



Milk Producers Council

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DATE: August 25, 2017
 TO: Directors & Members

PAGES: 4
 FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks - \$.1050 \$1.6500
 Barrels - \$.1925 \$1.5575

Weekly Average, Cheddar Cheese

Blocks - \$.0390 \$1.7020
 Barrels - \$.0185 \$1.6620

CHICAGO AA BUTTER

Weekly Change - \$.0175 \$2.6275
 Weekly Average - \$.0480 \$2.6125

DRY WHEY

Dairy Market News w/e 08/25/17 \$3.950
 National Plants w/e 08/19/17 \$4.317

NON-FAT DRY MILK

Week Ending 8/18 & 8/19

Calif. Plants \$0.9145 4,723,943
 Nat'l Plants \$0.8749 12,996,765

Prior Week Ending 8/11 & 8/12

Calif. Plants \$0.9015 6,749,566
 Nat'l Plants \$0.8822 13,166,262

Fred Douma's price projections...

Aug 25 Final: Quota cwt. \$17.84 Overbase cwt. \$16.14 Cls. 4a cwt. \$16.60 Cls. 4b cwt. \$16.12
 Last Week: Quota cwt. \$17.89 Overbase cwt. \$16.20 Cls. 4a cwt. \$16.61 Cls. 4b cwt. \$16.24

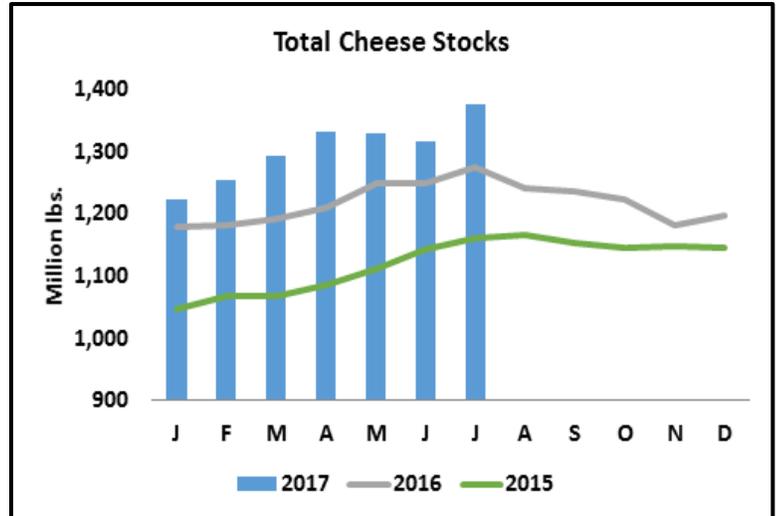
Market commentary

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

Milk & Dairy Markets

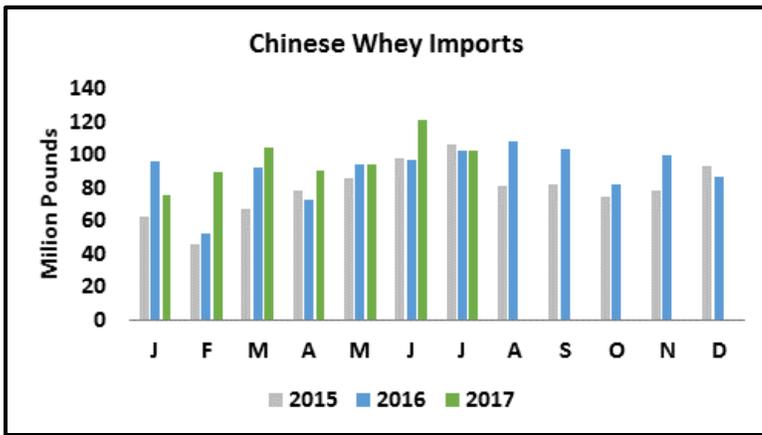
The Cold Storage report threw cold water on the formerly fiery cheese market. After climbing to nine-month highs on Monday, CME spot Cheddar barrels plunged to \$1.5575/lb., down 19.25¢ for the week. Spot Cheddar blocks dropped 10.5¢ to \$1.65/lb. Class III futures were deep in the red. The September and October contracts lost 55¢ and 57¢, respectively.

USDA reported July 31 cheese stocks at 1.38 billion pounds, up 7.8% from a year ago and 58.4 million pounds greater than inventories on June 30. That's the largest month-to-month increase in decades, and it quickly wilted the optimism that had sprouted after modest declines in cheese stocks in May and June. It seems that demand has not been able to keep up with the vigorous cheese production pace.



However, the calendar offers some hope. Schools are back in session, and there is less discounted milk looking for a home. Thus, cheese makers are likely not running quite as hard as they did through the spring and summer. Meanwhile, demand is looking up. Dairy Market News notes better orders from pizza makers, and "Western cheese producers report solid to improving demand, both domestically and internationally."

