



# Milk Producers Council

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DATE: October 20, 2017  
 TO: Directors & Members

PAGES: 3  
 FROM: Kevin Abernathy, General Manager

## MPC Friday Market Update

CHICAGO CHEDDAR CHEESE		
Blocks	-.0300	\$1.6700
Barrels	-.0375	\$1.6400

Weekly Average, Cheddar Cheese		
Blocks	-.0310	\$1.7090
Barrels	-.0315	\$1.6670

CHICAGO AA BUTTER		
Weekly Change	-.0250	\$2.3500
Weekly Average	+.0355	\$2.3750

DRY WHEY		
Dairy Market News	w/e 10/20/17	\$3.525
National Plants	w/e 10/14/17	\$3.685

NON-FAT DRY MILK		
Week Ending 10/13 & 10/14		
Calif. Plants	\$0.8302	13,079,819
Nat'l Plants	\$0.8277	16,973,844

Prior Week Ending 10/6 & 10/7		
Calif. Plants	\$0.8224	9,688,386
Nat'l Plants	\$0.8297	18,141,118

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## Fred Douma's price projections...

Oct 20 Est: Quota cwt. **\$17.07** Overbase cwt. **\$15.37** Cls. 4a cwt. **\$14.75** Cls. 4b cwt. **\$15.66**  
 Last Week: Quota cwt. **\$17.14** Overbase cwt. **\$15.44** Cls. 4a cwt. **\$14.98** Cls. 4b cwt. **\$15.68**

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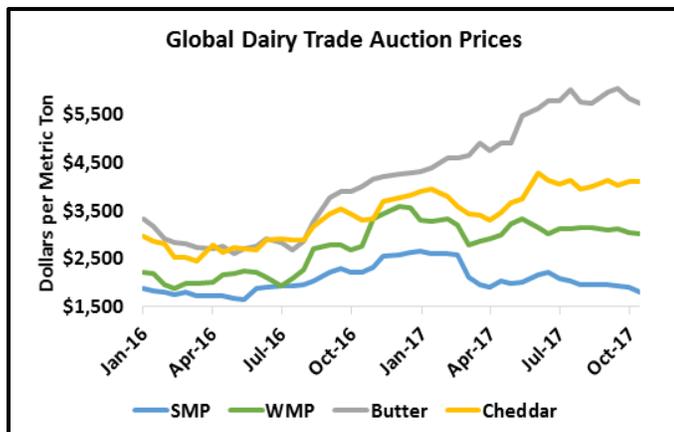
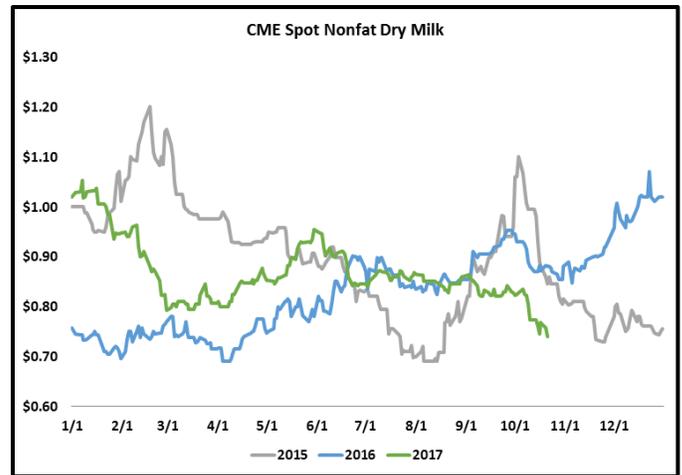
## Market commentary

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

### Milk & Dairy Markets

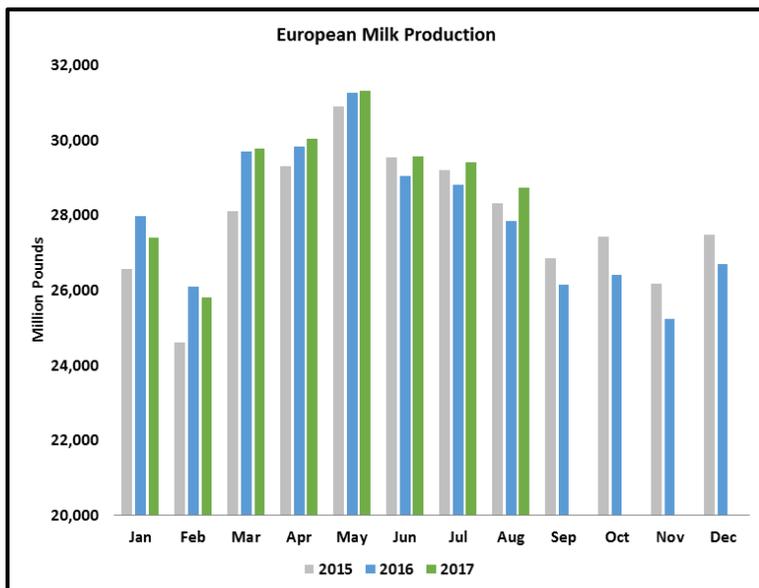
It was another down week in the dairy markets. CME spot Cheddar blocks plunged a nickel today to \$1.67 per pound, putting them down 3¢ for the week. Barrels dropped 3.75¢ to \$1.64. CME spot butter slipped 2.5¢ to \$2.35. CME spot nonfat dry milk (NDM) fell 3.25¢ to 74¢, the weakest spot price since mid-April 2016. Most Class III and IV futures contracts settled around 30¢ lower than last Friday's close.

