



Milk Producers Council

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TO: Directors & Members

PAGES: 4
FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	- \$0100. \$1.4625	Weekly Change	- \$.0150 \$2.1150	Week Ending 1/26 & 1/27	
Barrels	+ \$.0050 \$1.3250	Weekly Average	+ \$.0090 \$2.1305	Calif. Plants	\$0.7193 10,094,866
Weekly Average, Cheddar Cheese		DRY WHEY		Nat'l Plants	\$0.7035 20,946,995
Blocks	- \$.0510 \$1.4635	Dairy Market News	w/e 2/2/18 \$2.400	Prior Week Ending 1/19 & 1/20	
Barrels	- \$.0245 \$1.3215	National Plants	w/e 1/27/18 \$2.717	Calif. Plants	\$0.7122 9,198,829
				Nat'l Plants	\$0.6946 19,910,674

Fred Douma's price projections...

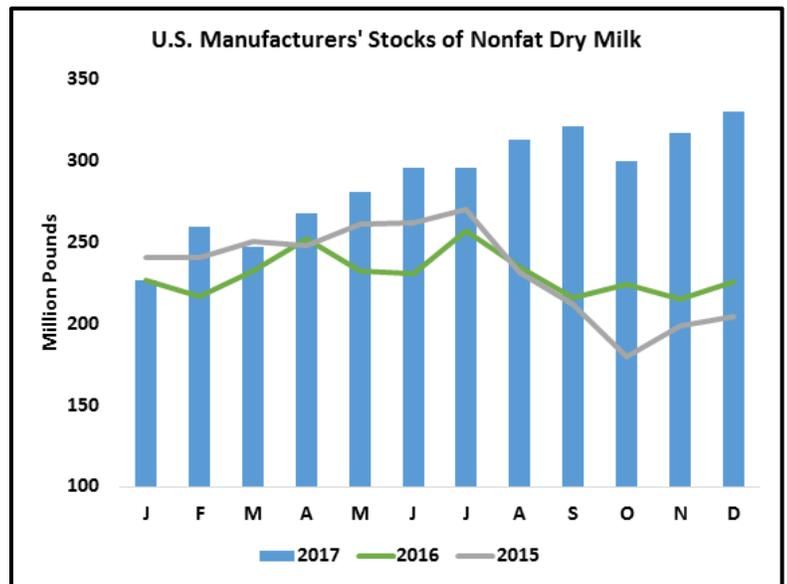
Feb 2 Est : Quota cwt. **\$14.53** Overbase cwt. **\$12.83** Cls. 4a cwt. **\$12.80** Cls. 4b cwt. **\$12.97**
 Jan '18 Final: Quota cwt. **\$14.94** Overbase cwt. **\$13.24** Cls. 4a cwt. **\$12.94** Cls. 4b cwt. **\$13.37**

Market commentary

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

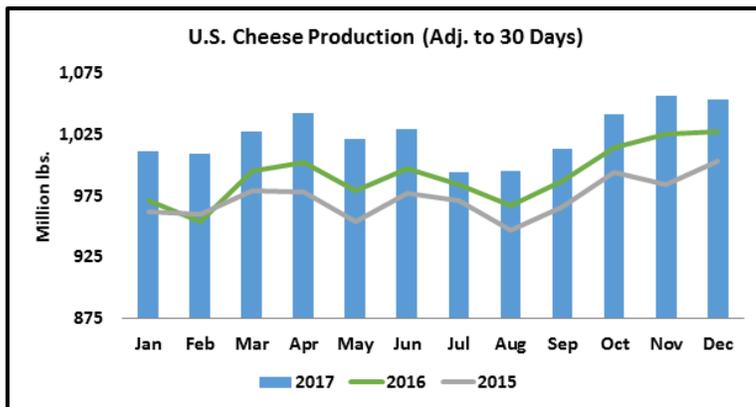
Milk & Dairy Markets

“What would you do if you were stuck in one place and every day was exactly the same, and nothing that you did mattered?” So wonders Phil Connors, Bill Murray’s character in *Groundhog Day*, the cult classic movie about déjà vu. Phil might have been describing the cheese market, which was an exercise in monotony this week. CME spot Cheddar blocks slipped a penny to \$1.4625 per pound. Barrels climbed 0.5¢ to \$1.325. Despite the ambivalent cheese market and lethargy in whey pricing, nearby Class III futures moved higher. The February contract settled at \$13.63 per cwt., up 31¢ this week, and March through June futures posted modest gains. However, third quarter contracts finished slightly lower.