For the most part, the whey market continued to fade this week. It too is under pressure from formidable output that overwhelms demand. Fortunately, Chinese whey imports have been solid. In July China brought in 102.6 million pounds of whey products, steady with a year ago. Chinese whey imports are up 11.4% for the year to date,

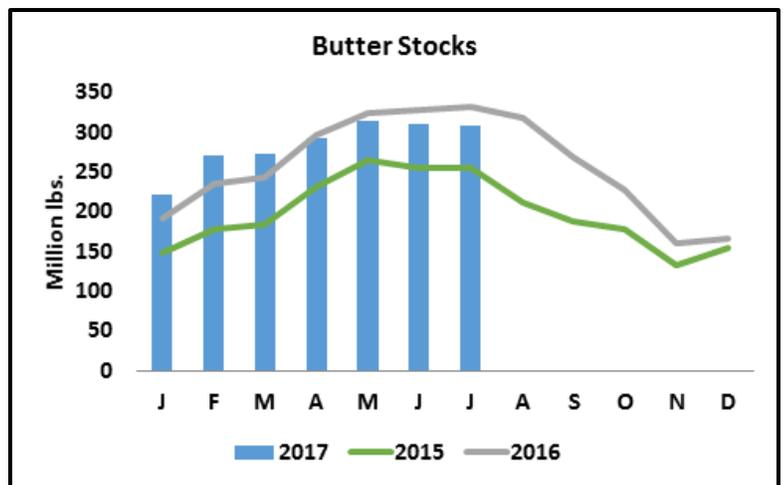


and Chinese imports of U.S. whey products are up 10.7%.

The European butter market just keeps climbing. In the U.S., things are moving quietly in the opposite direction. CME spot butter slipped 1.75¢ this week to \$2.6275. The Cold Storage report seemed to have little impact on trade sentiment. At 307.7 million pounds, butter stocks are 7.5% lower than they were a year ago. But the month-to-month drawdown was a minimal 2 million pounds, too small to signal a significant increase in demand

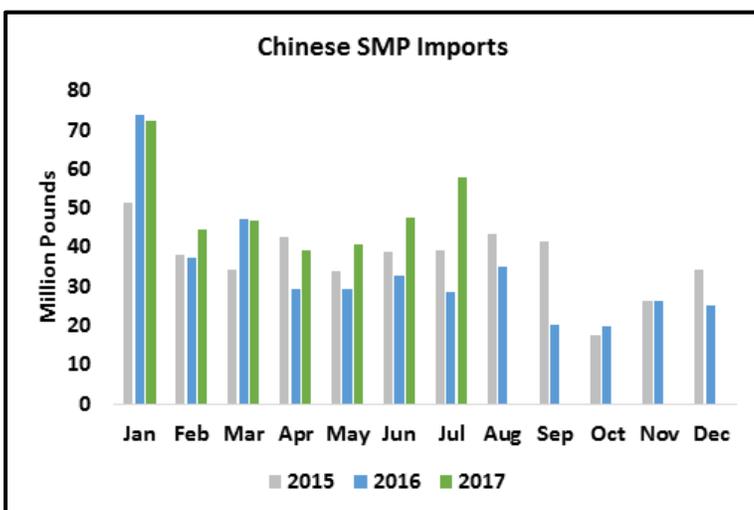
that might warrant even higher prices.

The milk powder market faded to four-month lows on Tuesday, but it quickly bounced back. CME spot nonfat dry milk (NDM) closed today at 84.5¢, up 1.25¢ for the week. Competition remains stiff with plenty of inexpensive product in the U.S., Europe, and Canada. Production is ramping up seasonally in the Southern Hemisphere. Fortunately, Fonterra has set its sights on supplying the growing demand for cheese and value-added dairy products in Southeast Asia. With expanded capacity for other products, they could send a little less milk to the drier.



Chinese milk powder demand impressed in July, building on a strong performance in June. China imported 57.9 million pounds of skim milk powder (SMP) in July, twice as much as in July 2016 and the largest volume ever for the month.

China's whole milk powder (WMP) imports slipped a little from the impressive totals reported in June, but at 88.5 million pounds, they were still 63% larger than last year. So far this year, Chinese SMP imports are 25.5% greater than the first seven months of 2016 and Chinese WMP imports are up 6.2%.



The dairy cull remains elevated. For the week ending August 12, dairy cow slaughter was 57,318 head, up 7.5% from a year ago. For the year to date, dairy slaughter is 3.5% higher than at this point in 2016.

Grain Markets

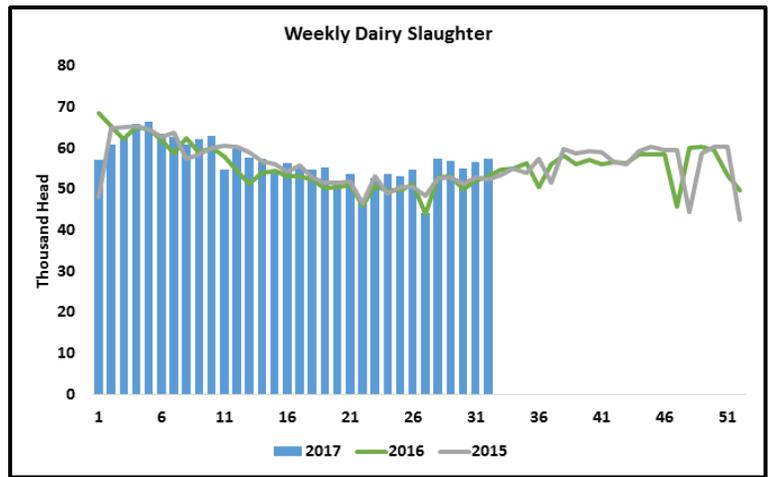
It was another rough week for the grain markets. September corn settled at \$3.3875 per bushel, down 13.25¢ from last Friday. That's a new low for the September contract and the lowest price for spot corn futures since December. September soybeans

closed at \$9.39, up 1.5¢ for the week.

