



Milk Producers Council

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DATE: March 17, 2017
TO: Directors & Members

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FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks	+ \$.0150	\$1.4000
Barrels	-.0350	\$1.3650

Weekly Average, Cheddar Cheese

Blocks	-.0610	\$1.3715
Barrels	-.0455	\$1.3780

CHICAGO AA BUTTER

Weekly Change	-.0325	\$2.1300
Weekly Average	-.0210	\$2.1465

DRY WHEY

Dairy Market News	w/e 03/17/17	\$4.900
National Plants	w/e 03/11/17	\$5.201

NON-FAT DRY MILK

Week Ending 3/10 & 3/11

Calif. Plants	\$0.8337	16,423,208
Nat'l Plants	\$0.8490	22,924,289

Prior Week Ending 3/3 & 3/4

Calif. Plants	\$0.9258	6,173,797
Nat'l Plants	\$0.9267	13,791,677

Fred Douma's Price Projections...

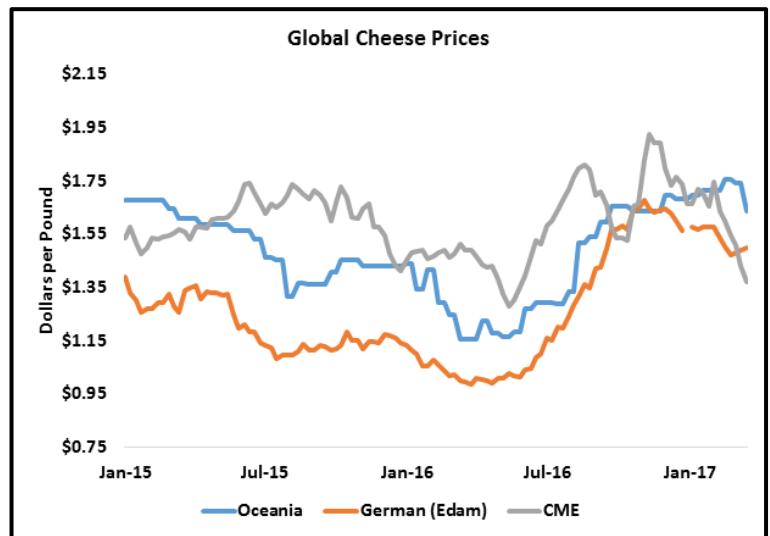
March 17 Est:	Quota cwt. \$15.87	Overbase cwt. \$14.18	Cls. 4a cwt. \$14.07	Cls. 4b cwt. \$13.68
Last Week:	Quota cwt. \$16.12	Overbase cwt. \$14.42	Cls. 4a cwt. \$14.84	Cls. 4b cwt. \$13.67

