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 TO: Directors & Members

PAGES: 5
 FROM: Rob Vandenhuevel, General Manager

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE

Blocks	+.0475	\$1.7075
Barrels	+.0300	\$1.7750

Weekly Average, Cheddar Cheese

Blocks	+.0395	\$1.6795
Barrels	+.0280	\$1.7570

CHICAGO AA BUTTER

Weekly Change	-.0275	\$2.2925
Weekly Average	+.0100	\$2.2940

DRY WHEY

Dairy Market News	w/e 07/22/16	\$2.2713
National Plants	w/e 07/16/16	\$2.2733

NON-FAT DRY MILK

Week Ending 7/15 & 7/16

Calif. Plants	\$0.8118	10,519,545
Nat'l Plants	\$0.8357	14,625,385

Prior Week Ending 7/8 & 7/9

Calif. Plants	\$0.8668	6,516,484
Nat'l Plants	\$0.8514	12,122,110

FRED DOUMA'S PRICE PROJECTIONS...

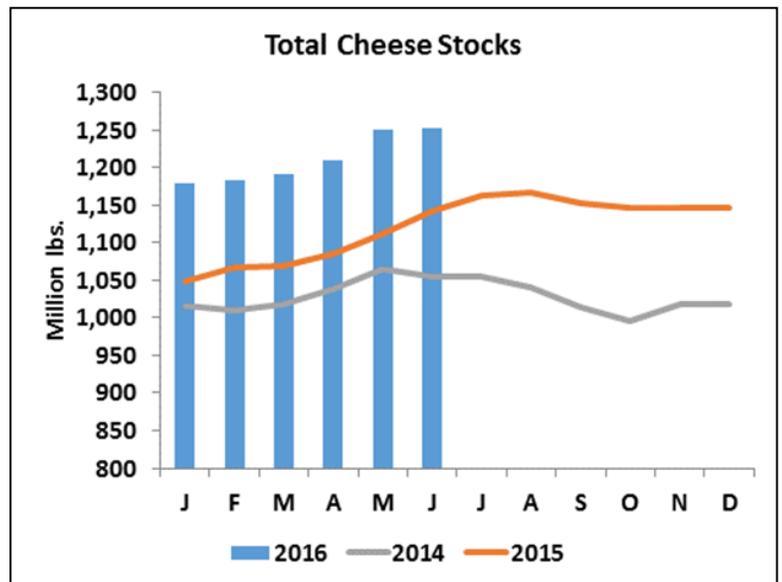
Jul 22 Est:	Quota cwt. \$15.61	Overbase cwt. \$13.91	Cls. 4a cwt. \$14.25	Cls. 4b cwt. \$14.67
Last Week:	Quota cwt. \$15.55	Overbase cwt. \$13.85	Cls. 4a cwt. \$14.16	Cls. 4b cwt. \$14.60

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

Milk & Dairy Markets

Cheese inventories are record large and milk continues to gush in the traditional cheese-making states. Those are just minor details, apparently. The CME spot cheese market rallied once again this week. Barrels climbed to \$1.775/lb., up 3¢ to levels not seen since November 2014, when Class III milk was \$21.94. Blocks gained 4.75¢ and reached \$1.7075, the highest price since October. The August and September Class III futures contracts followed the spot market higher, jumping nearly 20¢. Deferred contracts retreated.

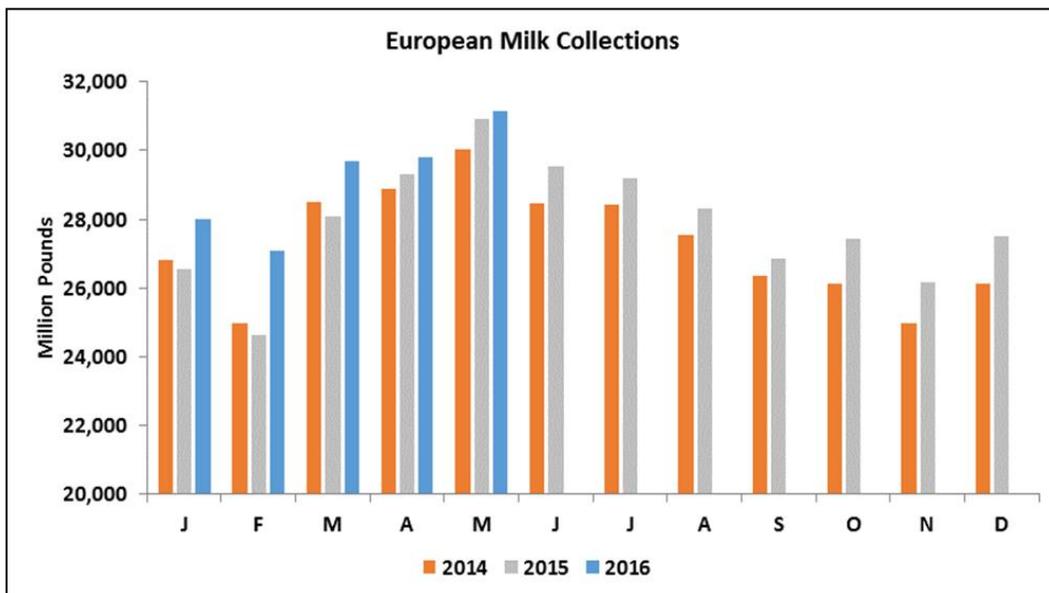
The butter and milk powder markets wilted this week. CME spot butter slipped 2.75¢ to \$2.2925. Nonfat dry milk (NDM) dropped 3¢ to 84.5¢. Most Class IV futures contracts posted double-digit losses.



