



# Milk Producers Council

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DATE: March 13, 2015  
TO: Directors & Members

PAGES: 4  
FROM: Rob Vandenheuvel, General Manager

## MPC FRIDAY MARKET UPDATE

### CHICAGO CHEDDAR CHEESE

Blocks	+\$0.0100	\$1.5700
Barrels	+\$0.0500	\$1.5450

### Weekly Average, Cheddar Cheese

Blocks	+\$0.0160	\$1.5680
Barrels	+\$0.0515	\$1.5450

### CHICAGO AA BUTTER

Weekly Change	- \$0.0550	\$1.6950
Weekly Average	- \$0.0460	\$1.7100

### DRY WHEY

Dairy Market News	w/e 03/13/15	\$0.4450
National Plants	w/e 03/07/15	\$0.5058

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### NON-FAT DRY MILK

#### Week Ending 3/6 & 3/7

Calif. Plants	\$0.9958	10,314,639
Nat'l Plants	\$1.0463	16,964,521

#### Prior Week Ending 2/27 & 2/28

Calif. Plants	\$1.0512	8,144,639
Nat'l Plants	\$1.0580	26,220,759

## FRED DOUMA'S PRICE PROJECTIONS...

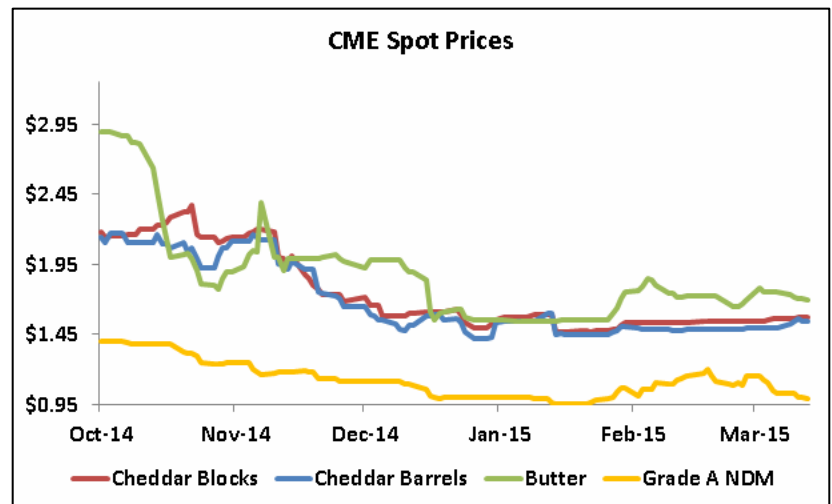
Mar 13 Est:	Quota cwt. \$15.57	Overbase cwt. \$13.87	Cls. 4a cwt. \$13.58	Cls. 4b cwt. \$14.06
Last Week:	Quota cwt. \$15.59	Overbase cwt. \$13.90	Cls. 4a cwt. \$13.75	Cls. 4b cwt. \$14.00