The corn crop is variable but not terrible. The weather has not been perfect, but rains in Iowa and the surrounding area helped to improve conditions this week. The Eastern Corn Belt has been drier; cooler temperatures have

helped to reduce water intakes.

Scouts from the annual *ProFarmer* crop tour moved across some key farm states. Compared to last year, they found lower soybean pod counts in every state on the tour, and in most states they called for lower corn yields than last year, which should not come as a surprise. *ProFarmer* estimates the national average corn yield at 167.1 bushels per acre; USDA's most recent Crop Production report put the corn yield at 169.5 bushels per acre. *ProFarmer* forecast the soybean yield at 48.5 bushels per acre, a little lower than USDA's 49.4 bushel estimate.



Politics was perhaps more important than the weather this week. The U.S. Department of Commerce ruled in favor of the biodiesel industry, which has complained that Argentina and Indonesia are dumping biodiesel in the U.S. at below-market rates. They will levy tariffs of 50% to 68% on biodiesel imports from those two nations. The news boosted soybean oil and – by extension – soybean prices.

Brazil has taken a similar stance against U.S. ethanol imports. It levied a 20% tariff on ethanol imports in excess of a 600 million liter quota. The U.S. produces more ethanol than it can blend into the nation's fuel supply, so the industry is heavily dependent on exports. The corn and ethanol markets will surely feel the lack.

CDFA: Grant funding available for 2017 Alternative Manure Management Program

The California Department of Food and Agriculture (CDFA) is now accepting applications for the Alternative Manure Management Program (AMMP). CDFA was appropriated \$50 million dollars from the Greenhouse Gas Reduction Fund, authorized by the Budget Act of 2016, to provide financial assistance for methane emission reductions from dairy and livestock operations.

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

For detailed information on eligibility and program requirements, prospective applicants should visit the CDFA AMMP website at <https://www.cdfa.ca.gov/oefi/ammp/>. 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 at <https://faast.waterboards.ca.gov>. Applications and all supporting information must be submitted electronically using FAAST by Monday, October 2, 2017 at 5:00 p.m. PDT.

CDFA will hold four workshops and one webinar to provide information on program requirements and the application process (see below). CDFA staff will provide guidance on the application process, provide several examples, and answer any questions. There is no cost to attend the workshops. Individuals planning to attend should email grants@cdfa.ca.gov with his or her contact information, the number of seats requested, and the workshop location.

Eureka – Thursday, September 7, 2017
2:00 p.m. – 4:00 p.m.

Humboldt County Agricultural Building
5630 South Broadway Street
Eureka, CA 95501

Santa Rosa – Friday, September 8, 2017
2:00 p.m. – 4:00 p.m.
Sonoma County Agricultural Commissioner
133 Aviation Boulevard, Suite 110
Santa Rosa, CA 95403

Modesto – Thursday, September 14, 2017
2:00 p.m. – 4:00 p.m.
Stanislaus County Agricultural Building
3800 Cornucopia Way, Suite B
Modesto, CA 95358

This meeting will also be available as a webinar for remote attendees. To register for the webinar, please visit the program webpage at <https://www.cdfa.ca.gov/oefi/ammp/>.

Tulare – Friday, September 15, 2017
10:00 a.m. - 12:00 p.m.
Tulare County Agricultural Building
4437 S Laspina Street
Tulare, CA 93274

Prospective applicants should refer to the AMMP webpage (<https://www.cdfa.ca.gov/oefi/ammp/>) for information regarding technical assistance workshops conducted by non-profit organizations, Resource Conservation Districts (RCDs), and California academic institutions. These workshops are intended to provide technical assistance with the application process and are free of charge. Technical assistance is made available through a \$100,000 partnership grant between CDFA and the Strategic Growth Council.

Prospective applicants may contact CDFA's Grants Office at grants@cdfa.ca.gov with general program questions.

NOTE – THE AMMP is part of California Climate Investments, a statewide program that puts billions of cap-and-trade dollars to work reducing greenhouse gas emissions, strengthening the economy and improving public health and the environment—particularly in disadvantaged communities. The cap-and-trade program also creates a financial incentive for industries to invest in clean technologies and develop innovative ways to reduce pollution. California Climate Investment projects include affordable housing, renewable energy, public transportation, zero-emission vehicles, environmental restoration, more sustainable agriculture, recycling and much more. At least 35 percent of these investments are made in disadvantaged and low-income communities. For more information, visit California Climate Investments.
