



Milk Producers Council



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DATE: August 11, 2017
 TO: Directors & Members

PAGES: 4
 FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks	+ \$.0450	\$1.7425
Barrels	+ \$.0575	\$1.5875

Weekly Average, Cheddar Cheese

Blocks	- \$.0485	\$1.6935
Barrels	- \$.0180	\$1.5550

CHICAGO AA BUTTER

Weekly Change	- \$.0475	\$2.6825
Weekly Average	- \$.0420	\$2.6680

DRY WHEY

Dairy Market News	w/e 08/11/17	\$4.100
National Plants	w/e 08/05/17	\$4.344

NON-FAT DRY MILK

Week Ending 8/4 & 8/5

Calif. Plants	\$0.8948	4,023,348
Nat'l Plants	\$0.8620	26,171,145

Prior Week Ending 7/28 & 7/29

Calif. Plants	\$0.8958	7,782,206
Nat'l Plants	\$0.8862	17,525,222

Fred Douma's price projections...

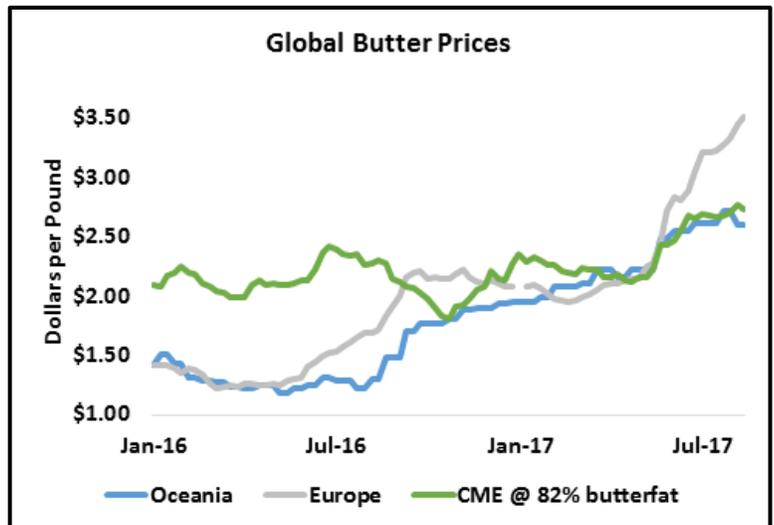
Aug 11 Est:	Quota cwt. \$18.02	Overbase cwt. \$16.33	Cls. 4a cwt. \$16.66	Cls. 4b cwt. \$16.48
Last Week:	Quota cwt. \$17.99	Overbase cwt. \$16.29	Cls. 4a cwt. \$16.81	Cls. 4b cwt. \$16.30

Market commentary

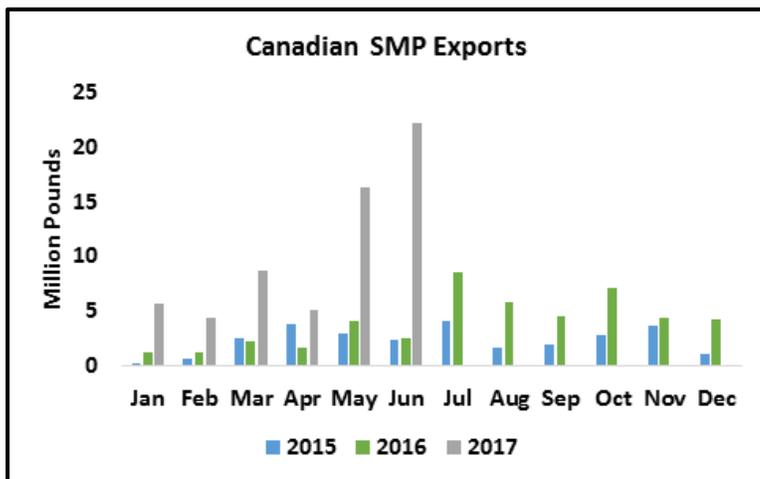
By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com

Milk & Dairy Markets

Backpacks and new shoes stand at the ready. Cardboard cartons and plastic chugs of milk are chilling. It's back to school time. Lunchbox cheese sticks, sandwich-sized cheese slices, and yogurt cups are likely to sell a little faster. Harried parents might be a bit quicker to order a pizza as they navigate new school and extra-curricular routines. Restaurant demand seems to be growing, albeit slowly. Football season – and sideboards brimming with nachos, creamy dips, and even more pizza – is just around the corner, although fewer viewers are tuning in. Meanwhile, hot weather is reducing milk output across much of the country. It's a good time for a rally, or at least an unlikely season for a sharp decline in the dairy markets.



