



Milk Producers Council

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DATE: June 23, 2017
 TO: Directors & Members

PAGES: 4
 FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks	- \$.0750	\$1.5400
Barrels	- \$.0100	\$1.3700

Weekly Average, Cheddar Cheese

Blocks	- \$.0590	\$1.5680
Barrels	- \$.0520	\$1.3510

CHICAGO AA BUTTER

Weekly Change	+ \$.0300	\$2.5900
Weekly Average	- \$.0210	\$2.5900

DRY WHEY

Dairy Market News	w/e 06/23/17	\$1.4400
National Plants	w/e 06/17/17	\$1.4926

NON-FAT DRY MILK

Week Ending 6/16 & 6/17

Calif. Plants	\$0.8973	6,496,276
Nat'l Plants	\$0.9199	11,919,315

Prior Week Ending 6/9 & 6/10

Calif. Plants	\$0.8943	5,747,252
Nat'l Plants	\$0.9226	14,736,827

Fred Douma's price projections...

June 23 Final:	Quota cwt. \$17.01	Overbase cwt. \$15.31	Cls. 4a cwt. \$15.90	Cls. 4b cwt. \$15.60
Last Week:	Quota cwt. \$17.05	Overbase cwt. \$15.35	Cls. 4a cwt. \$15.84	Cls. 4b cwt. \$15.72

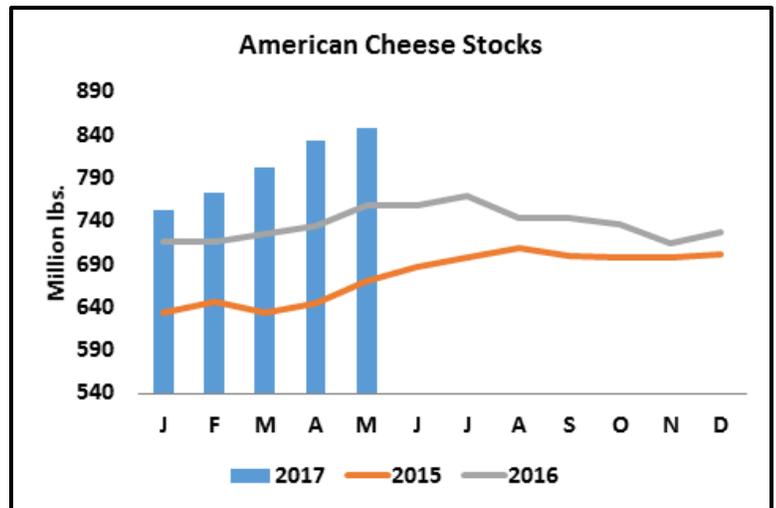
Market commentary

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

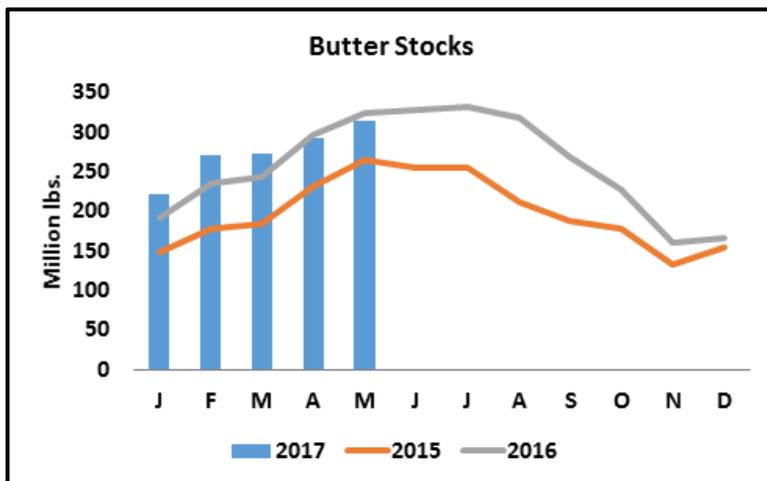
Milk & Dairy Markets

For ten minutes today, the CME dairy pits resembled days gone by. A crowd of men and women in a rainbow of colored jackets shouted over one another. With phones pressed to their ears they relayed a flurry of orders to buy and sell the last loads of spot Cheddar to trade via open outcry. On Monday, Cheddar will join butter and nonfat dry milk (NDM) on the electronic platform.

