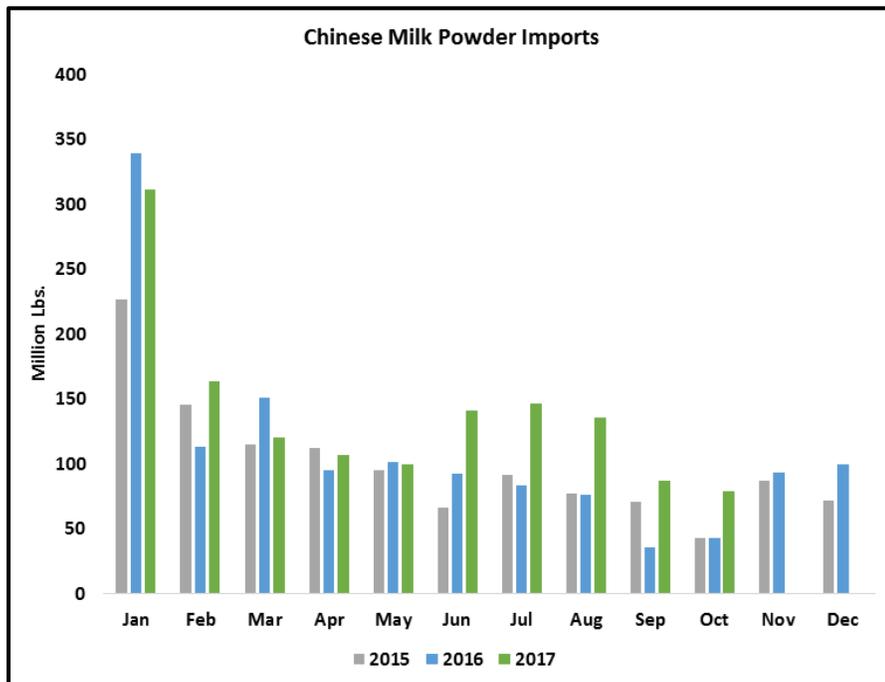
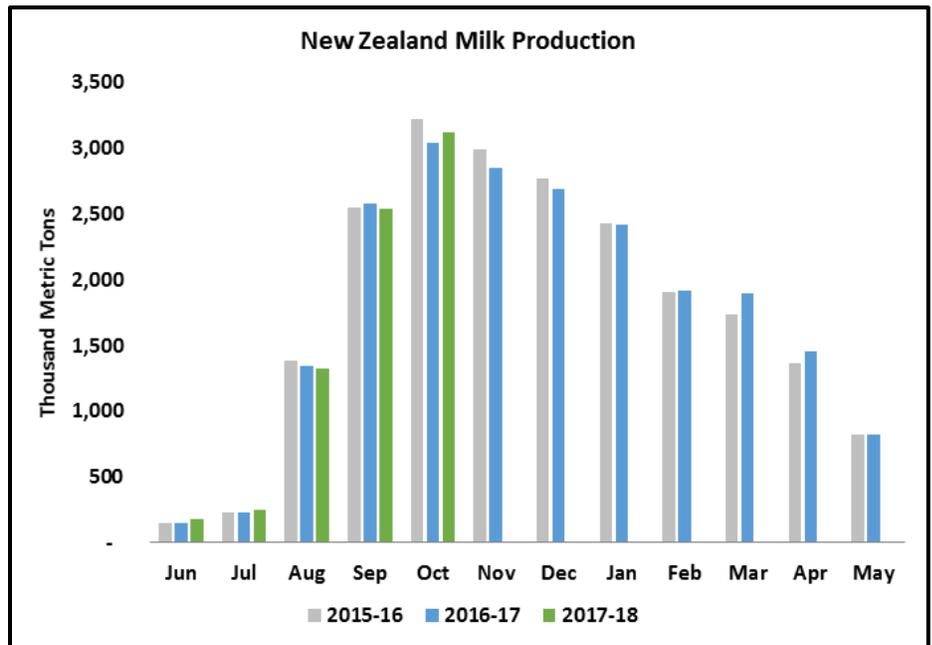


Milk output is also stronger in Europe and New Zealand. Despite a decline in the dairy herd, New Zealand's milk collections were up 2.7% in October compared to a year ago. New Zealand's dairy season got off to a cold, wet start, but it has since turned dry. The weather clearly was not an issue during the peak of the season, but if the dry weather holds, milk output could suffer in the coming months.

With higher milk output around the globe, dairy product prices swooned at last week's Global Dairy Trade (GDT) auction. The GDT index dropped 3.4%, its fourth consecutive decline.