CME spot cheese got off to a poor start but managed a strong finish. Blocks closed at \$1.7425/lb., up 4.5¢. Barrels climbed 5.75¢ to \$1.5875. Milk is by no means tight in the traditional cheese states, but processors are feeling less pressure to run at a breakneck pace. U.S. cheese is competitively priced, but *Dairy Market News* reports that export opportunities have been “slow to develop.” Volatility reigns. The rally in the cheese market more than offset a decline in whey futures, and Class III contracts finished higher across the board. The September and October contracts gained 40¢ and 38¢, respectively.



The Class IV products struggled this week, and Class III futures are now decidedly the “higher of” market. Despite a Friday come-back, CME spot butter dropped 4.75¢ to \$2.6825. Butter demand remains strong, and product continues to move abroad as the gap between the domestic and European markets widens. Competition is stiffer for milk powders. Spot nonfat dry milk (NDM) slipped 1.25¢ on Monday and then held at 85¢. Most Class IV contracts posted double digit losses. The October contract was weakest, falling 40¢.

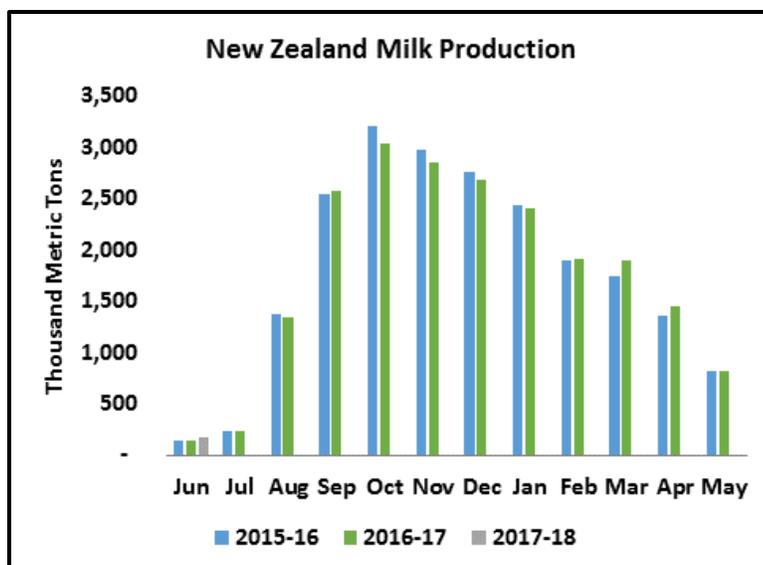
Huge stockpiles of NDM in the U.S. and skim milk powder (SMP) in Europe continue to weigh on

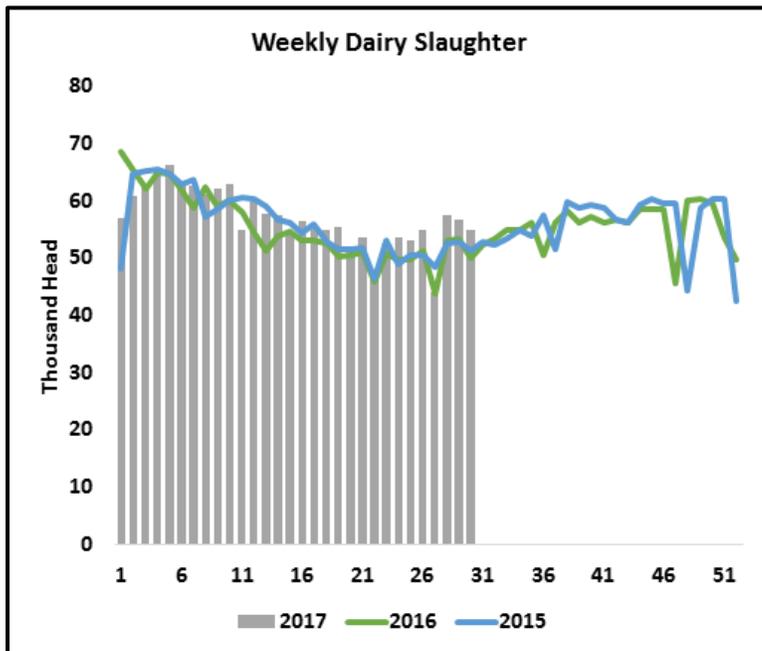
milk powder prices. Our neighbor to the north is adding to the problem, upping milk production to meet cream and butter demand while dumping excess SMP on the global market. Canada’s new Class 7 classification for milk proteins prices SMP at the lowest surveyed value for the U.S., the EU, and Oceania.