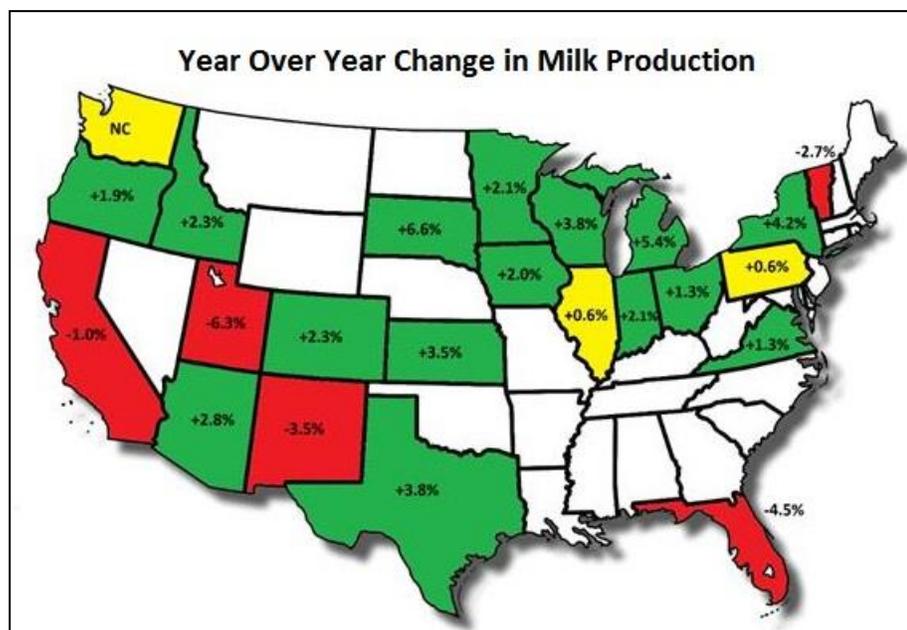
The Global Dairy Trade (GDT) was rather uneventful. The index didn't budge, and most products moved a little lower. The average winning butter price dropped 5% from the previous auction, and Cheddar and skim milk powder (SMP) both dropped 1.1%. However, whole milk powder (WMP) prices rallied 1.9%.

The rate of growth in European milk output is slowing. In May, collections totaled 31.15 billion pounds, just 0.8% greater than the previous year. Momentum has waned as financial pressures and less than perfect weather weigh on output, but also because year-over-year comparisons are now built on the post-quota surge rather than

the super-levy deficits of early 2015. Boosting production from last year's colossal volumes is still impressive, albeit less eye-catching than growth rates in the first quarter. Thanks to the ebb in Europe and lower output in Argentina and Australia, combined milk output in the top five dairy exporters fell short of last year in May for the first time in 14 months.