Market Commentary

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

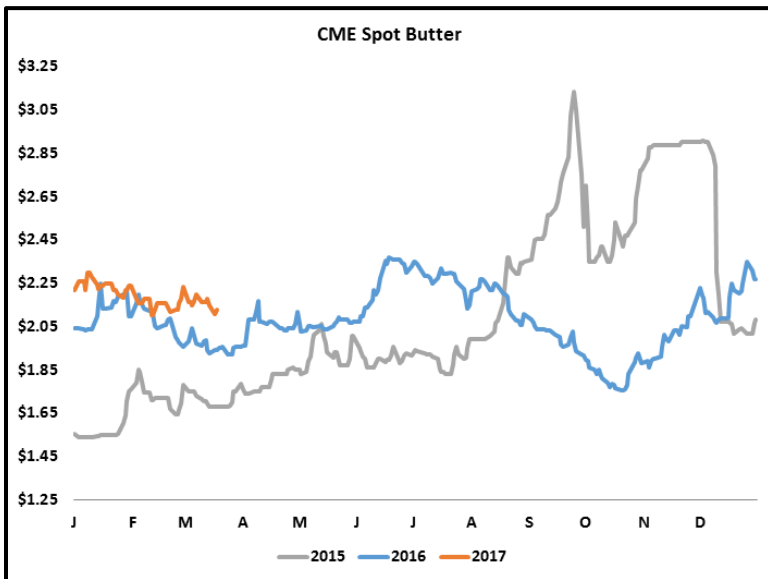
Milk & Dairy Markets

The dairy markets were battered once again this week. CME spot Cheddar blocks suffered a few more blows; on Wednesday blocks dropped to fresh lows at \$1.36/lb. But today they showed a little more pluck and fought their way back to \$1.40, up 1.5¢ on the week. Barrels managed a tepid rebound but finished at \$1.365, down 3.5¢. The March through July Class III contracts traded in the \$14 range this week but today's recovery pushed them well over the \$15 mark. Most first-half contracts settled around 30¢ lower. Dry whey futures lost ground this week.



The protracted decline in the cheese market is certainly unwelcome news to dairy producers, but it has one upside. For nearly two years, robust domestic demand has pushed U.S. cheese prices to a sizeable premium compared to overseas product, and exports declined accordingly. Cheese was our most valuable dairy export in 2014, accounting for 7.1% of output. Net cheese exports accounted for 6% of production in 2015 and just 5.2% of output last year. Today, U.S. cheese prices stand at their widest discount to product from Europe and Oceania since December 2013. The U.S. has an excellent opportunity to regain market share and push a bit of our excess overseas.

The Class IV markets seem to be on relatively firmer footing. CME spot butter slipped to \$2.13. That's down 3.25¢ from last week but comfortably within the recent trading range. Similarly, nonfat dry milk (NDM) slipped 0.5¢ at the spot market to 80.5¢, on par with values that have prevailed for two weeks. The February panic has



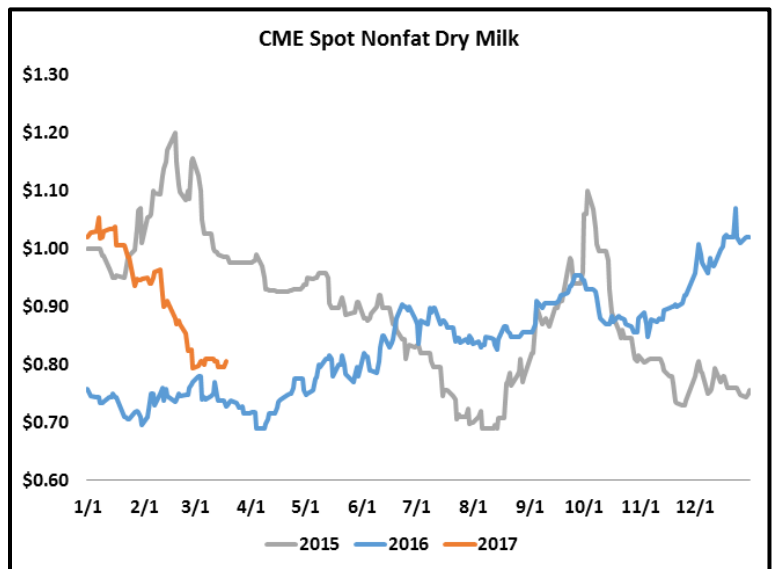
given way to apathy since March began. Nonetheless, Class IV futures retreated again this week. Most contracts finished between 20¢ and 30¢ in the red.

Comments from *Dairy Market News* continue to characterize the cream market as well-supplied. “There are more than sufficient volumes of cream to meet processing requirements,” and milk output is climbing seasonally. Still, butter makers are churning in large volumes rather than selling excess cream, so inventories are likely to grow.