As intended, Canada’s SMP exports are surging. In June, Canada shipped a record-breaking 24.2 million pounds of SMP abroad, nearly nine times as much as in June 2016. Mexico, the leading market for U.S. NDM, accounted for more than 20% of the total. Canadian SMP exports for the first half of the year are already 30.5% greater than shipments in all of 2016. Meanwhile, Canada has pared its cream imports from the U.S. and the rest of its dairy industry remains heavily fortified against outside competition. The new Class 7 scheme is clearly unfair and may be a violation of international trade norms. However, it will be some time before the matter is litigated, and Canada is likely to aggressively market SMP until it is expressly forbidden from doing so.

After a rough few years, milk output in the Southern Hemisphere is looking up. The weather and economic pressures battered dairy producers in Argentina, but 2017 is off to a much better start, and milk production is responding accordingly. Australia reported a 2.2% year-over-year increase in milk production in June, the first such increase since October 2015. With that, the Aussies closed out the 2016-17 season with a 6.7% production deficit. The 2017-18 season, which began last month, is likely to be more favorable. New Zealand reported June milk output at 178 thousand metric tons, or 392 million pounds, kicking off the new season with a 20.4% increase compared to last year. It doesn’t take a lot of milk to print some eye-popping year-over-year gains in the offseason, but better milk prices and the weather suggest that New Zealand’s dairy producers have the wind in their sails. Strong Southern Hemisphere milk production is likely to exacerbate the abundance of global milk powder inventories.

Basic economics suggests that better prices will boost U.S. milk production as well. Modest growth is indeed likely, if for no other reason than the impressive size of the milk cow herd. But there are several barriers hampering steep increases in U.S. milk output, limitations on processing capacity chief among them. Two new facilities will open soon in the Southwest, but there is already enough milk in the region to fill them after processors idle a long-outdated plant. These expansions, and a few minor ones in other regions, will help ease the milk surplus, but they are not a panacea allowing dairy producers to add cows with abandon. At the same time, herd sellouts and cull rates signal little





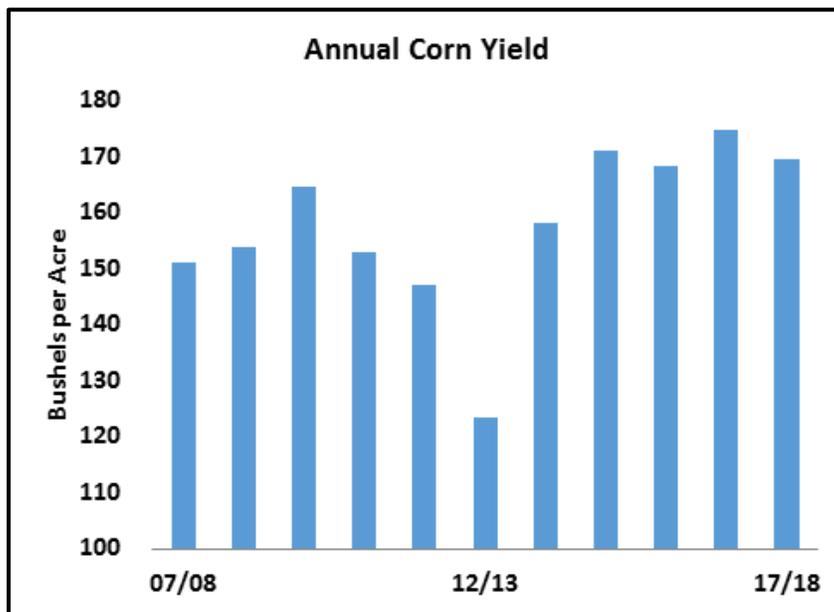
appetite for expansion. Over the past six weeks, dairy slaughter volumes have been running 6.6% higher than year-ago levels. For the week ending July 29, slaughter was up 10% from the same week last year. Neither the U.S. nor Europe seems poised to flood the world with milk in the near term.