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

### Milk & Dairy Markets

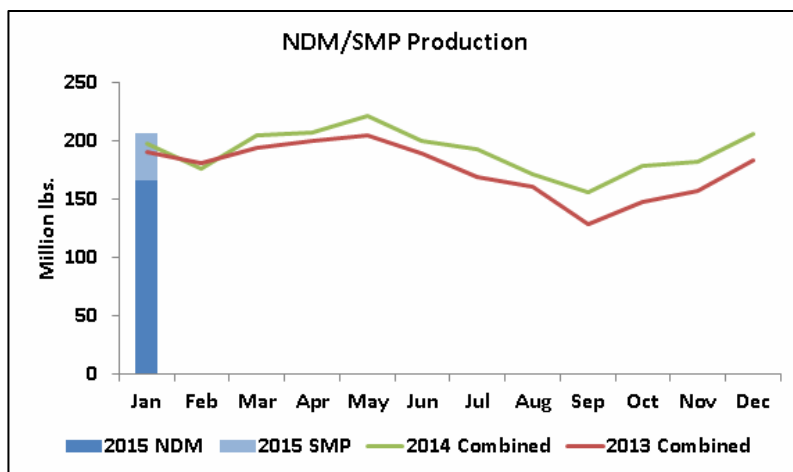
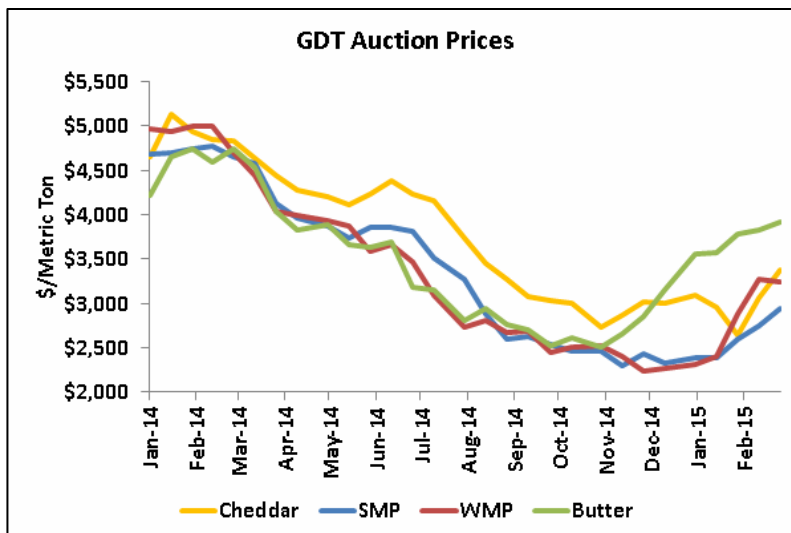
After hibernating in February, the CME spot Cheddar market is showing signs of life. Over the past two weeks blocks gained 2.5¢ and closed Friday at \$1.57/lb. Barrels added 5.25¢ and reached as high as \$1.565 before settling at \$1.545. Given the arrival of spring in the Midwest and the accompanying increase in milk flows, a rally in the cheese market seems curious. But *Dairy Market News* offers some insight. "Manufacturer inventories of cheese are sometimes too thin to fill orders requesting sudden delivery... Some customers are building their own cheese inventories as a hedge against possible future price increases, with memories of prices last year reaching the \$2.40s still fresh." Foreign cheese buyers are similarly stocking up, but they are not buying American. With Russia largely on the sidelines, Europe has plenty of cheese to satisfy their needs. In the long run, the cheese market could come under pressure as those who are making purchases today will have less to buy in the future.



The Class III market chose to focus on the horizon and ignore the spot market strength. Class III futures moved sharply lower over the past two weeks; second quarter contracts dropped more than a dollar. Losses in the Class IV market were even steeper. Although spot butter prices jumped at the beginning of March they have since retreated and are now exactly where they closed two weeks ago, at \$1.695. Spot nonfat dry milk (NDM) dropped 15.75¢ to \$0.9925.

USDA announced February Class III milk at \$15.46/cwt., down \$7.89 from a year ago and 76¢ lower than January. The California 4b milk price was \$13.78, up 3¢ from January. The February Class IV milk price was \$13.82, down \$9.59 from last February, but 59¢ higher than the preceding month. The California 4a milk price for February was \$13.46, up 37¢ from January.

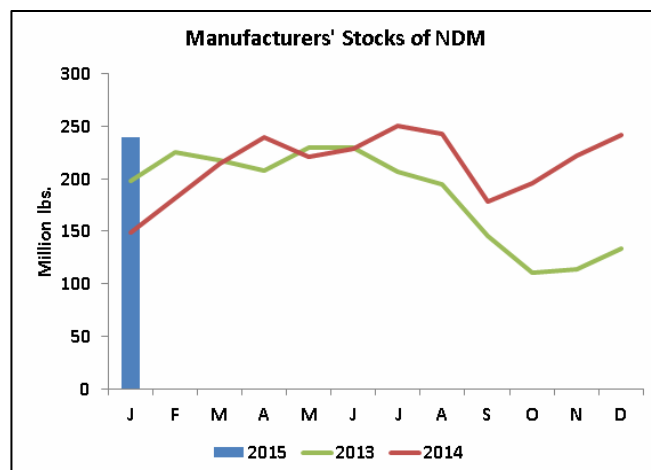
Prices were mixed at the Global Dairy Trade (GDT) auction on March 3rd. The GDT index rose 1.1%. Butter, Cheddar and skim milk powder (SMP) prices all continued to gain, but whole milk powder (WMP) prices slipped 1%. Since the auction milk powder prices have eroded at the NZX futures exchange. The *Daily Dairy Report* noted last week that the contraction “could signal that New Zealand’s milk output might not be falling to the extent previously indicated, or perhaps demand is not as robust.” New Zealand’s WMP exports to China in January were down 69% from December and 10% from the prior year. Since then, New Zealand’s export woes have only increased. The police and Ministry for Primary Industries released details about an anonymous threat to poison infant formula with 1080 pesticide in protest of its use. Although officials have stepped up security and inspections all along the supply chain, the threat is likely to weigh on demand for milk powder from New Zealand, particularly in China.



