. Investors who bet that inflation would boost commodity prices have had a rough few months.

USDA helped the agricultural markets to refocus on fundamentals, which made for even steeper losses. The agency increased its outlook for Brazilian soybean production by 4 million metric tons (MT) to 108 million MT. This year’s crop will be the largest on record, by far. USDA also increased its estimate of Brazil’s corn crop by 5 million MT to 91.5 million MT. Private estimates are in line with USDA’s latest projection, but most analysts did not expect the agency to go so high so soon. USDA also increased its estimates of Australian wheat production, and South African and Argentine corn production. With that, global stockpiles of corn, wheat, and soybeans climbed and prices fell.



SB 27 UPDATE: USE OF MEDICALLY IMPORTANT ANTIMICROBIAL DRUGS IN LIVESTOCK

By Kevin Abernathy, MPC General Manager

Dare I say – 2018 will be here before we know it – and taking effect next year will be a new law regulating the use of medically important antimicrobial drugs used in livestock. Now is the time to start having the conversation with your veterinarian to assess whether this new law will impact your herd health and treatment protocols, and make a plan going forward.

Senate Bill 27, signed by the Governor in 2015, states:

14401.

“Beginning January 1, 2018, a medically important antimicrobial drug shall not be administered to livestock unless ordered by a licensed veterinarian through a prescription or veterinary feed directive, pursuant to a veterinarian-client-patient relationship that meets the requirements of Section 2032.1 of Title 16 of the California Code of Regulations.

14402.

(a) Beginning January 1, 2018, a medically important antimicrobial drug may be used when, in the professional judgment of a licensed veterinarian, the medically important antimicrobial drug is any of the following:

- (1) Necessary to treat a disease or infection.*
- (2) Necessary to control the spread of a disease or infection.*
- (3) Necessary in relation to surgery or a medical procedure.*

(b) A medically important antimicrobial drug may also be used when, in the professional judgment of a licensed veterinarian, it is needed for prophylaxis to address an elevated risk of contraction of a particular disease or infection.

(c) A person shall not administer a medically important antimicrobial drug to livestock solely for purposes of promoting weight gain or improving feed efficiency.

(d) Unless the administration is consistent with subdivision (a), a person shall not administer a medically important antimicrobial drug in a regular pattern.

The California Department of Food and Agriculture (CDFA) is charged with implementing these new regulations and is partnering with stakeholders – including the dairy community – to gather information related to antibiotic sales, usage and resistant bacteria as well as livestock management practices and related health and economic outcomes. This information will better inform producer and veterinarian decision making and help development of specific antibiotic stewardship guidelines.

This process demands a science-based approach, which CDFA appears to be taking on the issue. The California Animal Health & Food Safety (CAHFS) Laboratory System will also play an important role in this process. I have been part of this stakeholder advisory group for many years and will continue to represent dairy families to the best of my ability.

For any questions regarding this issue or any other, please do not hesitate to contact the MPC office at office@milproducers.org. We are here to serve you and your best interests.
