



Milk Producers Council

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DATE: December 8, 2017
 TO: Directors & Members

PAGES: 6
 FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks	- \$.0875	\$1.4750
Barrels	+ \$.1350	\$1.6700

Weekly Average, Cheddar Cheese

Blocks	- \$.0950	\$1.4895
Barrels	+ \$.0555	\$1.5925

CHICAGO AA BUTTER

Weekly Change	+ \$.0050	\$2.2200
Weekly Average	+ \$.0095	\$2.2145

DRY WHEY

Dairy Market News	w/e 12/8/17	\$2.975
National Plants	w/e 12/2/17	\$3.341

NON-FAT DRY MILK

Week Ending 12/1 & 12/2

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

Prior Week Ending 11/24 & 11/25

Calif. Plants	\$0.7468	11,359,522
Nat'l Plants	\$0.7416	16,464,867

Fred Douma's price projections...

Dec 8 Est:	Quota cwt. \$15.51	Overbase cwt. \$13.82	Cls. 4a cwt. \$13.41	Cls. 4b cwt. \$13.65
Last Week:	Quota cwt. \$15.82	Overbase cwt. \$14.12	Cls. 4a cwt. \$13.39	Cls. 4b cwt. \$14.29

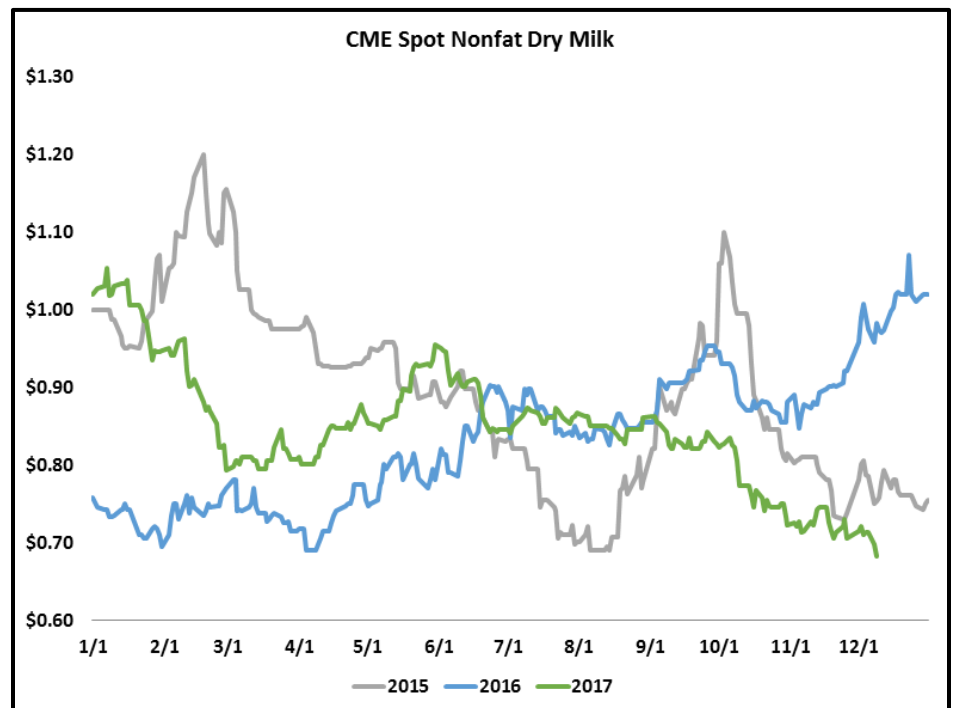
Market commentary

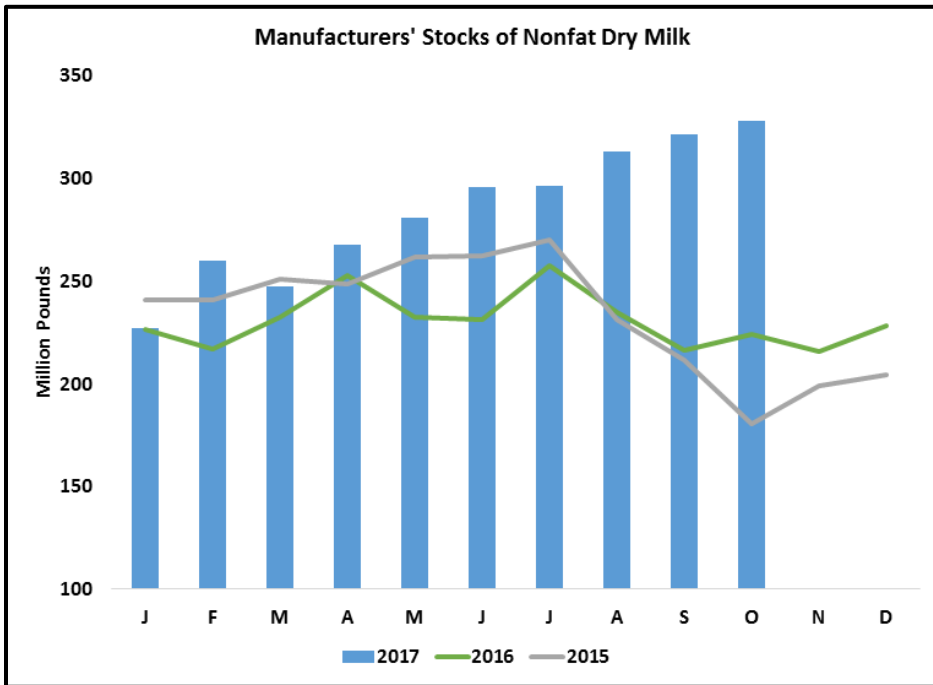
By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com

Milk & Dairy Markets

Weighed down by heavy inventories in the U.S. and Europe, CME spot nonfat dry milk (NDM) prices have slumped to the lowest level in decades. Spot NDM slipped 3.75¢ this week to 68.25¢ per pound. U.S. manufacturers are doing all