There was no change in the average winning price for anhydrous milkfat, and all other products moved lower. Skim milk powder (SMP) prices were among the hardest hit; they fell 6.5% to \$1,701 per metric ton. That equates to nonfat dry milk (NDM) at 82¢ per pound after adjusting for protein. In comparison, CME spot NDM finished today at 72¢, where it has been hovering for the past two weeks. U.S. milk powder is competitively priced and may not need to move lower from here. But global inventories are heavy, so the upside is likely limited.



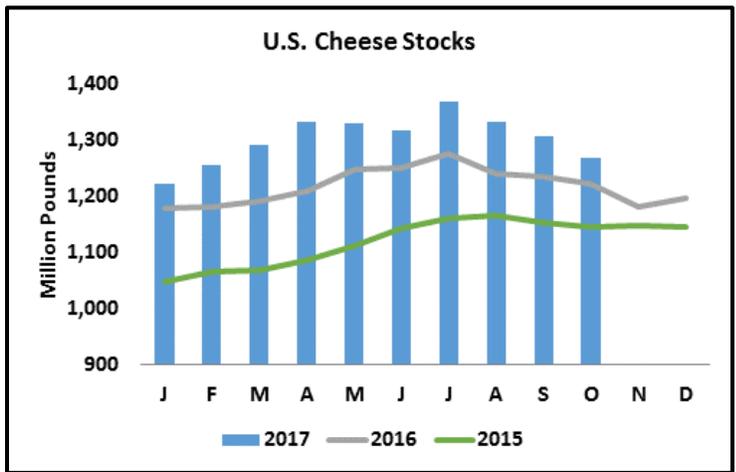
The milk powder markets were cheered to see relatively strong Chinese demand. Chinese milk powder imports were up 85.5% from a year ago in October, although they were a little lower than September shipments. The same trend held for most other dairy products, with Chinese imports generally higher than year-ago levels but lower than September volumes.

China imported 18.5 million pounds of cheese in October, 5.5% more than a year ago. So far in 2017 the U.S. has accounted for just 11% of China's cheese imports. New Zealand's dairy products can cross into China with a lower tax burden than products from the United States, and the kiwis supply more than

half of China's imported cheese. But the U.S. may become a bit more competitive. Beginning today, China will drop the tariff on U.S. cheese imports from 12% to 8%. China will also slash the tariff on prepackaged infant foods from 15% to 2%, and Chinese imports of hydrolyzed protein formula for people with special nutritional needs will become duty free. Given the size of U.S. stockpiles of cheese, milk powder, and whey, the lower tariffs are certainly welcomed.

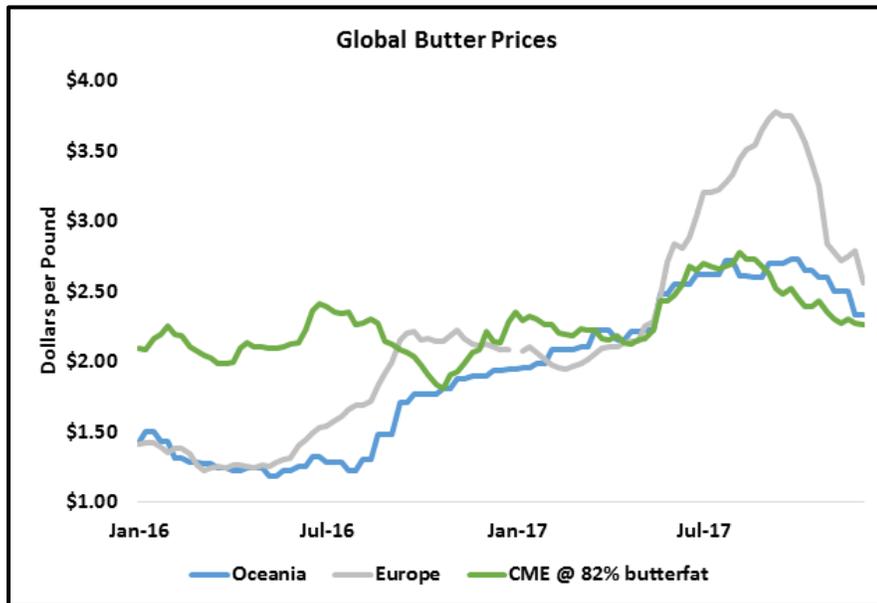
On October 31, U.S. cheese inventories slipped to 1.258 billion pounds, down 40.2 million pounds from September. Still, stocks are 3.7% higher than they were a year ago. At 739.3 million pounds, American cheese

inventories were notably lower than at the end of September and just 0.5% greater than the prior year. These figures imply strong cheese demand in October, and anecdotal reports suggest that domestic cheese demand continues to impress. Nonetheless, CME spot Cheddar blocks fell 4.75¢ this week to \$1.5625 per pound, the lowest price since early September. Barrels plunged 14¢ to \$1.535. Class III futures have put in a mixed performance over the past couple weeks, but most contracts are 15 to 25¢ higher.