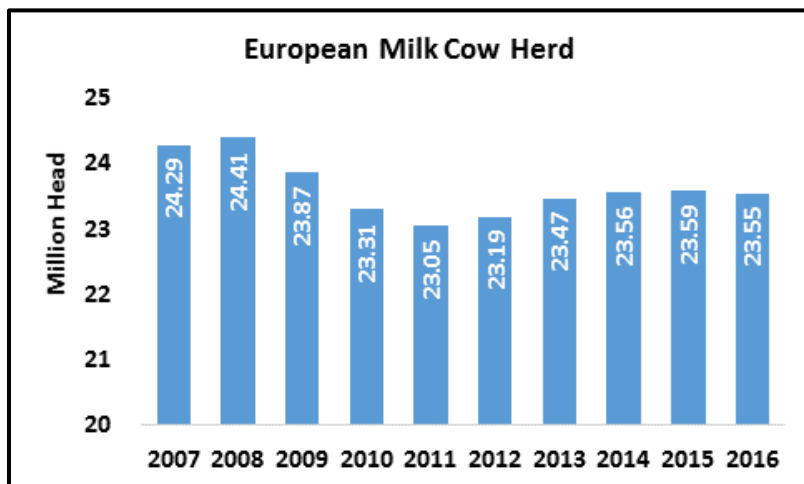
The outlook for global dairy product prices remains cloudy, and much depends on Europe. The continent is offering mixed signals. The big push

for post-quota expansion is long past. The almost inevitable bust that followed over-exuberant growth has resulted in a modest contraction. There were 23.5 million dairy cows in Europe in December, down 0.21% or 49,000 head from December 2015. This is the first year-over-year decline in the European dairy herd since 2011, and some key nations, including Germany and France, reported notably smaller numbers.

Declines in the size of the dairy herd in 18 European countries were almost entirely offset by massive growth in the Dutch, Irish, and Polish herds in 2016. But Irish cow slaughter is running significantly higher than it was a year ago, and the Dutch will have to cull or export upwards of 150,000 cows this year to comply with environmental regulations. The *Daily Dairy Report* suggests that the engine for future growth in European milk output is likely to be improved production per cow, rather than a sizeable increase in cow numbers. Still, even tepid growth from an already colossal milk supply could represent more milk than the market can easily process and sell. The *Daily Dairy Report* notes that “European milk supplies are not only seasonally higher, but some countries



may also be seeing milk growth from higher output per cow... Swelling milk supplies could prove challenging for world markets to absorb in the next few months.”

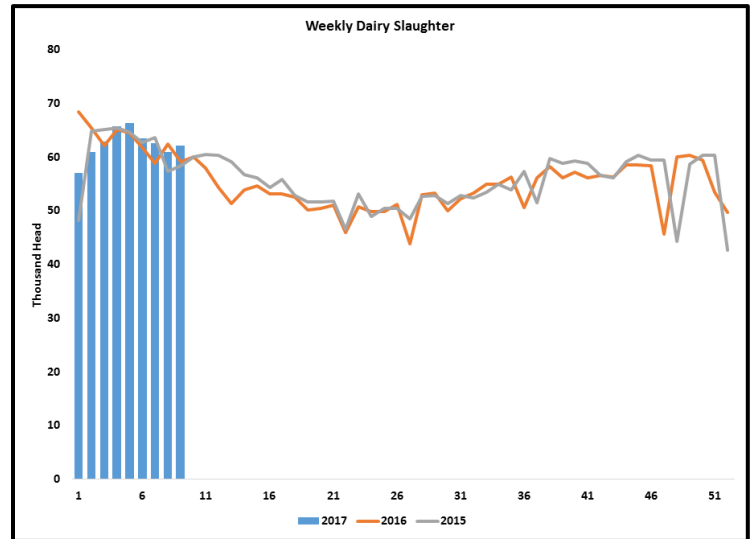


For the week ending March 4, dairy cow slaughter totaled 62,188 head, up 5.2% from the same week a year ago. This puts year-to-date slaughter 1% behind last year’s pace. Slaughter remained elevated in the Pacific Northwest, where weather has caused severe stress for dairy producers and their herds.