Grain Markets

The crop markets suffered a major setback this week. USDA surprised the markets, pegging the corn and soybean yields higher than anyone expected. Despite excessive heat throughout the corn pollination season in July and limited rainfall in Iowa, USDA estimates the national average corn yield at 169.5 bushels per acre, down just 1.2 bushels from last month's assessment. If the harvest is indeed as great as USDA expects, this

will be the third-largest corn crop and third-highest corn yield on record. Following the Crop Production report's release, the benchmark December corn contract fell to an 11-month low. It settled today at \$3.7475, down 8.25¢ for the week.

The soybean crop, which largely pollinates in August, has greater potential. August has been much cooler and a little wetter than July. USDA raised its estimate of the soybean yield from 48 bushels per acre in July to 49.4 bushels on yesterday's report. That is short of last year's record-shattering 52.1 bushels but due to this year's immense acreage, the harvest is projected to be the largest ever. Global demand for soybeans is booming, but the U.S. and South American crops are large enough to satisfy. November soybean futures settled at \$9.45, down more than a dime. Soybean meal contracts are hovering around \$300 per ton, a historically low value.



California Milk Advisory Board to hold September Board meeting in Visalia

By Kevin Abernathy, MPC General Manager



Look for the Seal
California Milk Advisory Board

The California Milk Advisory Board (CMAB) will hold its September meeting at the Visalia Marriott Hotel, 300 South Court Street, Visalia, CA. The meetings take place over the course of two days. The board meeting starts on Wednesday, September 13, 2017 at 7:30 a.m., followed by a meeting Thursday, September 14, 2017 at 8 a.m. The CMAB Board Meeting is open to any California dairy producer. If interested in attending, please RSVP to Tracy Garza at tgarza@cmab.net or [209-690-8252](tel:209-690-8252) by August 23, 2017.

CARB One-Stop Diesel Truck Event rescheduled for August 30 in Santa Rosa

By Kevin Abernathy, MPC General Manager

The California Air Resources Board (CARB) has rescheduled the Santa Rosa One-Stop Diesel Truck Event to Wednesday, August 30, 2017. This event is a great opportunity for dairy farmers to stay up to date with current diesel equipment requirements and technologies. Topics include an overview of California diesel rules, funding opportunities, new technology demonstrations, and more. The event will be held at the Friedman Event Center, 4676 Mayette Avenue, Santa Rosa, CA. Admission and parking are free. You can register for the event by contacting the CARB Training Registrar at (916) 322-3937 or by email at arbtrain@arb.ca.gov, or you can register [here](#).

REGISTER NOW!

ARB IS HOLDING A ONE-STOP TRUCK EVENT IN YOUR AREA

Join ARB, local agencies, and vendors to discuss diesel equipment requirements and ways to comply using current and new technology.

EVENT FEATURES INCLUDE

- One-on-One compliance assistance
- Truck inspection demonstration
- Regulatory training
- Vendor displays
- Funding opportunities
- New technology demonstrations

UPCOMING LOCAL EVENT

Wednesday August 30th, 2017
8:30AM - 12:30PM
Friedman Event Center
4676 Mayette Avenue
Santa Rosa, CA 95405

ONE-STOP TRUCK EVENT

For more information and to register, visit: ARB.CA.GOV/TRUCKSTOPEVENTS or call toll-free 916-322-3937 (option 1)
Hay información disponible en Español