Despite enthusiastic trading, spot Cheddar market continued to retreat. Cheddar blocks fell 7.5¢ to \$1.54/lb., and barrels slipped a penny to \$1.37. The cheese market remains well-supplied, and barrels are particularly abundant. But they're also quite cheap relative to dairy products around the globe, so further pressure may be fleeting. USDA reported May 31 cheese stocks at 1.34 billion pounds, the highest volume since the agency began keeping records in 1917. Cheese inventories grew only slightly from April to May, but they remain 7.3% greater than year-ago levels. The month-to-month increase was driven by a larger-than-typical addition to already burdensome American cheese inventories. At 847 million pounds, American cheese stocks are 11.8% greater than they were in May 2016.



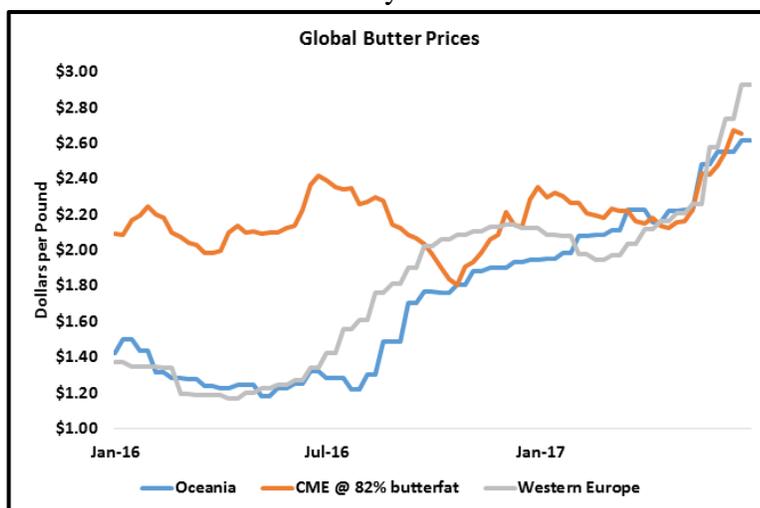
Butter stocks climbed 21 million pounds from April to May, in line with the historic trend. At 313.6 million pounds, butter inventories are 3.5% short of May 2016 volumes. Supplies are much tighter abroad, and prices continue to rise. At the Global Dairy Trade (GDT) auction, the average winning butter price was up 2.9% to the equivalent of \$2.55/lb. at 80% butterfat, an all-time high price for butter's five years at the GDT. The European



butter market remains spectacularly strong, with prices in Germany ranging from \$2.87 to \$3.07 after adjusting to 80% butterfat. CME spot butter climbed 3¢ this week to \$2.59.

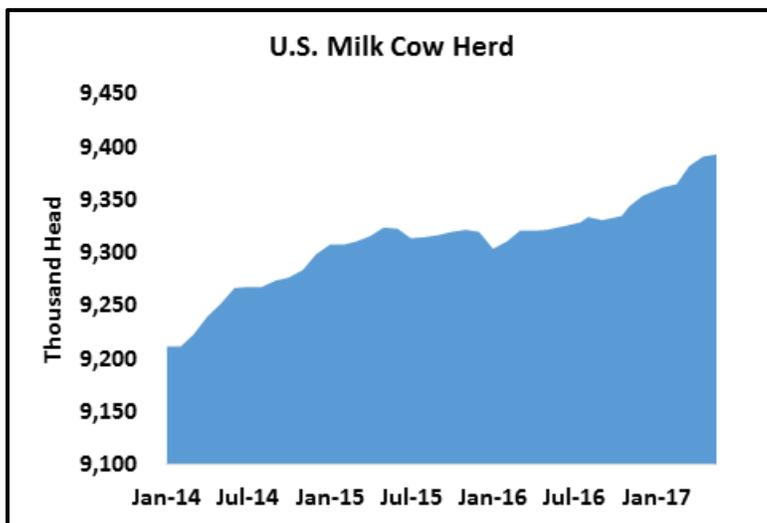
It is ice cream season, and demand for cream has picked up noticeably. Hot weather has reduced milk and component volumes across much of the country, and cream multiples are climbing along with the mercury. Triple digit highs are common in central California. Sweltering temperatures have also crimped milk production in southern and central Europe.

