



Milk Producers Council

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DATE: November 3, 2017
 TO: Directors & Members

PAGES: 4
 FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks	-\$.0300	\$1.7150
Barrels	+\$.0100	\$1.7150

Weekly Average, Cheddar Cheese

Blocks	+\$.0250	\$1.7450
Barrels	+\$.0285	\$1.7225

CHICAGO AA BUTTER

Weekly Change	-\$.0700	\$2.2325
Weekly Average	-\$.0485	\$2.2430

DRY WHEY

Dairy Market News	w/e 11/3/17	\$3.350
National Plants	w/e 10/28/17	\$3.643

NON-FAT DRY MILK

Week Ending 10/27 & 10/28

Calif. Plants	\$0.7712	8,529,512
Nat'l Plants	\$0.7865	16,960,981

Prior Week Ending 10/20 & 10/21

Calif. Plants	\$0.7759	9,238,508
Nat'l Plants	\$0.7971	18,509,361

Fred Douma's price projections...

Nov. 3 Est:	Quota cwt. \$17.06	Overbase cwt. \$15.36	Cls. 4a cwt. \$13.76	Cls. 4b cwt. \$16.00
Oct '17 Final:	Quota cwt. \$17.25	Overbase cwt. \$15.55	Cls. 4a cwt. \$14.51	Cls. 4b cwt. \$16.17

Market commentary

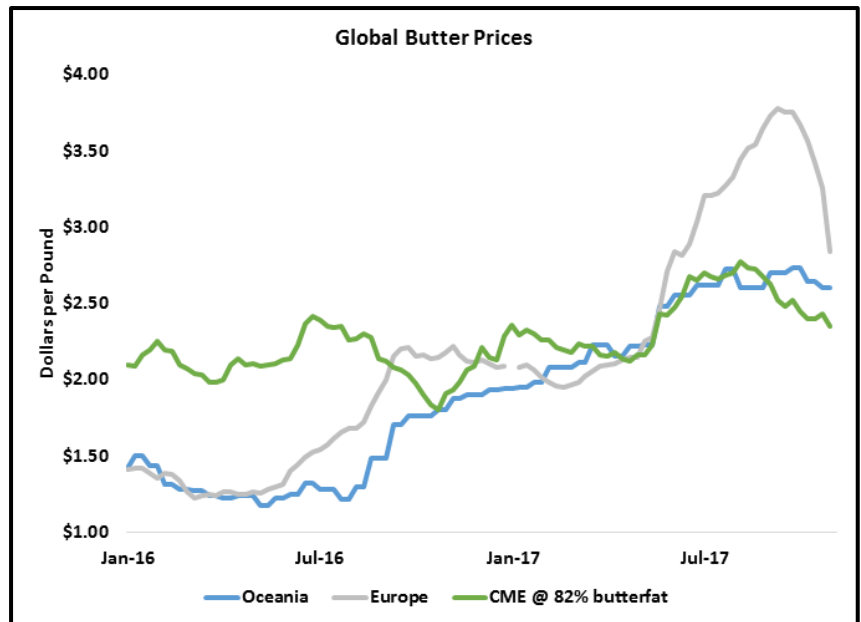
By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com

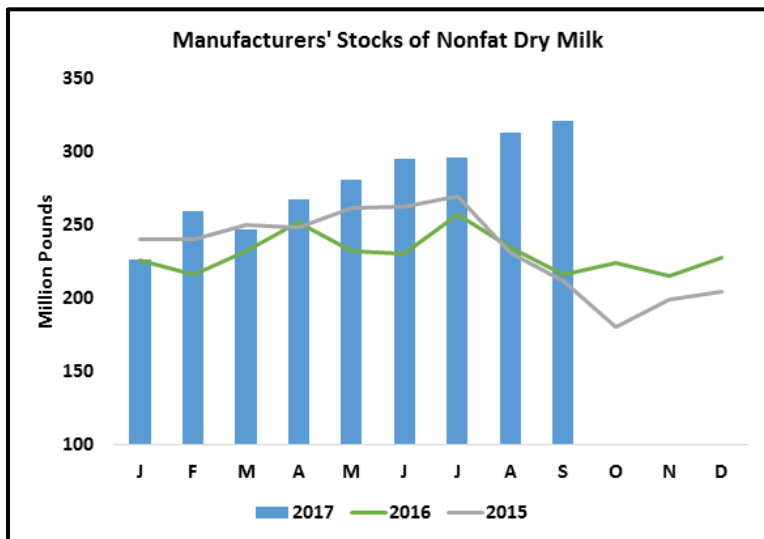
Milk & Dairy Markets

After heating up all summer, the European butter market is in an autumn free fall. U.S. butter prices still stand at a considerable discount, but they too are suffering a slump. CME spot butter finished Friday at \$2.2325/lb., down 7¢ this week. So far, the discount has not translated into increased sales. U.S. butter exports in September slipped to 2.6 million pounds, down 15.4% from a year ago. Shipments to Canada and Mexico declined noticeably. U.S. butter imports dwarfed exports, reaching 7.1 million pounds. Fortunately, production has not overwhelmed. U.S. butter output totaled 134.8 million pounds in September, down 0.3% from the same month a year ago. Production is down 1.8% for the year to date.

