



# Milk Producers Council

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**DATE: December 15, 2017**  
**TO: Directors & Members**

**PAGES: 6**  
**FROM: Kevin Abernathy, General Manager**

## MPC Friday Market Update

### CHICAGO CHEDDAR CHEESE

|         |           |          |
|---------|-----------|----------|
| Blocks  | + \$.0550 | \$1.5300 |
| Barrels | -.0100    | \$1.6600 |

### Weekly Average, Cheddar Cheese

|         |        |          |
|---------|--------|----------|
| Blocks  | -.0060 | \$1.4835 |
| Barrels | +.0755 | \$1.6680 |

### CHICAGO AA BUTTER

|                |           |          |
|----------------|-----------|----------|
| Weekly Change  | + \$.0250 | \$2.2450 |
| Weekly Average | + \$.0085 | \$2.2230 |

### DRY WHEY

|                   |              |          |
|-------------------|--------------|----------|
| Dairy Market News | w/e 12/15/17 | \$2.2975 |
| National Plants   | w/e 12/09/17 | \$2.2909 |

### NON-FAT DRY MILK

#### Week Ending 12/8 & 12/9

|               |          |            |
|---------------|----------|------------|
| Calif. Plants | \$0.7485 | 10,946,458 |
| Nat'l Plants  | \$0.7310 | 16,731,875 |

#### Prior Week Ending 12/1 & 12/2

|               |          |            |
|---------------|----------|------------|
| Calif. Plants | \$0.7517 | 13,357,260 |
| Nat'l Plants  | \$0.7415 | 17,150,432 |

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## Fred Douma's price projections...

|                    |                           |                              |                             |                             |
|--------------------|---------------------------|------------------------------|-----------------------------|-----------------------------|
| <b>Dec 15 Est:</b> | <b>Quota cwt. \$15.61</b> | <b>Overbase cwt. \$13.91</b> | <b>Cls. 4a cwt. \$13.44</b> | <b>Cls. 4b cwt. \$13.83</b> |
| <b>Last Week:</b>  | <b>Quota cwt. \$15.51</b> | <b>Overbase cwt. \$13.82</b> | <b>Cls. 4a cwt. \$13.41</b> | <b>Cls. 4b cwt. \$13.65</b> |

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## Market commentary

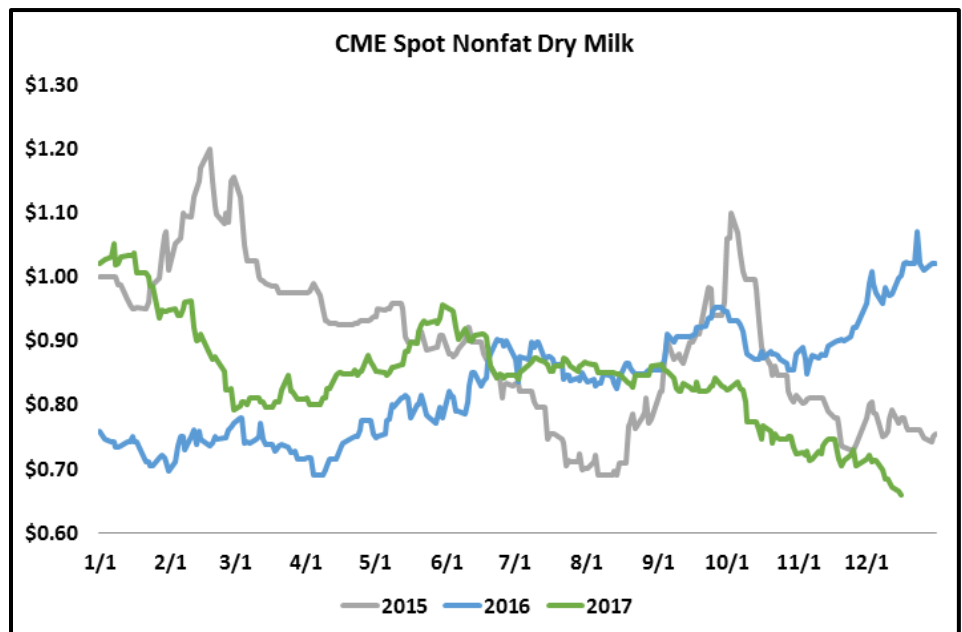
By Sarina Sharp, Daily Dairy Report, [sarina@dailydairyreport.com](mailto:sarina@dailydairyreport.com)