USDA confirmed that cheese and milk powder output was very strong in January. Indeed, according to last week’s Dairy Products report, combined production of NDM/SMP was record large and cheese output was the largest for any January on record. In contrast, butter production fell 1.6% from the previous year. This was largely due to a 3% decline in California output. The Golden State accounted for 72% of the year-over-year deficit.

Manufacturers will have to sell a growing share of their product domestically. The U.S. dollar index hit 12-year highs this week, which is sure to weigh on export demand. Exports were lower in January than the year before for every category of dairy product except yogurt. Cheese exports fell 26% and butter sales dropped 75% from a year ago. Shipments of NDM fell 10% and manufacturers’ stocks of NDM in the U.S. rose to 239.8 million pounds, up 61% from a year ago.

While milk is abundant in much of the country, it remains depressed in California. A number of producers in the Central Valley are reportedly struggling to combat mycoplasma and mastitis, which has led to lower milk production and higher cull rates in the region. Although these infections typically crop up at this time of year, this year’s strain appears particularly virulent. This may be linked to the fact that most producers in the area were required to stop using teat dip with nonylphenol ethoxylates (NPE). Processors in California, Minnesota and Texas have implemented a ban on NPE in order to avoid issues on



exports to China. Unfortunately, dairy producers in California have been forced to make the switch just in time for humidity and the infections that come with it.

In the last two weeks of February dairy cow slaughter totaled 57,283 and 58,414 head, respectively. This is notably lower than the preceding six weeks in which slaughter easily surpassed 60,000 head. For the year to date, slaughter is 3.7% ahead of the 2014 pace.

### Grain Markets

Over the past two weeks May corn futures dropped 12.75¢ and May soybean futures fell 57.75¢. Soybean meal futures lost more than \$15/ton. USDA's monthly estimate to its crop balance sheets was a nonevent. They left their estimates of soybean supply and demand completely unchanged. USDA lowered its estimate of corn inventories at the end of the season as a decline in corn for ethanol demand was more than offset by greater demand for feed and export. At 1.78 billion bushels, corn inventories will be more than adequate. However, the stage is set for a rally in the corn market if acreage falls significantly or if there are major weather issues this year.

The larger issue for both the corn and soybean markets at the moment is trade. The strong dollar is reducing buyers' appetite for U.S. crops. There were persistent rumors this week that a cargo of corn from either Europe or Brazil would soon land in North Carolina. Whether or not this rumors is true, the fact that it is plausible highlights the U.S. disadvantage in the global marketplace.

The U.S. soybean export program has also dropped off considerably. A truckers' strike in Brazil gave the market a boost in February but those issues have largely been resolved and soybeans are once again flowing to the ports and to buyers around the world. There is no reason for importers to look to the U.S. for their feed needs at the moment.

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**DAIRIES SHOULD BE ON THE LOOKOUT FOR TRI-COLORED BLACKBIRDS:** *(By Betsy Hunter-Binns, Central Valley Representative)* Many of you have probably been reading or hearing about the "tricolored blackbird" in recent months due to the action taken by the California Fish and Game Commission to list them on an emergency basis under the California Endangered Species Act (ESA). What this means is these blackbirds – which have found California's winter forage fields, especially wheat and triticale, a suitable nesting choice – are protected under the ESA for the next six months, with likely efforts to continue that protection into the future.