Traders rushed to sell milk powder today, with 24 loads of CME nonfat dry milk (NDM) changing hands. The heavy trading volume did nothing to support the beleaguered market. Spot NDM slipped 3¢ this week to 72¢, the lowest spot value in more than 18 months. Here too, international pressure is much to blame. The global milk powder market is well-supplied, and both Europe and Canada are encroaching on U.S.

marketshare in Mexico. U.S. NDM exports in September dropped to 88.7 million pounds, down 19.5% from a year ago and the lowest monthly volume since February 2015.

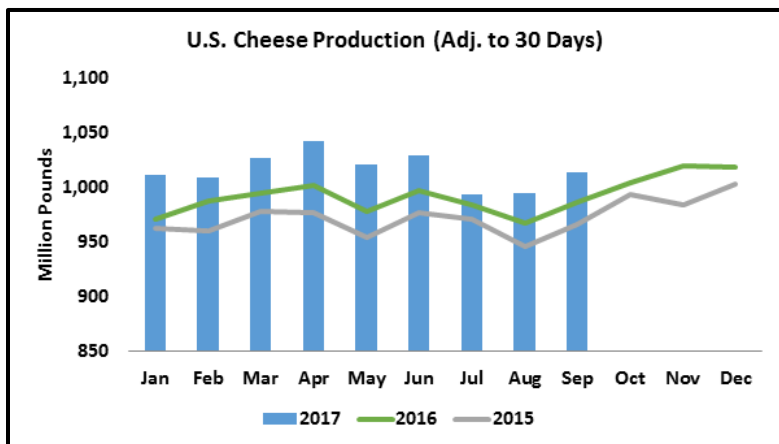




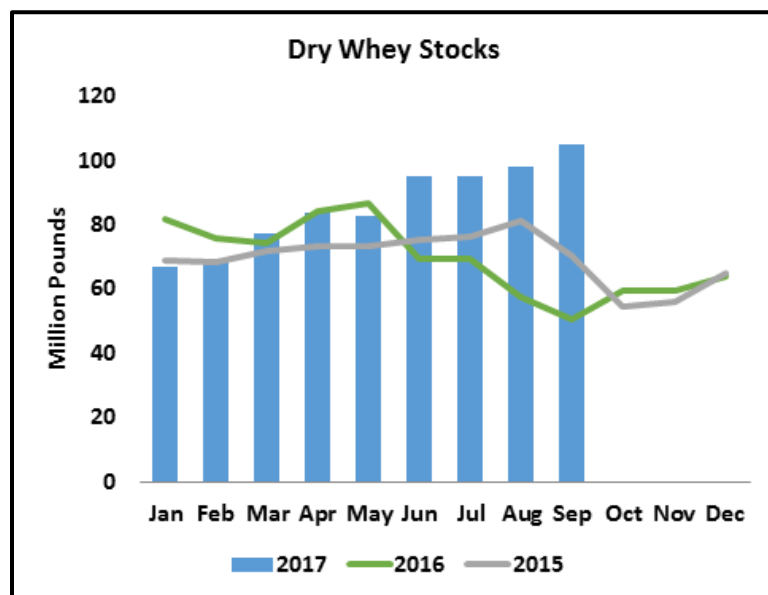
But the industry cannot place all of the fault abroad. Milk continues to move to the drier despite the calendar and the less-than-perfect weather. Combined production of NDM and skim milk powder (SMP) totaled 163.8 million pounds in September, just shy of last year's volume, which set the record for the month. With that, manufacturers' stocks of NDM climbed to 321 million pounds, up 48.6% from a year ago. The U.S. hasn't had to contend with this much milk powder since 2009.

Both CME spot Cheddar blocks and barrels closed today at \$1.715. This represents a minor capitulation for blocks, which spent much of the week in the mid-\$1.70s, at the high end of the

prevailing trading range. Compared to last Friday, blocks lost 3¢ while barrels added a penny. Cheese production remains formidable. At 1.01 billion pounds, September cheese output was 2.7% greater than a year ago, with Cheddar production up 4.5%. U.S. cheese exports continue to outpace the rather paltry volumes reported in the past couple years. In September, the U.S. exported 59.2 million pounds of cheese. Although that is 22.6% greater than the same month last year, it is not enough to make much of a dent in the U.S. cheese surplus.