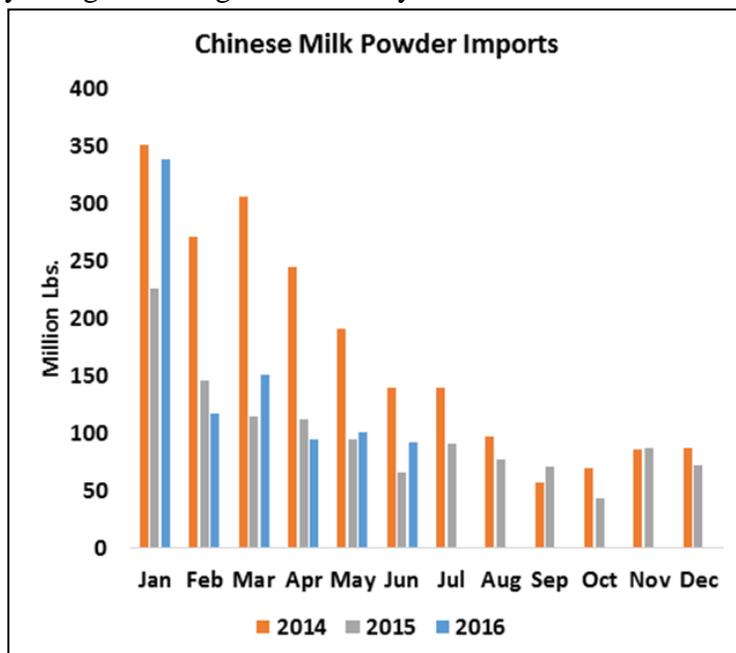
Milk output in the U.S. is less subdued. In June, production reached 17.77 billion pounds, up 1.5% from a year ago. Output was particularly strong in South Dakota, Michigan, New York, Texas, and Wisconsin. Production dropped hard in Utah, Florida, New Mexico, and Vermont under the stress of sweltering temperatures and strained finances. California reported its 18th consecutive year-over-year shortfall, but the deficit narrowed. June output was 1% lower than last year. There are fewer milk cows in California than there have been at any point since June 2011.



years, cheese stocks have grown by almost 10 million pounds, on average, in June. In contrast to the steep increase in supplies in May, the June data signals a robust hunger for U.S. cheese, lending some validity to the sustained rally in the spot cheese market.

Butter stocks climbed 1.1 million pounds in June to 326 million pounds, an increase of 0.3% from May. Cream multiples were unusually low last month, which likely pushed more product to churns, so it is not surprising that butter supplies failed to decline in June as they usually do. Butter inventories are ample and arguably burdensome; they are 27.4% greater than they were a year ago and larger than in any month since 1993. There should be more than enough butter to go around at prices much lower than those prevailing. But the butter market has shrugged off such bearish news before; arguing the fundamentals has proven fruitless and costly.

Chinese demand for dairy products remains solid, if less than exciting. In June, China imported 92 million pounds of WMP and SMP. That is 28.1% lower than May volumes, but up 39.8% from a year ago. Chinese imports of ultra-high temperature milk and cheese were notably greater than year-ago levels. Chinese whey imports reached eleven-month highs, although they fell just short of June 2015 volumes. China's improved penchant for whey has been particularly helpful to the United States, which supplied nearly 60% of whey shipments to China in May and June.



Grain Markets

The grain markets collapsed this week to the lowest levels in years. September corn finished at \$3.35, down 17.25¢ from last Friday. August soybean futures settled at \$10.065, some 66¢ in the red. Nearby soybean meal futures closed almost \$23 lower than last week.

The trade had built in a sizeable weather risk premium when the forecast called for a high pressure ridge to lock heat in and rains out of the Corn Belt. It has indeed been hot, but rainfall has been better than feared, and fields are generally in good shape. The forecast calls for cooler, wetter conditions next week, and analysts are penciling in higher yields.

With the potential for a larger crop, the soybean balance sheet has gone from uncomfortably tight to moderately strained. Assumptions of huge demand for U.S. soybean exports have also come into question. *Oil World* forecasts a 4% decline in Chinese soybean imports over the next twelve months, as huge domestic stockpiles and a sizeable jump in soybean acreage eat into demand for foreign supplies. If China takes a step back from the soybean market, prices are likely to continue to fall. But there will be plenty of volatility in the grain markets until the crop is assured.

CONGRESS SENDS FOOD BIOTECH LABELING BILL TO THE PRESIDENT FOR SIGNATURE:

(By Rob Vandenheuvel) “GMO Free”...it’s probably safe to say that most Americans, if pressed to answer, couldn’t tell you what GMO actually stands for, much less what it actually means. Yet it’s probably also safe to say that despite the overwhelming ignorance on the issue, many folks have developed a very strong opinion one way or another on the issue of GMO use in agriculture. That has led to many discussions around the U.S. (and even the world) about establishing local labeling requirements for products that are produced using these biotechnological advancements.