### Milk & Dairy Markets

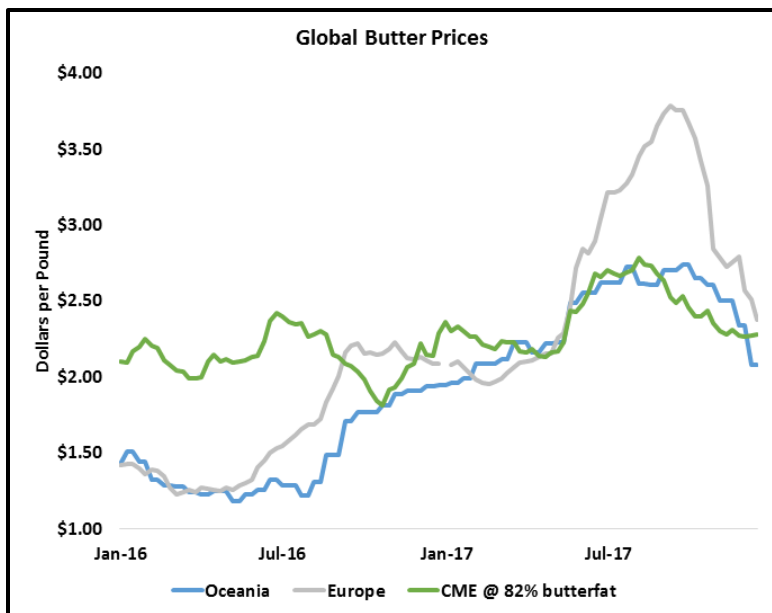
The milk powder market continues to flounder. Today CME spot nonfat dry milk (NDM) dropped to 65.75¢ per pound, a new all-time low. That's down 2.5¢ from last Friday, a 3.7% decline from prices that were already a bargain. Warehouses in the U.S. and Europe are bursting with powder, and driers are running hard for the holidays.

Butter prices continue to fall in Europe and Oceania, and the U.S. may have to contend with more imported butterfat in the future. At home, prices are more resilient. CME spot butter rallied 2.5¢ this week to \$2.245. Class IV futures

tiptoed lower this week. Butter demand has been respectable, but orders are trailing off seasonally. Retailers are now well-stocked for the holiday rush. Cream is getting cheaper, and there is plenty to be had.



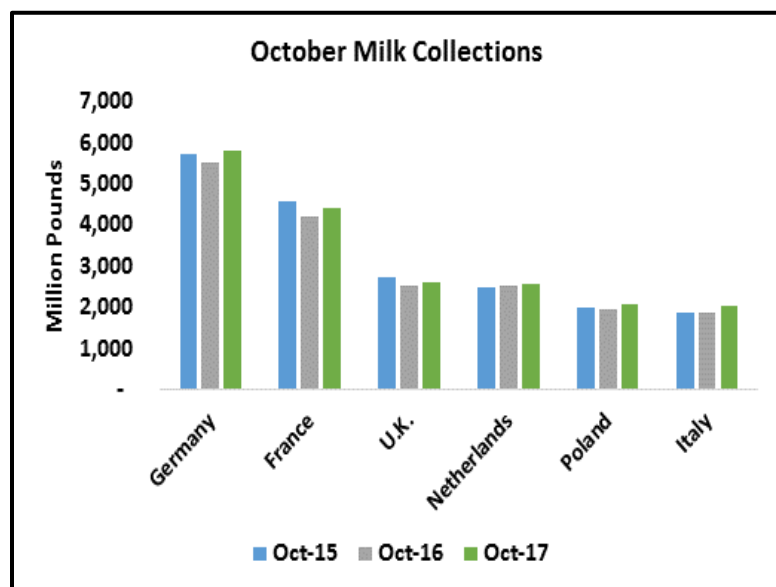
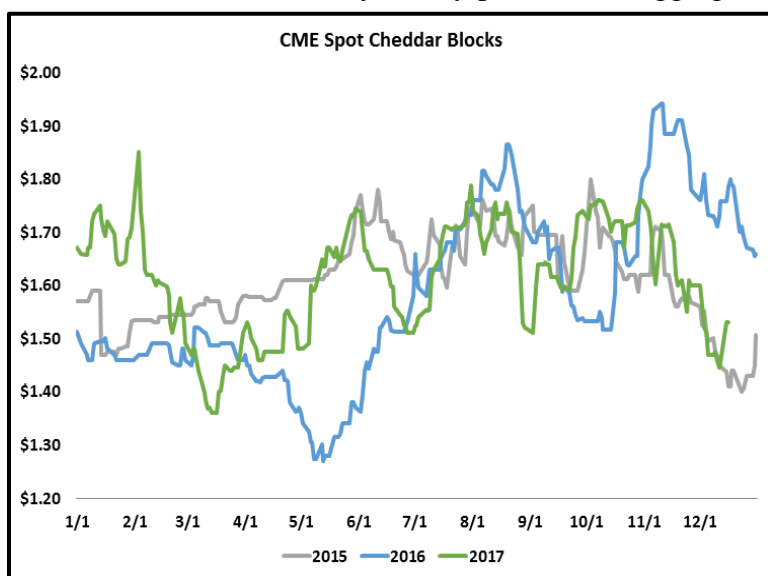
“Cheesemakers across the nation are relaying the same message: milk is abundant.” So says USDA’s Dairy Market News. Given the size of the U.S. dairy herd, how could it be otherwise? Spot milk is trading at a discount,



