



Milk Producers Council

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DATE: January 13, 2017
 TO: Directors & Members

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 FROM: Rob Vandenhuevel, General Manager

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE

Blocks	+\$0.0550	\$1.7250
Barrels	+\$0.0650	\$1.6400

Weekly Average, Cheddar Cheese

Blocks	+\$0.0556	\$1.7200
Barrels	+\$0.0350	\$1.6250

CHICAGO AA BUTTER

Weekly Change	+\$0.0050	\$2.2250
Weekly Average	+\$0.0295	\$2.2695

DRY WHEY

Dairy Market News	w/e 01/13/17	\$4.550
National Plants	w/e 01/07/17	\$4.272

NON-FAT DRY MILK

Week Ending 1/6 & 1/7

Calif. Plants	\$0.9884	7,130,717
Nat'l Plants	\$1.0139	11,699,902

Prior Week Ending 12/30 & 12/31

Calif. Plants	\$0.9681	3,471,600
Nat'l Plants	\$0.9932	12,085,732

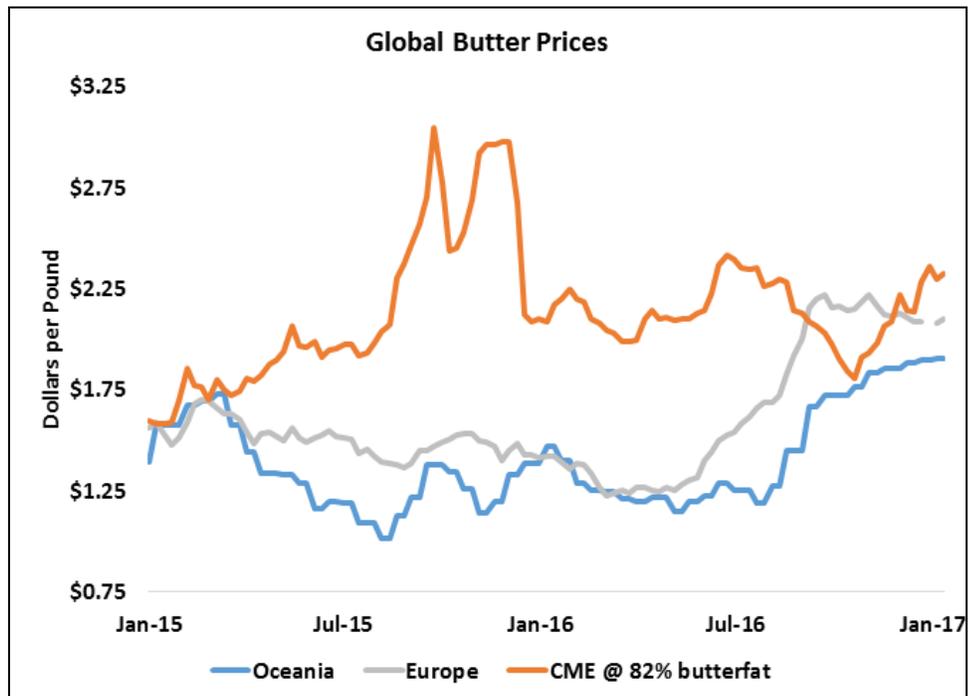
FRED DOUMA'S PRICE PROJECTIONS...

Jan 13 Est:	Quota cwt. \$17.33	Overbase cwt. \$15.64	Cls. 4a cwt. \$15.39	Cls. 4b cwt. \$16.17
Last Week:	Quota cwt. \$17.13	Overbase cwt. \$15.44	Cls. 4a cwt. \$15.26	Cls. 4b cwt. \$15.83

MARKET COMMENTARY: (By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com)

Milk & Dairy Markets

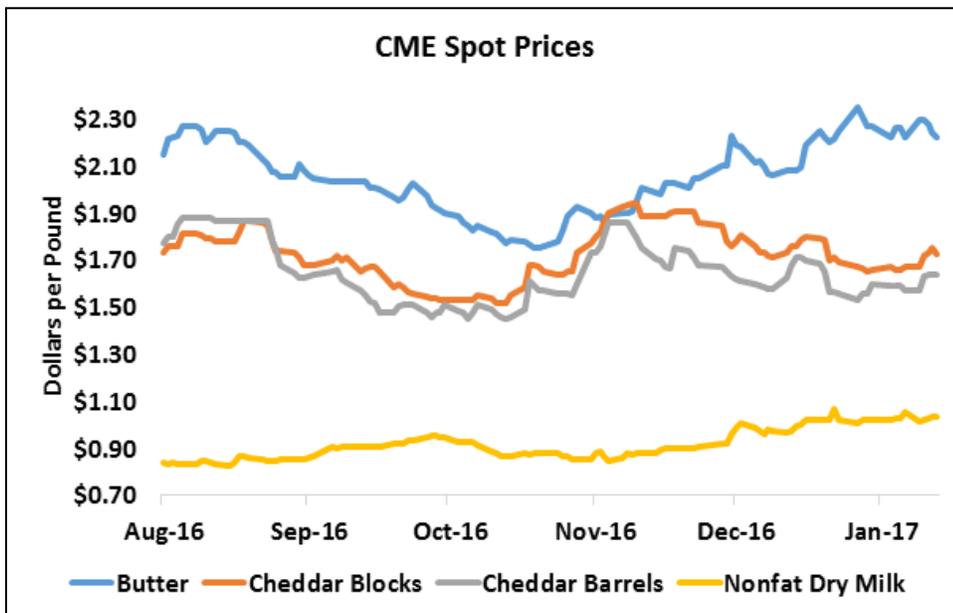
Cold, wet weather has dampened milk output in some areas, but there is still more than enough to go around. Butter production is active, with plenty of cream heading for the churn even as cream cheese and ice cream manufacturers step up output. Indeed, "in some plants there is limited room to accommodate extra cream loads at this moment," according to *Dairy Market News*. Butter remains in high demand at home and abroad. At the CME spot market butter climbed to \$2.30/lb. on Monday, but it spent the rest of the week in retreat. It finished today at \$2.225, up a half cent from last Friday.