they can to avoid adding to the global skim milk powder (SMP) glut, but there is still plenty of milk headed for dryers. While U.S. output of SMP in October was minimal, NDM output reached 149.2 million pounds, the highest volume ever for the month, up 6.5% from a year ago.

U.S. exports of NDM/SMP in October were respectable, at 112.7 million pounds. Although that is 10.3% lower than the record-large exports of October 2016, it is noticeably larger than the volumes reported throughout the summer and early autumn. But it was not enough. U.S. manufacturers' stocks of NDM climbed again to just shy of 328 million pounds, up 45.5% from a year ago. U.S. milk powder prices may have fallen far enough for now, but will likely find it difficult to sustain much of a rally.



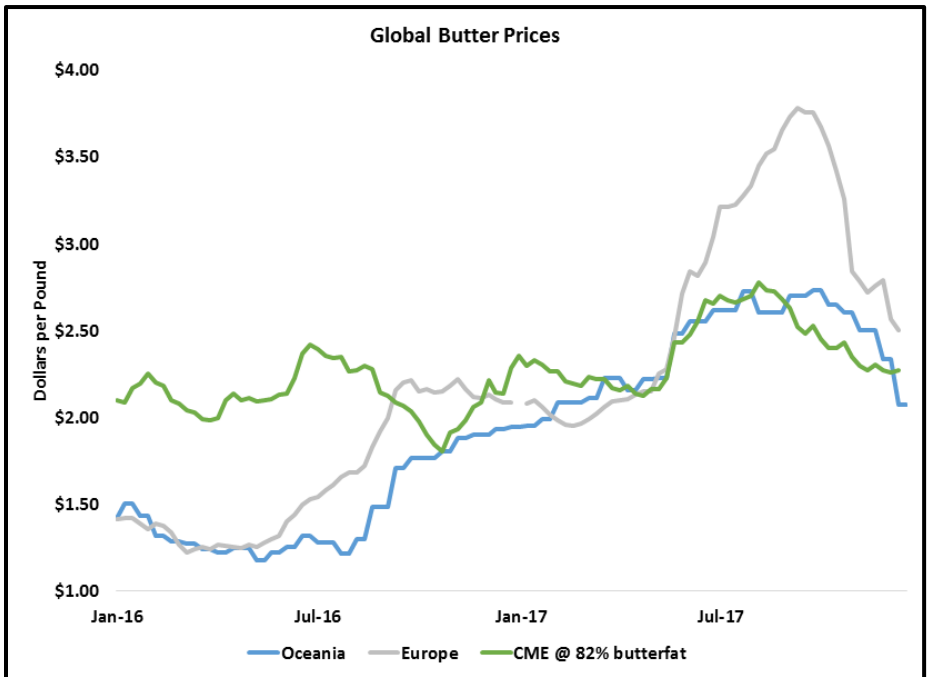


Milk powder prices did manage to rebound at the Global Dairy Trade (GDT) auction, but only after reaching more than one-year lows at the previous event. The average winning price for SMP was up 4.7%, equal to NDM at 86¢. That makes U.S. milk powder look like a bargain. GDT prices likely got a boost from concerns about New Zealand milk production. Although output was strong at the seasonal peak in October, pasture conditions have since taken a turn for the worse, which could trim production in the coming months.