and some plants will run overtime next week. Domestic cheese demand has perked up, and low prices have sparked some interest from international buyers. But it will take time to whittle down the U.S. cheese supply, especially while output remains robust. Cheese prices reflect abundance. At the CME spot market, Cheddar blocks bounced back to \$1.53, up 5.5¢ this week after probing more than eight-month lows. Barrels slipped a penny to \$1.66. Still, they hold a 13¢ premium to blocks. The trade is perplexed by barrels' strength relative to blocks; they have responded by bringing product to Chicago en masse. An astounding 97 loads of barrels changed hands at the spot market this week.

The whey market continues to decline. Cheap product has managed to attract some marginal demand, but stocks remain heavy. Whey prices are dragging the milk market lower. January Class III futures eked out a 2¢ gain this week, but the other contracts were 10¢ to 30¢ in the red.

Dairy producers face unpalatable milk prices in the first half of the new year. Feed costs may be low, but labor and regulatory costs are rising quickly. Many dairy producers are heavily indebted after years of rapid expansion, and interest costs are climbing. The U.S. dairy herd is likely to contract in the months to come, and output may begin to lag. A number of dairy producers will no longer be allowed to use rBST in 2018, slowing increases in production per cow. In time, this will help to reduce dairy product inventories and boost prices. However, if European milk output continues to grow more quickly than demand, low milk prices could persist for much longer than they would otherwise.



European milk production was strong again in October. Austria, Greece, Spain, and Sweden have not yet reported October milk collections. Assuming that trends were similar to September in those nations, European milk collections in October were 5% greater than the prior year and up 1.1% from the record-breaking volumes of October 2015. The biggest players, Germany and France, both managed to increase milk collections by 4.9% from a year ago. Indeed, each of the top ten European dairy nations reported sizeable year-over-year growth. In sixth-ranked Italy, milk output was up 10.1% from 2016 and 9.8% from two years ago. Hopes that post-quota growth in Northern Europe would be partially offset by

declines in Southern Europe have proven illusory, to the detriment of milk prices around the globe.

### Grain Markets

The grain markets moved lower this week. March corn settled at \$3.475 per bushel, down 4.5¢ from last Friday. January beans finished at \$9.6725, down 22.5¢. Northern Brazil has been very wet, and the forecast calls for more of the same. Southern Brazil has seen regular rains, and Argentina has been mostly dry, but there was enough moisture in the past week to dampen the bulls' enthusiasm.

USDA's monthly update to crop balance sheets held no surprises. The agency recognized the record-breaking pace of ethanol output, increasing its estimate of corn for ethanol demand which resulted in lower ending stocks. Still, there is plenty of corn. Soybean exports have been well behind last year's pace, and USDA lowered its assessment of soybean export demand accordingly. The U.S. feed markets are hibernating for the winter. It will take a South American crop issue to rouse them from their slumber.

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## **Tulare County Board of Supervisors adopts changes in dairy plan to streamline permitting**

*By Kevin Abernathy, MPC General Manager*

Tulare County this week adopted a long-awaited overhaul of its dairy plan, an effort that harmonizes the local rules with regional and state efforts.

Tuesday's unanimous decision by the Tulare County Board of Supervisors updates the county's permitting rules to be consistent with those of the regional air district, regional water authorities and the statewide policy for reducing greenhouse gases.

This will ensure a clear and straightforward permitting process, whether building new dairies or expanding, modernizing or modifying existing facilities. This means saved time and money as producers navigate the permitting process

"We need to do whatever we can to assist our dairy industry," said Supervisor Steve Worthley shortly before the vote, pointing out that dairies play a significant role in the local economy.

"California dairies do it right and are incredibly efficient," said Supervisor Pete Vander Poel. "They're very environmentally friendly."

Milk Producers Council applauds the supervisors and Tulare County staff for staying the course throughout a long and difficult process to revise the county's dairy plan, known as the Animal Confinement Facility Plan. The project was immense and the county staff had to react to numerous changes in air, water and climate-related regulations taken over the past few years.

Tulare County is also the first county anywhere to have a Dairy Climate Action Plan, which will help protect both the county and its dairies from challenges under the California Environmental Quality Act.