The European butter market stood at all-time highs in the final months of 2016, but it has taken a modest step back. After a brief spell at a discount to European product, U.S. butter is once again decisively on top. This is likely to trim export prospects at the margins. However, competition for market share may diminish. A report written by Erhard Richarts and summarized by the *Daily Dairy Report* concludes, "It is unlikely that the

European Union will be in a position to export as much butter as it did last year as privately held butter stocks dwindle.” With European milk output in decline, the EU is expected to produce 265 million pounds less butter in the first half of 2017 than in the first six months of last year. If cheese and whole milk powder manufacturers use more cream than expected, the butter production deficit could be even larger.

The milk powder market is a bit unsettled. At the spot market, nonfat dry milk (NDM) prices slipped 2¢ to \$1.0325. Class IV futures took a step back as well. The March contract suffered worst; it lost 22¢.

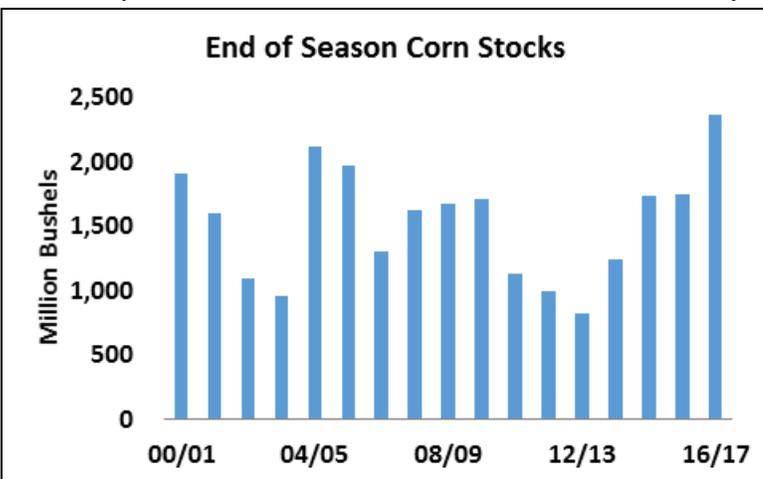


Milk powder demand is solid, but inventories are growing. Europe’s mountain of powder continues to weigh, both psychologically and monetarily. The European Commission received bids for 26.3 million pounds of the skim milk powder (SMP) in its Intervention stockpile last week. It rejected all of them because they were “too far from the prevailing market price and the minimum selling prices set at the previous tender.” The Commission is trying to move older product without sending the wrong pricing signal to a market that is seeking fresher powder.

Each year, China is allowed to purchase up to 325 million pounds of milk powder from New Zealand at a low tariff rate. Less than two weeks into the new year, China has reportedly exhausted its low-tariff allotment. This likely signals a robust appetite from the world’s largest milk powder importer. On the other hand, Chinese merchants are known for amassing goods and holding them in reserve. End users may have rushed to secure their share of the low-tariff product, which could stifle further imports until the hoard is used up.

The cheese market remains lively. At the spot market, blocks climbed 5.5¢ to \$1.725. Barrels were up 6.5¢ at \$1.64. Super Bowl celebrations replete with nachos and dips and cheese trays are only a few weeks away. Demand is vigorous. Manufacturers in the Midwest tell *Dairy Market News* that “sales are better than expected this far ahead of the busy Super Bowl season.”