The CME spot butter market gained a little ground this week, closing today

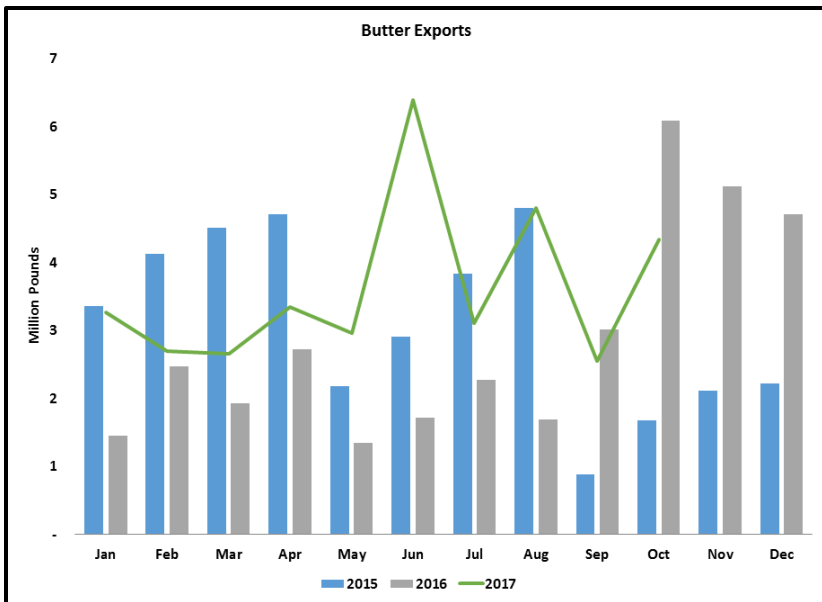
at \$2.22. That helped to slow the decline in December Class IV futures, but the other contracts pushed deeper into the red. 2018 Class IV contracts lost between 16 and 29¢ this week. December through April Class IV futures stand well below \$14 per cwt.

European butter prices are falling fast, and butter prices were sharply lower at the GDT, diminishing U.S. butter export prospects. The U.S. managed to send quite a bit of butterfat abroad in October in the form of oils, but butter exports totaled just 4.3 million pounds, down 28.8% from a year ago. At 5.8 million pounds, butter imports were up 42.4% from October 2016.



There is plenty of milk sloshing around, and much of it is destined for the cheese vat. Nonetheless, the barrel market is screaming higher. CME spot Cheddar barrels jumped a dime in just two sessions and finished at \$1.67 today, up 13.5¢ for the week. Nearby cheese futures were mildly impressed, and December Class III futures gained 28¢ this week. However, the other Class III contracts were mostly 10 to 20¢ lower, echoing weakness in the block market. CME spot Cheddar blocks fell 8.75¢ this week to \$1.475, the lowest price in nearly eight months. Barrels hold an almost-20¢ premium to blocks, a phenomenon which has traders puzzled.

Low dairy product prices are a bane to U.S. dairy producers, who will be hard-pressed to make a profit with \$14 milk. But they are at least helping to spur demand. According to the *Daily Dairy Report*, “After a lackluster start to the year, domestic cheese consumption appears to be gaining momentum.” While U.S. cheese output in October