Hot weather was not much of an issue in May, and U.S. milk production reached 18.9 billion pounds, up 1.8% from the year before. Cow numbers continue to climb. USDA estimated the dairy herd at 9.33 million head in May, up 2,000 head from April after the agency increased its assessment of the April milking herd by 1,000 head. There are 71,000 more milk cows in the United States than there were in May 2016.



Output in the two largest dairy states fell short of last year. California milk production was down 1.1% from May 2016, marking the fifth straight month of year-over-year declines. In Wisconsin, May milk output was down 0.7% from last year, the first contraction since April 2014. Dairy producers in Wisconsin milked just as many cows as they did a year ago, but production per cow has dropped, likely due to less favorable weather conditions than those that fostered a 4.5% year-over-year increase in milk output in May 2016, compounding the 5.7% growth in May 2015. Additionally, some dairies stopped using rBST as new restrictions from processors kicked in. Similar bans on rBST use will soon take effect in South Dakota.

After a very harsh winter, cows in the Pacific Northwest have struggled to return to their full potential. In contrast, output remained strong in the Southwest in May, with production up 14.7% in Texas and 6.9% in New Mexico. Modest growth – building on years of very strong increases – continued in the Northeast and much of the Midwest. Given the size of the dairy herd, U.S. milk output is likely to continue to expand.



The milk powder market put in a mixed performance this week. At the GDT, skim milk powder (SMP) prices climbed 1.4%, but the average winning price for whole milk powder

(WMP) dropped 3.3% and dragged the GDT index down 0.8%. At the CME spot market, NDM dropped 6.25¢ to 84.75¢. That's much cheaper than GDT SMP which reached \$1.07 after adjusting to NDM-equivalent protein.

the Nutrient Management Plan (NMP);

- Covered facilities have one year (until July 1, 2018) to submit a Notice of Intent (NOI) to be covered under the Bovine Order. The NOI is a relatively simple form and can be filled out without professional assistance if desired;
- More significant requirements, including joining a Representative Monitoring Program and completion of an NMP for facilities with more than 100 animal units (that is 100 1,000-lb. animals or equivalent weight), kick in two years from now (July 1, 2019);
- Engineered Waste Management Plan is due July 1, 2020.

Although the key information related to the order has been summarized above, there are many important details in the 199-page order that cannot be summarized here in a short article. Now that the order has been adopted, MPC will work with other Dairy Cares coalition members, including California Cattlemen's Association, to develop and support efforts to provide compliance-related education and outreach to affected operations. We will work to keep our members apprised of important deadlines and opportunities to receive compliance assistance and support.

California Dairy Quality Assurance Program shares helpful information in latest e-update

By Kevin Abernathy, MPC General Manager

The recent June e-update from the California Dairy Quality Assurance Program (CDQAP) provides important and timely information related to tetracycline testing in bulk milk tankers, cow heat stress prevention, and backflow certification requirements for irrigation and supply wells.

With new and expanded testing of antibiotics beginning July 1, and the recent heat wave we've had, this is a good, helpful and quick read for dairy farmers.

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



**CDQAP Quality Assurance Update
June, 2017 Newsletter**

Got new wells? Be sure they're certified for backflow prevention!
By Dr. Deanne Meyer,
Livestock Waste Management Specialist, Department of Animal Science, UC ANR



If you've had new wells installed in the last several years due to the drought, you will likely need additional documentation to show

Starting July 1st Bulk Milk Tankers to be Tested for Tetracycline
By Dr. Michael Payne,
UC Davis, School of Veterinary Medicine and Director, CDQAP

Since 1995 every bulk milk tanker in the U.S. has been screened for the beta-lactam (penicillin) family of antibiotics. The program has served the dairy industry well, preventing not only reactions in the 10% of people allergic to penicillin, but also by virtually eliminating the historical problem of product loss due to starter culture death in fermented products such as cheese and yogurt. This coming month will see the first expansion of this routine testing program in twenty years with implementation of a new pilot program testing for tetracyclines.

On July 1st, in addition to the routine testing of all tankers for the penicillins, one out of every fifteen tankers (6.7%) will be screened for the tetracycline family which includes tetracycline, oxytetracycline and chlortetracycline. The FDA's purpose in implementing this eighteen-month pilot program is to identify logistical hurdles encountered by stakeholders (processors) for future routine testing of bulk milk beyond beta-lactam antibiotics. Tetracycline was selected for the pilot program because of its use on dairies and the availability of quick screening kits.