Dairy producers might see their cull cow checks moving a bit higher. Since the beginning of the year lean beef prices have climbed nearly 10%, although they remain below year-ago levels and much lower than the prices that prevailed in 2012 through 2015.

Grain Markets

The corn market was little changed this week, but soybean futures continued to slip. May corn settled at \$3.675, up a few cents. May soybeans finished at \$10.00, down 6.25¢ from last Friday. A large South American soybean crop is all but assured, which could cut into U.S. soybean exports in this season or the next. Furthermore, domestic demand is looking a little less robust. The National Oilseed Processors Association (NOPA), reported lower than expected soybean crushing activity in February. Nonetheless, NOPA members reported greater supplies of soybean meal on hand than industry analysts anticipated, implying lower usage.



The South American corn crop is likely to be record large, but it's too soon to say for sure. Yields from the Argentine crop and from Brazil's first corn harvest have impressed; Brazil's second crop is in its very early stages. Conditions are favorable, but the weather is often fickle. Despite immense global grain inventories, the corn market has seen fit to price in a weather risk premium.

CDFA Reaffirms its Commitment to Industry Self-Determination with Regards to California FMMO

By Geoff Vanden Heuvel, MPC Board member and Economics Consultant

California Secretary of Agriculture Karen Ross sent out a letter to the dairy industry this week updating their progress in determining how CDFA would accommodate the management of the quota program if California producers vote to join the Federal Milk Marketing Order program. She has called a meeting for 9 a.m. on Tuesday, April 4, 2017 at the Stanislaus County Ag Center, 3800 Cornucopia Way, Modesto, CA, specifically to address three questions:

1. Should all Grade A milk be subject to a quota assessment or only pooled milk?
2. What is the best mechanism to gather the requisite data from handlers to calculate the necessary deduction as this will not be provided for under the FMMO?
3. What is the process by which CDFA shall collect, distribute and enforce quota payments?

These are important questions and we appreciate the care that CDFA is taking to engage with us in this process. You can read the entire letter here: <https://goo.gl/tA7t17>

Cal/OSHA High Hazard Unit Conducting Inspections on Dairies, Feedlots

By Kevin Abernathy, MPC General Manager

We were made aware this week that Cal/OSHA's High Hazard Unit is conducting what's been referred to as "lottery inspections" on dairies and feedlots. We've also been informed that OSHA field representatives have been encouraged to make dairy visits a priority in the future.

In the event you do receive a visit from Cal/OSHA, here are some simple steps and reminders:

1. Be sure “No Trespassing” signs are posted on and around your farm. Signage should also direct visitors to check-in at the main office.
2. Make certain you – the owner – are notified by employees when visitors come to the farm.
3. Be courteous.
4. Request to reschedule to a time that is more conducive for your schedule.

Based on reports we received from farms and consultants, these are areas of interest during a Cal/OSHA inspection:

- Plastic fuel cans
- Exposed PTO shafts (tractors, wells, pond pumps, etc.)
- Electrical hazards (exposed wiring, unlabeled control panels, access to panels, etc.)
- Permits for pressure valves (air compressors, propane tanks)
- Eyewash stations near chemical storage
- Secondary labeling (anything stored or transferred in a secondary container must be labeled)
- Loss runs for past 5 years
- OSHA 300a logs for the past 5 years
- Copies of 3 most recent safety meeting sign-in sheets
- List of your 3 recent new hires
- Copy of “Part 1” of your Injury & Illness Prevention Program Binder (IIPP)

Following an inspection from the High Hazard Unit, a return visit will be made to confirm you have made any changes requested during the initial visit.

OSHA also offers an on-site consultation program that is free and confidential to small and medium-sized businesses. This service is separate from enforcement and does not result in penalties or citations. More information is available here: <https://goo.gl/OdCc8h>

Please contact the MPC staff with any questions regarding these inspections or other compliance issues at office@milproducers.org.