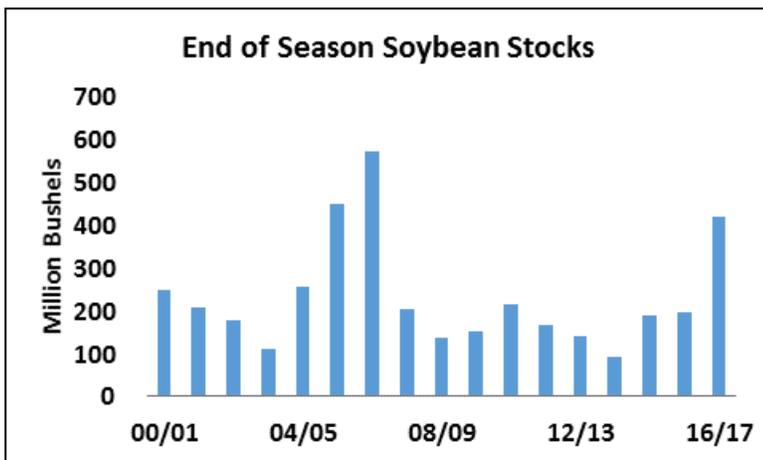
The whey market continues to firm. Prices for whey protein concentrate with 34% protein are moving significantly higher as supplies are tight. Whey futures moved higher nearly every day this week. This helped to boost futures toward the mid-December highs. Most contracts settled 20¢ to 40¢ higher than last Friday.



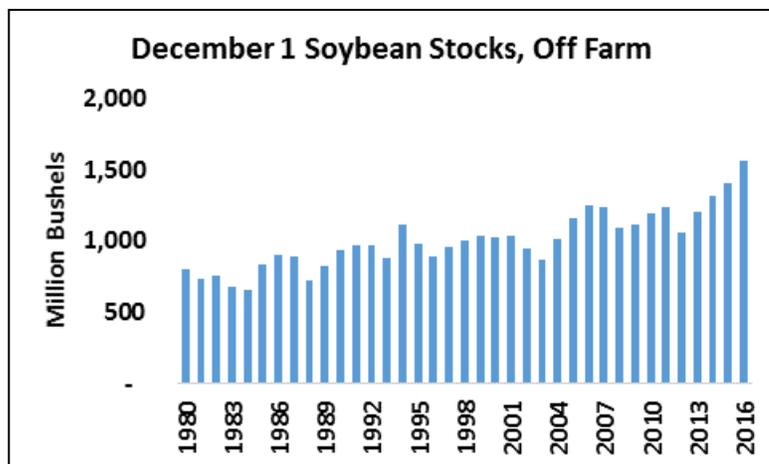
Grain Markets

The corn market went back-and-forth and nowhere at all this week. March corn futures settled today at \$3.585 per bushel, up a half cent from last Friday. The soybean market held more excitement. March soybean futures finished at \$10.4625, up nearly 60¢.

USDA gave soybean prices a boost. The agency revised downward its estimates of planted acreage and yields, resulting in a smaller harvest and notably lower ending stocks than it projected in previous reports. Still, with a 52.1 bushel per acre yield, the 2016 soybean crop was by far the largest on record.



Similarly, USDA lowered its assessment of the corn yield and acreage, while leaving the crop’s record-large status intact. Does the difference between USDA’s initial 175.2 bushel per acre yield and their new 174.6 figure matter? After years of big crops and growing inventories, probably not. Last year’s crop was massive, farmers’ bins are full, and there are mountains of corn sitting on the ground outside the local elevator in small towns across the Northern Plains and the Corn Belt. Going forward, gargantuan global grain inventories will likely cap rallies in the corn market. But prices will need to stay high enough to prevent a sizeable shift away from corn into soybeans and cotton.



As of December 1, there were 1.56 billion bushels of soybeans stored off farms in the U.S. That’s up 11% from a year ago and the largest December off-farm inventory on record. Clearly, soybean crushers have plenty of material to work with. But livestock numbers are up and demand for soybean meal is growing. If crushers or exporters start looking for more soybeans, they’ll likely have to pay up to convince farmers to part with them. Crushers and exporters in South America face a similar challenge; the effects of currency and tax policy have encouraged farmers to hold back. This, coupled with weather risks, is likely to undergird

the soybean market until the trade is confident that the Brazilian and Argentine soy crops will be sufficiently to meet growing global demand.

DAIRIES REMINDED TO LOG YOUR DECEMBER 31, 2016 ODOMETER READING ON YOUR CARB-REGISTERED DIESEL TRUCKS: (*Kevin Abernathy, Director of Regulatory Affairs*) This is just a friendly reminder for those of you who registered your heavy-duty diesel engine trucks with the California Air Resources Board (CARB) under their Ag Vehicle Extension program. By January 31st of each year, you are required to report your odometer reading from December 31st of the prior year.

As a reminder, CARB’s diesel truck program will eventually require all operating trucks to comply with 2010 emissions standards, but through this Ag Vehicle Extension program, you are able to delay compliance until 2023, provided you comply with their reporting requirements.

More information can be found on CARB’s website at <http://www.arb.ca.gov/msprog/onrdiesel/onrdiesel.htm>. MPC members that have any questions about their dairy’s compliance can contact Rob Vandenneuvel at (909) 628-6018, Betsy Hunter-Binns at (661) 205-6721 or myself at (209) 678-0666.