Credit is also due to Tulare County-based dairy producers, who provided leadership and funding to technical, legal and policy experts who assisted the county in developing the plan. The local Tulare County Producers Group members met regularly for nearly a decade to ensure that the project was supported and shepherded through its long process.

The adoption of the revised General Plan is an important step for ensuring the health of the dairy community and the county's economy. Other counties should look to Tulare as an example of a strong partnership between dairy families and local government, one that benefits the environment, with practical rules to minimize

environmental impacts, and the local economy, where tens of thousands of good, local jobs depend on the dairy industry. Once again, MPC applauds all those who worked together to ensure the success of this important effort.

Please contact me at [kevin@milkproducers.org](mailto:kevin@milkproducers.org) with any questions.

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## **CDFFA announces funding for dairy digester development program**

The California Department of Food and Agriculture (CDFFA) is now accepting applications for the Dairy Digester Research and Development Program (DDRDP). The program, which is funded through California Climate Investment dollars, provides financial assistance for the installation of dairy digesters in California to reduce greenhouse gas emissions.

“Reducing methane emissions is a critical component in the state’s efforts to combat climate change,” said CDFFA Secretary Karen Ross. “Digester technology is an excellent example of how state and private partnerships can protect the environment, reduce emissions all while also providing an economic benefit for our dairy producers.”

CDFFA will allocate between \$61-\$75 million for potential projects. The final sum will depend on the needs of successful grant applicants. Additional funds have been allocated to support non-digester practices that reduce methane emissions from dairy and livestock operations through the Alternative Manure Management Program (AMMP). Milk producers and dairy digester developers can apply for up to \$3 million for projects that provide quantifiable greenhouse gas reductions.

Prospective applicants can access the “Request for Grant Applications” at [here](#) for information on eligibility and program requirements.

To streamline the application process, CDFFA is partnering with the State Water Resources Control Board, which hosts the Financial Assistance Application Submittal Tool (FAAST). All prospective applicants must register for a FAAST account at [here](#). Applications and all supporting information must be submitted electronically using FAAST by Friday, January 26, 2018 at 5:00 p.m. PST.

CDFFA will hold two free workshops and one webinar to provide information on program requirements and the FAAST application process. CDFFA staff will be present at the workshop to provide guidance on the application process, provide application examples and answer any questions. Individuals planning to attend should email [grants@cdfa.ca.gov](mailto:grants@cdfa.ca.gov) with their contact information, number of seats required and the workshop location.

### **Workshop locations include**

#### **Modesto**

Wednesday, January 3, 2018

1:00 – 3:00 pm

Stanislaus County Agricultural Commissioner Office, Room HI,

3800 Cornucopia Way

Modesto, CA 95358

## **Tulare**

Thursday, January 4, 2018

1:00 – 3:00 pm

Tulare County Agricultural Commissioner Office Conference Room

Agricultural Building

4437 S Laspina Street

Tulare, CA 93274

## **Webinar**

Monday, January 8, 2018

10:00 a.m. – 12:00 p.m.

To register for the webinar, please visit the program [webpage](#). Prospective applicants should refer to the DDRDP [webpage](#) for information on community outreach assistance coordinated by CDFA. For general program questions, contact CDFA's Grants Office at [grants@cdfa.ca.gov](mailto:grants@cdfa.ca.gov).

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## **California Dairy Quality Assurance Program recaps 2017 in latest e-update**

*By Kevin Abernathy, MPC General Manager*

The December e-update from the California Dairy Quality Assurance Program (CDQAP) provides a recap of 2017 events in California dairy while also highlighting new livestock medication laws. It includes information on how new antibiotic laws will impact operation practices, along with explaining what is still allowed regarding livestock medication.

The e-update provides important information for dairy farmers and helpful links to give you a better understanding on the new regulations. Be sure to give it a read!

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



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## **MPC extends condolences to Bootsma family**

MPC's Board, staff and members extend their deepest sympathies to Jim Bootsma Jr. and his family on the loss of Jim's wife, Gail Patricia Bootsma. Gail passed away on December 12, 2017. Visitation will be held at 11 a.m. December 21, 2017 with services to be held at 12 pm December 21, 2017 at Montecito Valley View Chapel, 3520 E. Washington Street, Colton CA.

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## **CDFA: 600 producer ballots received; Return yours before the December 22 deadline**

*By Kevin Abernathy, MPC General Manager*

As of today, the California Department of Food and Agriculture reports it has received ballots from 600 producers, representing approximately 57% of eligible producer voters. This means there are still more than 400 outstanding ballots in the countryside. Please take the time to complete your ballot if you have not and return it to CDFA before the December 22 deadline, which is next Friday.

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**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.**