There were 219.8 million pounds of butter in cold storage at the end of October. Inventories are 3.7% lower than in October 2016. The month-to-month decline was a little larger than the five-year average. Butter is not nearly as plentiful as the other dairy products, but that is already reflected in global prices. Indeed, European butter prices continue to fall from this autumn's unprecedented heights. CME spot butter closed today at \$2.215 per pound, down fractionally from where it stood before Thanksgiving. Nearby Class IV futures have fallen

around 20¢ over the past two weeks. The December through March contracts all stand below \$14.00.



Grain Markets

For the first time in five weeks, the corn market managed to gain some ground. March corn settled today at \$3.5875 per bushel, up 3.75¢ from last Friday. January soybeans finished at \$9.9425, up a penny. The U.S. harvest is large, and grain stocks are huge. Soybean inventories are less plentiful but by no means tight, and exports have not impressed. If shipments don't ramp up, USDA may be forced to lower its export estimate, boosting projected inventories

at the end of the season. However, the markets have been buoyed by a drier trend in Argentina and, to a lesser extent, in southern Brazil. Soil moisture reserves are solid, and it's a bit early to start writing down yields, but the forecast will determine the direction of the soybean markets in the near term.

MPC area meeting review

By Geoff Vanden Heuvel, MPC Board Member and Economics Consultant.

This past week, I had the privilege of participating in MPC area meetings with the MPC staff. It was a great opportunity to exchange information and get feedback from our members in the Central Valley.

We had the opportunity to cover topics ranging from the upcoming FMMO and the current referendum on the Quota Implementation Plan. **If you have NOT yet voted and can't find your ballot please contact Kevin Abernathy at kevin@milkproducers.org and he will facilitate getting you a replacement ballot. You can also contact Don Shipplehoute or Hyrum Eastman at CDEA at (916) 900-5014 to obtain a duplicate ballot. There are about 600 of you who have not yet voted. CDEA has received 479 ballots as of today, with 58 more needed for a valid referendum.**

We talked about the Margin Protection Program and its future in the up-coming Farm Bill. We spent some time explaining the American Farm Bureau's proposed Dairy Revenue Insurance Program that is being considered right now by the Federal Crop Insurance Corporation. As folks began to comprehend what this program could offer there was some real interest in seeing this proposal move forward.

We updated attendees of the current status of the Delta Water Fix. Right now, the Brown Administration is trying to figure out what can be built since none of the Federal contractors who were supposed to pay 45% of the cost of the twin tunnels signed up. I also had the unique opportunity to learn first-hand the concerns of our members who live in the Delta about the plans that are contained in the Water Fix. No doubt, the discussions on this issue are far from over.

We also spent some time talking about the Sustainable Groundwater Management Act that requires every area of the state to develop groundwater management plans that will eliminate overdraft. This is a huge issue for our members in the Central Valley. There was some great information exchanged about various "experiments" that were done this past winter when surplus flood flows were surging past our farms. Sustainably managing our aquifers is going to be a difficult and long-term challenge for us.

Kevin was able to share some exciting information about the great strides that are being made in getting funding assistance to electrify feeding operations on our dairies as well as the ongoing and increasing funding opportunities to build digesters. I was particularly impressed to learn that Kevin and others have been pursuing a strategy on our behalf to make the California dairy farmers an integral part of green power generation and green transportation fuel infrastructure of California. Since California political leaders are fanatically committed to leading on reducing climate changing emissions, the dairy industry offers the most cost-effective way to get those reductions in greenhouse gases.

It was a very worthwhile two days for me. We appreciate the folks who took the time to attend and greatly appreciate the support of the membership for MPC and the effective work of our staff in promoting our interests.

Southern California MPC area meeting scheduled for December 7 in Lakeview, CA

Southern California

12 noon Thursday, December 7, 2017
Lunch will be served
Hosted by Michael Oosten
Marvo Holsteins Dairy (in the shop)
33400 Fernandez Road, Lakeview, CA

Please RSVP by email or phone

Kevin@MilkProducers.org

209-678-0666

Betsy@milkproducers.org

661-205-6721



✓ VOTE YES

**Quota
Implementation
Plan**

**Ballots due to CDFA by December 22!
Your ballot is blue and was mailed to you
in a 9"x13" envelope in early October.
Call (916) 900-5014 for a replacement ballot.**