In years past, farmers have had a choice about how to deal with the nesting birds: delay harvest or not. However, after the recent action taken by the California Fish and Game Commission, farmers who have the tricolored blackbirds nesting in their fields have only one option: delay harvest until the nesting period is complete.

USDA's Natural Resources Conversation Service (NRCS) has a program offering financial assistance for those who have to delay harvest and allow the birds 35 days to fledge their young. The deadline for this funding is April 17<sup>th</sup>, so farmers should submit an application as soon as possible.



Source: [www.audubon.org](http://www.audubon.org)

It's possible – if not likely – that there are members of the public that are attempting to track the movement of these birds, so as always, MPC members are encouraged to diligently monitor who is allowed on their property and have no trespassing signs posted. Those who suspect that they have tricolored blackbirds in their fields are

encouraged to contact Kevin Abernathy (209) 678-0666 or Betsy Hunter-Binns (661) 205-6721, and we can help guide you through your options and a course of action.

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**STATE WATER BOARD HOSTING PRODUCER MEETINGS ON THEIR ANNUAL FEES FOR CALIFORNIA DAIRY FAMILIES:** *(By Kevin Abernathy, Director of Regulatory Affairs)* When trying to describe the increases our dairies have seen in their annual fees paid to the State Water Resources Control Board (SWRCB), words like “obscene,” “outrageous,” and “indefensible” immediately come to mind. Our dairymen readers are well aware of the 33% increase this year, on top of the 27% the year before. Longer-term, we’ve seen these fees – which might as well be called taxes – quadruple in the past decade. As we’ve reported before, this has led MPC to join with California Dairy Campaign and Western United Dairymen in filing suit against the SWRCB over these sharp increases.

As part of the most recent increase, the Governing Board of the SWRCB directed the staff to conduct “stakeholder outreach meetings” to provide more information directly to the stakeholders on how the funds are used and why the increases were needed. Those meetings have begun, and there are two coming up in the Central Valley at the locations listed below. Interested producers are encouraged to attend and voice your perspective on what those outrageous increases have meant for your dairy.

#### **Tulare County**

Thursday, March 26<sup>th</sup>, 10:00 am – 12:30 pm  
UC Cooperative Extension Tulare, 4437-B S. Laspina Street, Tulare, CA 93274

#### **Merced County**

Wednesday, April 1<sup>st</sup>, 10:00 am – 12:30 pm  
UC Cooperative Extension Merced, 2145 Wardrobe Avenue, Merced, CA 95341

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**CDQAP ANNOUNCES UPCOMING ENVIRONMENTAL CERTIFICATION CLASSES:** *(By Kevin Abernathy)* As many of you already know, one way to help combat the outrageous annual fees from the SWRCB is to become environmentally certified under the “California Dairy Quality Assurance Program” or CDQAP. This program – which includes classroom education and a followup on-site inspection – carries with it the benefit of a 50% discount in your annual fees paid to the SWRCB for the next five years (producers can be re-inspected every five years to continue the certification/discount).

While many producers have already participated in the classroom portion of this certification process, there are still some who have not. CDQAP has announced a workshop next month in Modesto for those who would like to complete the classroom portion. The details on date/time are below and a flyer is posted on our website at: <http://www.milkproducerscouncil.org/2015cdqap.pdf>. *(Note: this is the only scheduled workshop this year, so if you are trying to get this certification prior to the next annual fee due date, this is your opportunity to attend the class.)*

#### **Water Quality Class:**

*(Must attend both sessions if you haven’t previously accumulated any hours – six hours total required)*

- Wednesday, April 1<sup>st</sup>, 9 am-12 pm & 1-4 pm
- Stanislaus County Agricultural Center, Stanislaus Building, “HI” Room  
3800 Cornucopia Way, Modesto

#### **Air Quality Class:**

- Thursday, April 2<sup>nd</sup>, 10 am-12 pm
- Stanislaus County Agricultural Center, Stanislaus Building, “HI” Room  
3800 Cornucopia Way, Modesto