The whey market remains weighed down by robust output and growing stockpiles. In September, production of dry whey for human consumption totaled 89.6 million pounds, up 20.4% from a year ago. Demand is clearly not keeping pace. Stocks climbed to a record-breaking 105 million pounds, more than double the volume reported last year. The drooping whey market is a drag on milk checks. Every penny lower in the monthly average National Dair Products Sales Report price for whe translates into a 6¢ deterioration in the whe price. Since early September,



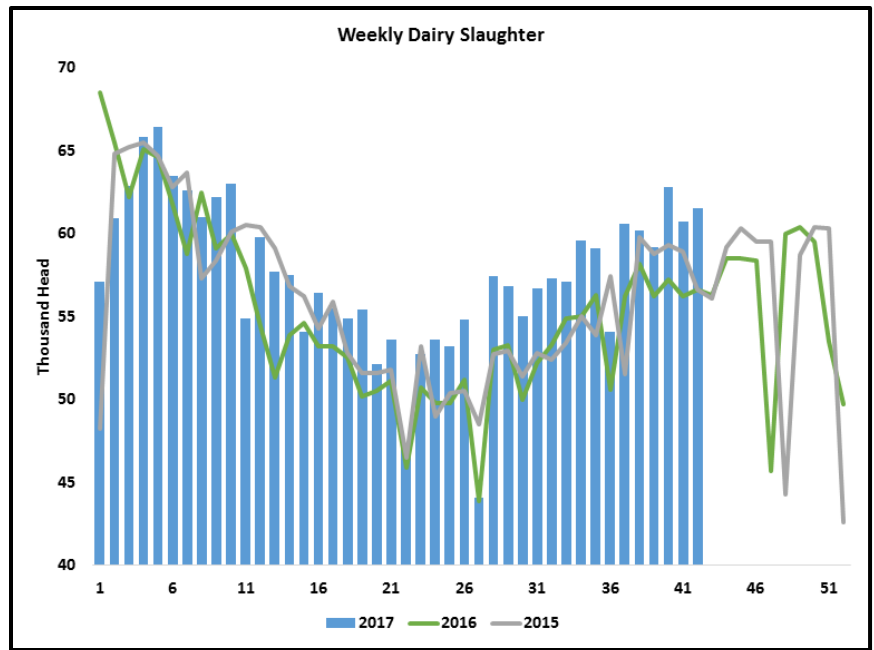
whey futures contracts for the first half of 2018 have lost around 9¢, or between 19% and 24% of their value.

With the exception of butter, global dairy product inventories are burdensome. They will remain so until demand outpaces supply. With production in Europe on the rise, that is not likely to be anytime soon. However, there are some reasons for hope. Last week New Zealand reported September milk collections down 1.6% from last year at the lowest total for the month since 2012. It has been a cold, wet winter and a soggy, miserable spring. Both Fonterra and USDA's attaché in New Zealand expect poor pasture conditions to throttle milk production through at least the end of the year, a critical period in the season.

Meanwhile, growth in the U.S. dairy herd has begun to slow, and the appetite for expansion seems to be sated for now. In the week ending October 21, dairy cow slaughter reached 61,495 head, up 8.7% from a year ago. Beef packers need more cattle than are readily available, and the cattle markets strengthened considerably this week. This might not incentivize dairy producers to cull any harder than they already are, but it certainly doesn't hurt.

Grain Markets

The corn market went nowhere at all this week. December futures settled at \$3.4825 per bushel, down a half-cent. The trade will continue to fine-tune its estimate of this year's crop, but it hardly matters. There is plenty of corn to go around, and prices aren't likely to move much unless the weather in South America becomes a cause for concern.



The soybean market offered a little more day-to-day excitement, although they finished not far from where they started. November soybeans closed at \$9.77, up 1.75¢. The trade seems to be trimming its assessment of the soybean crop. However, demand is also a bit lower than anticipated, with exports lagging due to stiff competition from South America. The status quo – a quiet and range-bound trade – is likely to hold in the feed markets for a while.

California Milk Advisory Board announces dates for December Board Meeting

The California Milk Advisory Board invites all California dairy producers to the December Board Meeting.

Wednesday, December 6, 2017 – 7:30am
 Thursday, December 7, 2017 – 8:00am

Monterey Plaza Hotel
 400 Cannery Row
 Monterey, CA 93940

If interested in attending, please contact Tracy Garza at tgarza@cmab.net or 209-690-8252.



Dairy Cares newsletter highlights California dairy farmers use of solar power

By Kevin Abernathy, MPC General Manager

MPC has been a long-standing member of Dairy Cares, a coalition from across the California dairy community that focuses on environmental stewardship and animal care. The following is an excerpt from the latest Dairy Cares newsletter.

The California sun is playing an increasingly important role in how dairy families manage their energy costs and expand sustainability efforts. Investing in solar panels allows dairy farms to offset their electricity needs, while helping the state meet its renewable energy goals and climate policies. Solar arrays nestled into California’s dairy landscape—especially in the Central Valley—are creating an impressive amount of clean energy. More than 100 dairy farms across the state are using solar energy panels, with a total energy capacity of more than 77 megawatts (MW). Many of these dairy farms have a solar energy capacity of 1 MW or more. A single system of this size offsets the emissions of 297 passenger vehicles driven for one year. In total, the solar energy systems on California dairies are offsetting the greenhouse gas equivalent of more than 12 million gallons of gasoline consumed or more than 126 million pounds of coal.



You can read the entire Dairy Cares October newsletter [here](#).