The butter and milk powder markets were similarly tedious. CME spot butter slipped 1.5¢ to \$2.115. Spot nonfat dry milk (NDM) rallied 1.25¢ to 72.25¢, reaching a two-month high. Class IV futures went nowhere at all.

The quiet recovery in the spot milk powder market comes as a bit of a surprise. Prices are low enough to incentivize demand, and U.S. product is inexpensive relative to offers from Oceania. However, European milk powder remains cheap and plentiful. The European Commission officially confirmed that it will not be setting a

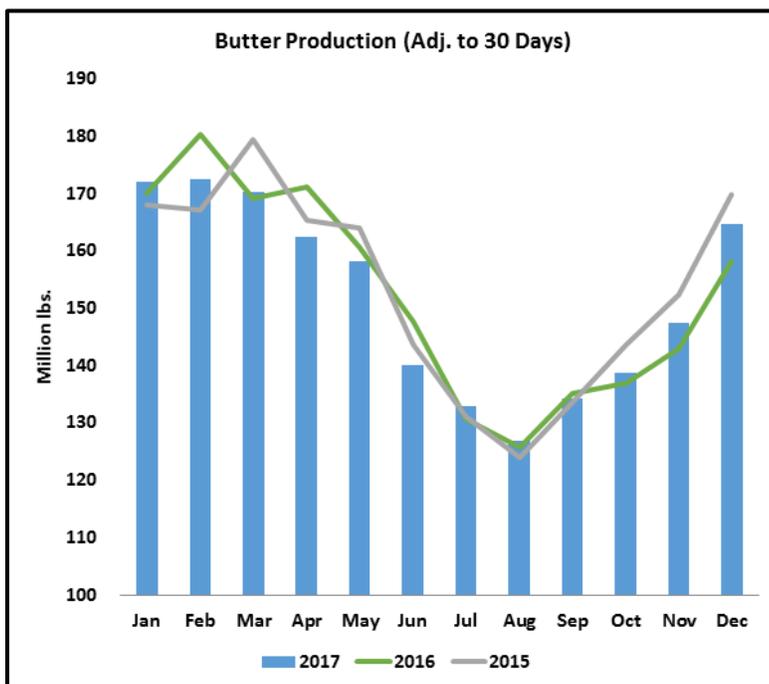


guaranteed minimum price when it bids for skim milk powder (SMP) for its Intervention purchase program beginning in March, which likely means that European merchants will be looking to export more SMP this year. European milk output remains strong and driers are running hard.

Meanwhile, in the U.S., milk powder continues to pile up. In December, combined production of NDM and SMP was 213.2 million pounds, up 1.7% from a year ago. For the year, milk powder output was 1.9% greater than in 2016. Manufacturers’

stocks of NDM reached 330.4 million pounds at the end of the year, up 46.5% from the end of 2016. Although U.S. milk powder inventories reached much higher levels when the government was in the business of stockpiling product, manufacturers’ stocks have never been this large.

U.S. cheese output remains formidable. In December production reached a record-breaking 1.09 billion pounds, up 2.6% from December 2016. Cheddar output was up 3.2% from the prior year. For the year, U.S. cheese production was 3.3% greater than in 2016 and Cheddar output was 4.1% higher. Demand is not keeping pace.



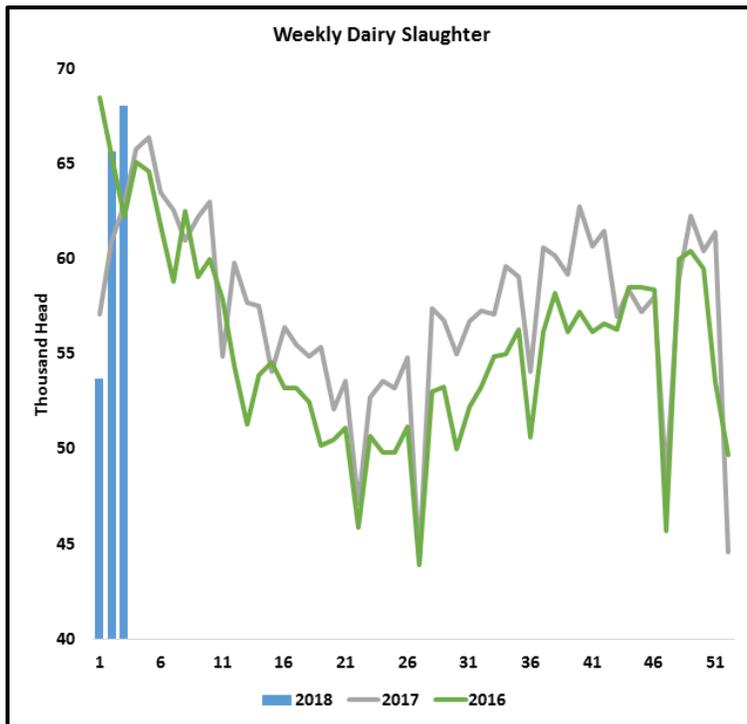
U.S. butter output reached 170.3 million pounds in December, up 4.2% from a year ago. Compared to last December, butter production slipped 0.3% in California and was down 3.6% in Pennsylvania, but other states more than made up the deficit. In 2017, U.S. butter output totaled 1.845 billion pounds, down 0.4% from the previous year.

