



Milk Producers Council



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TO: Directors & Members

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FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks + \$.1225 \$1.7350
Barrels + \$.0925 \$1.6925

Weekly Average, Cheddar Cheese

Blocks + \$.1150 \$1.7135
Barrels + \$.1870 \$1.7010

CHICAGO AA BUTTER

Weekly Change -\$.1325 \$2.3150
Weekly Average - \$.0725 \$2.3920

DRY WHEY

Dairy Market News w/e 09/29/17 \$3.750
National Plants w/e 09/23/17 \$4.091

NON-FAT DRY MILK

Week Ending 9/22 & 9/23

Calif. Plants \$0.8604 6,597,149
Nat'l Plants \$0.8370 17,580,829

Prior Week Ending 9/15 & 9/16

Calif. Plants \$0.8858 6,424,609
Nat'l Plants \$0.8476 16,668,540

Fred Douma's price projections...

Sept 29 Final: Quota cwt. \$17.00 Overbase cwt. \$15.30 Cls. 4a cwt. \$15.70 Cls. 4b cwt. \$14.88
Last Week: Quota cwt. \$17.01 Overbase cwt. \$15.32 Cls. 4a cwt. \$15.81 Cls. 4b cwt. \$14.85

Market commentary

By Mary Ledman, Daily Dairy Report, mary@dailydairyreport.com

Milk & Dairy Markets

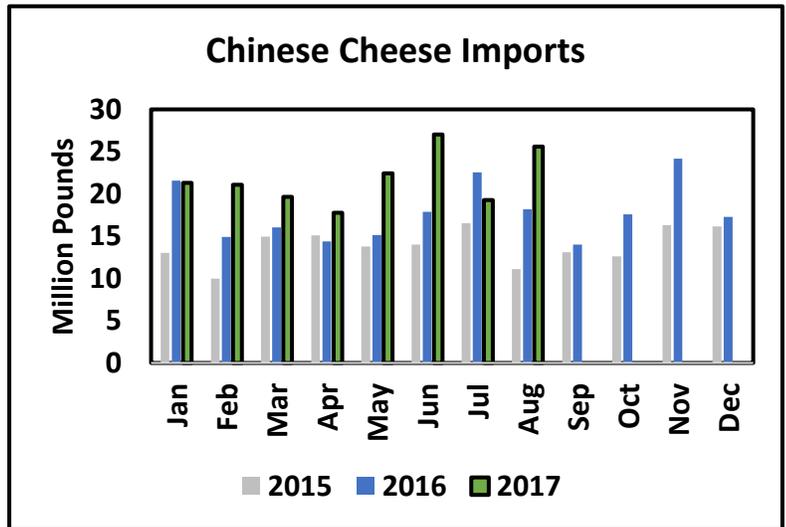
CME cash Cheddar cheese prices closed the month significantly higher than where they began. CME block and barrel cheese prices settled at \$1.735 and \$1.6925, respectively, up 19.5¢ and 17.25¢ from Sept. 1. CME cash butter prices traded as high as \$2.5075 in early September, but softened during the month and closed at \$2.315 on Sept. 29. That is the lowest daily cash butter settlement price since May 12. In 2015 and 2016, spot butter prices retreated at some point during the second half of the year only to surge in November. U.S. butter prices are at a growing discount to Oceania and European butter prices, which currently average \$2.78 and \$3.53, respectively, according to USDA's Dairy Market News. Lower Q3 cash butter prices are likely to spur both domestic and export demand, which could elevate prices in Q4 2017. The nonfat dry milk (NDM) market remains the weakest of the dairy markets. The CME spot NDM market closed the week at \$0.8275, down from the mid-week high of \$0.8425, but \$0.0050 higher than last Friday's settlement price. CME NDM futures closed lower on the day.

The national All-Milk price averaged \$18/cwt. in August, up 70¢ from last month and 80¢ more than in August 2016. Feed costs were lower compared to prior months, with corn and soybean meal posting fresh lows for the year. According to the feed-cost formula in the Margin Protection Program (MPP) calculation, producers spent \$7.73 on average for feed in August to produce 100 lbs. of milk, down 49¢ from last month, putting the income-over-feed margin at \$10.27/cwt. The July-August MPP averaged \$9.67, well over the highest MPP payment threshold of \$8/cwt. The July-August averaged feed costs used in the calculation are as follows: corn \$3.38/bu., soybean meal \$313.55/ton, and alfalfa \$149.50/ton.

Regionally, on-farm margins can vary widely from the national average. California's average alfalfa price retreated by \$5 to \$160/ton in August, which was \$15 more than in August 2016. Wisconsin's alfalfa prices are drastically lower than their western and eastern counterparts. The August alfalfa price in America's Dairyland averaged \$97/ton, down \$6 from the prior month but \$18 more than last year.

Each of the 23 states that report monthly average milk prices posted gains vs. the prior month and previous year. The lowest August All-Milk price was reported in Michigan at \$16.60/cwt., a 60¢ improvement over July and \$1/cwt. more than August 2016. Michigan’s All-Milk price has lagged the national average in every month since February 2015, and the discounts are expected to continue until supply retreats. California’s August All-Milk price at \$17.07 improved by 42¢ and bested last year by \$1.01. The Wisconsin All-Milk Price reached \$18.20 during August, up \$1.10 from July but only 20¢ more than August 2016. Favorable milk prices and lower feed costs across the country are expected to keep year-over-year (YOY) milk production gains growing. August milk production was up 2% YOY from last year, which matched July’s YOY increase.