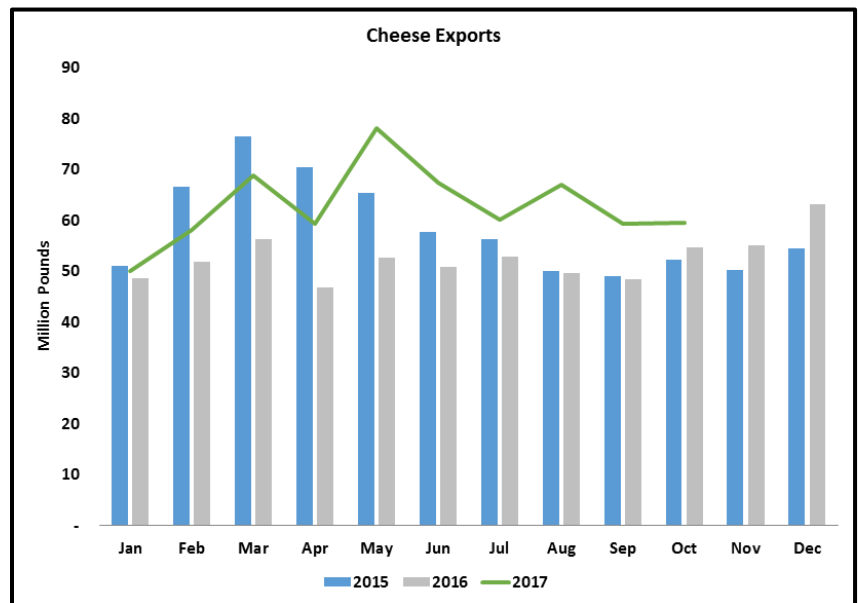


was up 1.7% from a year ago, commercial disappearance in October was up 3.7%. Through October, increased domestic consumption has absorbed more than 40% of the sizeable year-over-year increase in U.S. cheese output. Exports have also helped; January through October cheese exports are up 22.5% from 2016 volumes. But the cheese market will face new challenges in the new year, when additional cheese production capacity comes on line.

Grain Markets

The feed markets lost ground this week. March corn settled at \$3.5275 per bushel, down 6¢. Soybeans started strong but finished weak. The January contract closed at \$9.8975, down

4.5¢ since last Friday. Global soybean demand in general – and Chinese soybean demand in particular – has impressed. But the U.S. has ceded much of that business to Brazil, and U.S. soybean exports are running behind the pace needed to meet USDA’s projections for the 2017-18 season.



The market remains concerned about the impact of the La Niña on South American crop yields. In about half of La Niña years, Argentina and parts of Brazil suffer below-average rainfall and below-normal yields. The season is off to a dry start in southern Brazil and Argentina, which spurred the soybean and soybean meal markets to the highest prices since mid-summer. But soil moisture reserves are adequate and the deferred forecast calls for rain. This dampened the bulls’ enthusiasm late in the week. The soybean meal market seems a bit overheated, and it is likely to retreat in the long run. But in the near-term, the feed markets will take their cues from the often-fickle forecast.

One-Stop Diesel Truck Event in Simi Valley, CA December 21

By Kevin Abernathy, MPC General Manager

Get answers to all your CARB compliance questions, find out about new technologies and learn about funding opportunities and rule updates at one location. CARB experts will be on hand to provide one-on-one assistance and to demonstrate heavy-duty vehicle inspections.

On Thursday, December 21, 2017, join the California Air Resources Board, local agencies, and vendors to discuss diesel equipment requirements and ways to comply.

Register for the event online [here](#).

FREE ADMISSION & FREE PARKING

Date: Thursday, December 21, 2017
Time: 8:30 AM to 12:30 PM
(registration starts at 8:00am)
Location: Rancho Santa Susana Community Center
5005-C Los Angeles Ave
Simi Valley, CA 93063

Topics:

- One-on-One Compliance Assistance
- Overview of California Diesel Rules*
- Funding Opportunities
- Mock Truck Inspection
- New Technology Demonstrations
- CHP BIT Inspection Overview
- Vendor Displays

*Diesel Rules include Truck & Bus and Off-Road.

To Register:

1. Simply click [here](#) to register online.
2. Call the CARB Training Registrar line at [\(916\) 322-3937](tel:9163223937) (select option 1)
3. Email the CARB Training Registrar to arbtrain@arb.ca.gov

Margin Protection Program for Dairy deadline Friday, December 15

By Kevin Abernathy, MPC General Manager

On December 7, MPC held a member area meeting in Lakeview, CA. Thank you to all MPC members who took the time to participate in our meeting in Southern California, as well as the other MPC area meetings last month. As was mentioned at those meetings, the deadline for enrolling in the Margin Protection Program for Dairy Producers is Friday, December 15. The program offers dairy producers catastrophic coverage, at no cost to the producer, other than an annual \$100 administrative fee. For more information about the program, please visit USDA's Farm Service Agency website [here](#).

CDFA: 547 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 547 producers, representing approximately 52% of eligible producer voters. This means there are still about 500 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.

REGISTER NOW!
ARB IS HOLDING A ONE-STOP TRUCK EVENT IN YOUR AREA

Join ARB, local agencies, and vendors to discuss diesel equipment requirements and ways to comply using current and new technology.

Free

ONE-STOP TRUCK EVENT

For more information and to register, visit:
ARB.CA.GOV/TRUCKSTOPEVENTS or call toll-free 916-322-3937 (option 1)
Hay información disponible en Español

✓ 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.**