The dairy market doldrums are commonplace in February. Retailers have stocked up for the Super Bowl and won’t be upping their orders again until after Lent. The Easter and Passover holidays will be early this year, which could help boost demand in March. Today’s low prices can certainly entice food makers to formulate with more dairy, restaurants to feature a cheese board, and consumers to throw a few more creamy products in the grocery cart.

However, for dairy producers, dairy product prices are making for a gloomy winter. As his interminable Groundhog Day finally ended, Phil Connors opined, “When Checkhov saw the long winter, he saw a winter bleak and dark and bereft of hope. Yet we know that winter is just another step in the cycle of life.” So it is in the dairy industry. The downturn is painful and unwelcomed. Producers are selling herds at a rising clip around the country, particularly in the coastal and Great Lakes states. Dairy cow slaughter volumes jumped in the week ending January 20 to the highest total in more than a year. The cycle of overproduction and low prices continues day after day. But eventually, stronger demand and slower growth in U.S. milk production – or perhaps outright contraction – will restore the industry to health, and the long winter will give way to a spring of recovery.

Grain Markets

After years of excellent weather nearly everywhere that grows grain, the corn and wheat markets have been burdened by oversupply. Stocks remain ample, but the outlook has shifted. Grain output in Ukraine and Australia



dropped last year, and the winter has been less than ideal in the wheat belts in Russia, Ukraine, and the United States. In Brazil, crops are in excellent shape, but estimates of Argentina’s corn and soybean production are moving lower. Meanwhile, ethanol production remains very strong, increasing demand for corn. U.S. corn is competitively priced and exports are respectable. Corn supplies will not become uncomfortably tight anytime soon, but ending stocks might stop climbing and start to move in the other direction. In anticipation, the corn markets have reversed their long-standing downtrend. This week March corn futures settled at \$3.615 per bushel, up a nickel from last Friday. Corn prices haven’t been this high since early November.

In contrast, March soybean futures slipped 6.75¢ this week to \$9.78 3/4. U.S. soybean exports continue to disappoint as Chinese buyers prefer higher-protein soybeans from Brazil. The trade is slowly but steadily raising its estimate of end-of-season U.S. soybean stocks, and prices are fading accordingly.

Corn is still abundant, and farmers will likely sell some of their stocks as prices move higher, limiting the market’s ability to sustain a sizeable rally. As for soybeans, a continued selloff is likely to make U.S. soybeans more attractive, which would boost exports and trim stocks. The weaker dollar could accelerate exports from today’s lackluster pace. The feed markets are becoming a bit more interesting and a bit less predictable. Much depends on February rains in Argentina and the upcoming U.S. growing season.

California Dairy Quality Assurance Program highlights new laws and storm tips in January e-update

By Kevin Abernathy, MPC General Manager

The January e-update from the California Dairy Quality Assurance Program (CDQAP) provides a few important tips on reviewing your Emergency Manure Preparedness Plan in the event of serious storms. It also includes information on new laws impacting livestock medication and operation practices involving antibiotics that went into effect January 2018.



The e-update provides important information on this year’s latest dairy regulations and helpful tips to prepare you for possible winter storms. Be sure to give it a read!

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

San Joaquin Air Pollution Control District opens Electric Dairy Feed Mixing pilot program

The San Joaquin Air Pollution Control District announced the opening of the new pilot program to electrify dairy feeding operations. The Electrified Dairy Feed Mixing Program is now accepting applications which can be

downloaded [here](#).

- Eligible entities are dairies and other confined animal facility operations (CAFO's) currently operating a feed program that utilizes diesel powered equipment.
- Projects will be selected for funding on a first come, first served basis as determined by the application complete date.
- Due to the complexity of this program, it is strongly encouraged to meet with District staff prior to submitting an application.
- This program will provide an incentive in the amount of 75% of the total cost of eligible equipment and infrastructure, up to a maximum cost effectiveness of \$30,000 per ton of emissions reduced.

If you are interested in applying for this program, please contact Kevin Abernathy for assistance at kevin@milkproducers.org. Additional details regarding steps to apply are also available [here](#).