China’s dairy product imports during August were impressive. China imported 15,018 metric tons (MT) or 33.1 million pounds of butter and butter oil, up 102% from last year, and the highest monthly imports on record. New Zealand accounted for 85% of the volume, with European countries shipping most of the remaining product. China’s cheese imports totaled 11,613 MT or 25.6 million pounds, up nearly 41% from August 2016 and the second highest monthly tally on record. Year-to-date cheese exports to China total 79,000 MT, or 174 million pounds, are running 24% above 2016’s levels, which were 28% greater than 2015’s imports. Fresh cheese (primarily pizza cheese and Mozzarella) represents 43% of total YTD volume. New Zealand has been the primary benefactor from China’s growing appetite for cheese. Through August 2017, New Zealand has accounted for 54% of China’s cheese imports, followed by Australia and the United States with market shares of 19% and 11%, respectively.



Milk powder exports were equally impressive in August. China imported 35,402 MT of whole milk powder (WMP), 91% more than last year and second only to 2012 for August monthly volume. Not surprisingly, the lion’s share of WMP, 95%, came from New Zealand. China’s skim milk powder (SMP) imports also surged compared to July. SMP imports topped 26,122 MT, or 57.6 million pounds, the highest monthly total for August and 64% more than the prior year. Most of the increases came from European countries. The United States lost ground on SMP exports to China, with volumes decreasing 52% vs. August 2016.

China’s whey imports were lower than the prior month and year. In August, China imported 45,143 MT, or 99.5 million pounds, of whey products, 8% less than July and 3% lower than 2016 levels. Lower whey imports are contributing to weaker U.S. dry whey prices.

Infant formula remains a bright spot; imports rose to 27,785 MT, or 61.3 million pounds, in August, up 40% vs. the prior year. Year to date, China’s infant formula imports are up nearly 29%— again a tremendous increase over 2016, a year that bettered 2015 by almost 25%. All in all, improved Chinese trade data was welcome news for global dairy processors.

CDFa extends grant application deadline for 2017 Alternative Manure Management Program

The California Department of Food and Agriculture (CDFa) has extended the grant application deadline for the Alternative Manure Management Program (AMMP) from October 2, 2017 to October 16, 2017 at 5 p.m.

The AMMP is one of two programs designed by CDFA to reduce overall greenhouse gas emissions. The program will provide between 9 and 16 million dollars in grants to California dairy and livestock operators to implement non-digester manure management practices that reduce methane emissions.

For detailed information on eligibility and program requirements, prospective applicants should visit the CDFA AMMP website [here](#). To streamline and expedite the application process, CDFA is partnering with the State Water Resources Control Board, which hosts an online application tool, the Financial Assistance Application Submittal Tool (FAAST). All prospective applicants must register for a FAAST account [here](#). Applications and all supporting information must be submitted electronically using FAAST by Monday, October 16, 2017 at 5 p.m.

CDFA: Answers to frequently asked questions regarding Quota Implementation Plan (QIP)

When will the QIP go into effect?

The QIP will only go into effect if the QIP passes a referendum of eligible California producers AND a CA FMMO is approved.

Who will be assessed to administer a stand-alone quota program and fund quota premiums?

All Grade A California producers who ship milk to a California plant.

Why will there be an assessment to fund quota premiums?

USDA did not incorporate quota into the Proposed California Federal Order pricing and pooling system. Rather, they gave the producers the choice to have the State of California administer a quota program and deduct the necessary funds from producer milk checks.

How much will the quota assessment be?

The initial assessment will not exceed \$0.0436 per pound of solids not fat. Or approximately \$0.3800 per cwt, assuming 8.7 pounds of solids not fat per cwt

What will the quota payment be?

Producers owning quota will still be paid the \$1.70/cwt minus the applicable RQA's. The same RQA's will be applied as occurs today.

Are Regional Quota Adjusters (RQA's) still part of the stand-alone quota program?

Yes, the current RQA's will be applied, see Article 8 of the QIP.

What is the time line for the referendum?

Referendum ballots will be mailed to eligible producers sometime within the first two weeks of October. Producers have 60 days to vote and return their ballots. After the vote is certified, the results will be announced.

What are the requirements for the referendum to pass?

At least 51% of the eligible producers must vote AND votes in favor must be submitted by either 65%, or more, of those who voted and produce at least 51% of the milk produced by those who voted OR 51%, or more, of those who voted and produce at least 65% of the milk produced by those who voted.

If I have 5 dairies, will I receive 5 ballots?

No, you will receive one ballot. Producers that own more than one dairy will be entitled to one vote. The volume of milk produced on all of the producer's farms and delivered to California plants will be combined to ensure the volume of milk represented meets the voting thresholds.

Can quota be bought and sold?

Yes, producers can still buy and sell quota.

Will the Department issue brand new quota?

No, the Department will not issue brand new quota in the future. Any existing quota which has reverted back to the Department will be allocated to qualified new producers.

What is the producer survey in Article 11?

The Producer Review Board will conduct a producer survey at least every 5 years to evaluate the effectiveness of the Plan.

Can changes be made to the QIP?

Yes, non-substantive changes can be made after consultation with the Producer Review board. Substantive changes or significant amendments require a producer referendum.

What is the administrative assessment in Article 9?

The administrative assessment will be used to cover the cost of administering the QIP by the Department.

California Dairy Quality Assurance Program provides helpful tips in latest e-update

By Kevin Abernathy, MPC General Manager

The September e-update from the California Dairy Quality Assurance Program (CDQAP) highlights important statistics and resources on herd biosecurity. It includes information on how disease affects your bottom-line and tips on how to keep your herd safe from Foot and Mouth Disease, Tuberculosis, and other illnesses. Additional information about nutrient management sampling and other Annual Report tips are also included. Be sure to give it a read!



The entire CDQAP e-newsletter is available [here](#).