At the Global Dairy Trade (GDT) auction Tuesday, all products except anhydrous milkfat finished in the red. The GDT Index fell 1%. The average winning price for whole milk powder fell 0.5%. Skim milk powder (SMP) contracts



dropped 5.6% from the previous auction, to the equivalent of NDM at 87¢ per pound, still 13¢ above today's CME spot market.

The European Commission added further pressure to the milk powder market. The government sold 40 metric tons of SMP out of its Intervention program. While the volume represents a drop in the bucket relative to Europe's immense SMP stockpile, the price made quite a splash. The Commission accepted a bid of €1,440.50 per metric ton, well below the €1,690 maximum price for Intervention purchases and roughly equivalent to NDM at

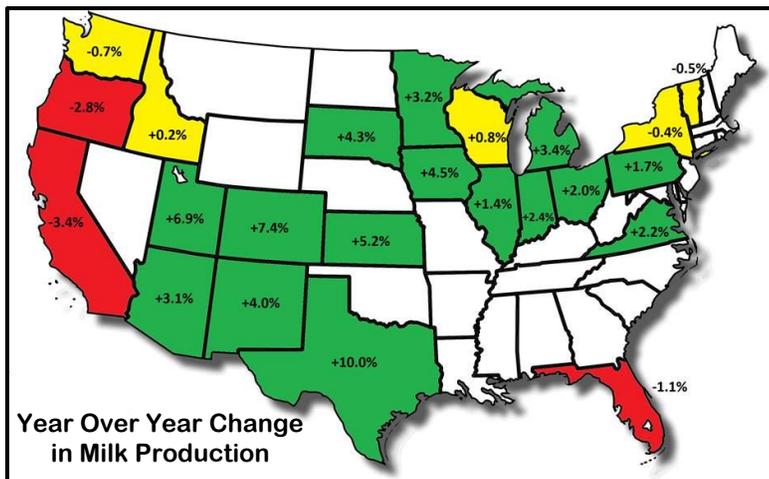


82¢ per pound. Until now, the Commission has been so reticent to depress the milk powder market that it has offered product at laughably high prices. The Commission has clearly lowered its sights. This week’s sale represents a marked shift in tactics and lends credence to the rumors that the government is inclined to revoke the Intervention program’s minimum price structure. The Commission’s de facto SMP floor price may indeed be a thing of the past.

Europe has plenty of milk powder to move, and that is unlikely to change anytime soon. In August the European Union sent 147.7 million pounds of SMP overseas, 80% more than in August 2016. That brings Europe’s year-to-date SMP exports up 44% from last year. The driers are likely to keep running

hard. Preliminary data shows European milk output in August at a record high of 28.7 billion pounds, up 3.1% year over year. That is Europe’s strongest year-over-year gain since March 2016.

In contrast, the pace of U.S. milk production growth is slowing. September output totaled 17.2 million pounds, up 1.1% from a year ago. That’s the lowest growth rate since May 2016. Collections were unimpressive in the Northeast and Pacific Northwest. California production was noticeably weak, down 3.4% from September 2016. Output in the Midwest continues to climb from last year’s already formidable volumes despite the heat in the latter half of the month. Production remains strong in the Southwest, with Texas output up an astounding 10%.



futures dropped 8.25¢ and November soybeans tumbled 21.5¢, slightly easing the pain of \$15 milk. The soil is being readied for the seeds of recovery, but spring is still a long way off.

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## **San Joaquin Valley Air District approves \$4 million in incentive funding for new pilot Dairy Feed Mixing Electrification Program**

*By Kevin Abernathy, MPC General Manager*

On October 19, the San Joaquin Valley Air Pollution Control District (Air District) voted unanimously to pass a new pilot program for dairies, providing \$4 million of incentive funding to reduce emissions related to feeding activities. The new Dairy Feed Mixing Electrification Program (Electrification Program) seeks to expand the installation of electric feed mixing equipment and reduce diesel emissions from tractors and other mobile equipment used on Valley dairies. Funding for this program is available in the Air District's 2017-18 budget.

The approval of this program has been four years in the making, dating back to a demonstration project by MPC dairy farmer Philip Verwey, with close coordination between MPC, Air District staff and other stakeholders.

Verwey's demonstration project on his Hanford dairy replaced diesel tractor-powered feed mixing and delivery equipment with an electric feed mixing station and delivery system. The results were more than impressive following two years of operation. Feed mixing time was reduced from 22 hours per day to less than 6, the quality of the feed mixture was significantly improved and diesel fuel consumption was cut nearly in half. According to the Air District, the project is achieving more than 21 tons of NOx reductions on an annual basis. See video of Verwey's project [here](#).



The Air District, working together with MPC, technology providers and other stakeholders, seeks to build on this success by incentivizing the conversion of more diesel-powered equipment to electric equipment for feed mixing activities. Through this partnership, dairies can reduce costs and make continued progress to improve Central Valley air quality.

The Electrification Program covers up to 75 percent of costs for new projects. Completed applications must be sent to the Air District, with project approval based on total emissions reductions and cost-effectiveness of the plan. If you've considered replacing your feed mixing diesel equipment, this pilot program is designed for you.

We encourage our members to take advantage of this opportunity and we look forward to assisting dairy farmers throughout the process. Please contact me at [Kevin@MilkProducers.org](mailto:Kevin@MilkProducers.org) if you're interested or have any questions. More information will be shared in future editions of the MPC Newsletter as additional Electrification Program details are made available.

Read the Air District's summary of the Electrification Program [here](#).