Congress recognized the chaos that could be created by this patchwork of state-by-state policies, and began a couple years ago to work on a national standard. This past month, the House and Senate were able to agree on a compromise bill, known as S. 764, which was approved with strong, bipartisan majorities. That bill has now been presented to President Obama for signature, which he has indicated he will do.

National Milk Producers Federation (NMPF), which represents most of the nation's dairy cooperatives (and which MPC is an associate member of), spearheaded the effort of ensuring that the bill made sense for the dairy industry. Specifically, NMPF was looking for a common-sense, science-based approach for labeling of dairy products that applies nationwide, rather than a patchwork of state-by-state policies.

Below is an article from NMPF delving more into the issue. Coming from a state like California, where our State Legislators take pride in strapping our farmers and other businesses with the most burdensome regulations in the world, the establishment of a national standard that preempts State GMO labeling laws is music to our ears! MPC extends its appreciation to NMPF for their leadership in spearheading this effort on behalf of the dairy industry!

Passage of Food Biotech Labeling Bill on Capitol Hill Signals New Focus in GMO Debate

By National Milk Producers Federation

Chaos in the food supply chain has been avoided with Congress' recent passage of the federal food biotechnology label disclosure law. For more than two years, the dairy industry—along with hundreds of other food and agriculture organizations — worked tirelessly to ensure that one consistent, unified and common-sense standard be applied to labeling requirements for foods produced with biotechnology.

Finding a Compromise on Capitol Hill

After initially losing a vote on the issue in the Senate last March, leaders of the coalition supporting federal preemption of state GMO labeling went back to work to build support for a compromise alternative. A bipartisan majority of 63 senators agreed in early July on a new measure, negotiated by Senate Agriculture Committee Chairman Sen. Pat Roberts and the committee's ranking member, Sen. Debbie Stabenow. Their bill creates a national, mandatory system to disclose the use of biotech ingredients.

The bill, which subsequently passed the House of Representatives on July 14 and will be signed into law by President Obama, preempts state GMO labeling laws, such as the one in Vermont that took effect July 1. The adoption of this measure is the culmination of extensive efforts by the National Milk Producers Federation and its members to establish a reasonable, nationwide standard for how information about food biotechnology should be shared.

“We want to thank the Congress for their efforts to pass this legislation because the country needs a national approach on this issue, not a patchwork quilt of differing state laws,” said NMPF President and CEO Jim Mulhern.

In addition to providing federal preemption of state GMO labeling, the new law stipulates that products with ingredients made with biotechnology should disclose this information through one of three methods: displaying text or a symbol directly on the packaging; featuring a Quick Reader (QR) code that can be scanned by a smartphone; or offering a toll-free phone number or a link to a website where consumers access more information.

Key Issues for Dairy

As the bill was negotiated in the Senate, NMPF argued strongly that milk and meat from animals that consume feed grown from biotech seeds should not be subject to the labeling provisions. The final measure prohibits a food from being considered bioengineered solely because it came from an animal that has been fed bioengineered feed. NMPF described this as “an important, common-sense provision,” according to Mulhern.

“Milk and meat are not genetically modified by cows that have digested biotech feed, just as humans are not genetically modified by consuming foods derived from biotechnology,” he said. This provision is similar to how other countries, including European nations, treat milk from cattle that may be fed GMO grains.

Continued Engagement Needed

The next step in the process is the development of regulations by the U.S. Department of Agriculture on how food companies must implement the provisions of the new law. The USDA will spend the next two years working on a regulatory system to address the finer points of the law, such as the exact wording to be used on any label disclosures; any thresholds above or below which a biotech ingredient may not have to be disclosed; and how biotech enzymes and processing aids are handled.

“National Milk will be very engaged in the rule-making process to ensure that dairy’s interests continue to be safeguarded,” said Mulhern. “Our cooperative members will also be working with their customers to help them determine if any dairy products fall under pending disclosure requirements and, if so, how to best meet those requirements.”

Some companies will use the SmartLabel™ digital technology that allows consumers to pull up detailed information on a retail food product. This could be an opportunity for dairy brands to also discuss their other proactive efforts around food safety, animal care, environmental stewardship, and more.

Most critically, the rule-making process allows the dairy community the time it needs to strengthen consumer communications efforts around foods produced with biotechnology. The check-off funded Innovation Center for U.S. Dairy has established a special taskforce dedicated to communications around biotech foods.

From NMPF’s point of view, now that the dairy industry has achieved a victory by establishing a national labeling system, “we can begin moving beyond specious arguments over labels, terminology and absence claims, and work to address real food safety and nutrition issues, and further the sustainability of our food system,” according to Mulhern.