



Milk Producers Council

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DATE: October 31, 2014
 TO: Directors & Members

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 FROM: Rob Vandenheuvel, General Manager

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE

Blocks	N/C	\$2.1400
Barrels	+\$.1875	\$2.1100

Weekly Average, Cheddar Cheese

Blocks	-\$.1375	\$2.1260
Barrels	+\$.0095	\$2.0345

CHICAGO AA BUTTER

Weekly Change	+\$.0800	\$1.8900
Weekly Average	-\$.1095	\$1.8400

DRY WHEY

Dairy Market News	w/e 10/31/14	\$.5975
National Plants	w/e 10/25/14	\$.6392

NON-FAT DRY MILK

Week Ending 10/24 & 10/25

Calif. Plants	\$1.4939	9,290,632
Nat'l Plants	\$1.4915	17,053,007

Prior Week Ending 10/17 & 10/18

Calif. Plants	\$1.5034	9,093,789
Nat'l Plants	\$1.5147	17,033,791

FRED DOUMA'S PRICE PROJECTIONS...

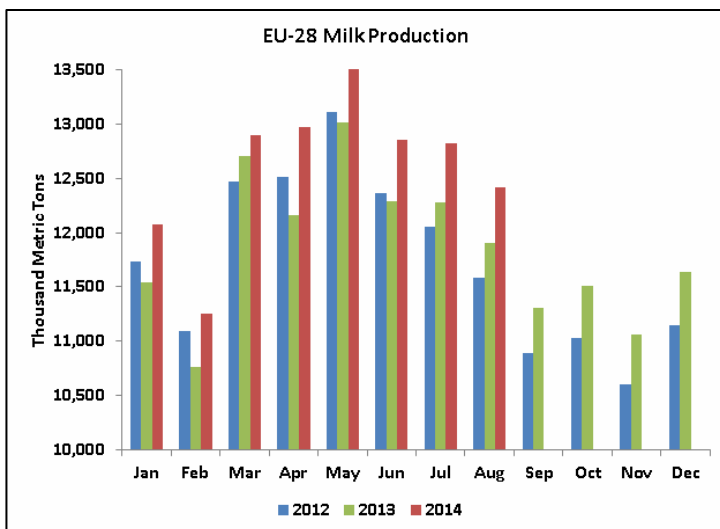
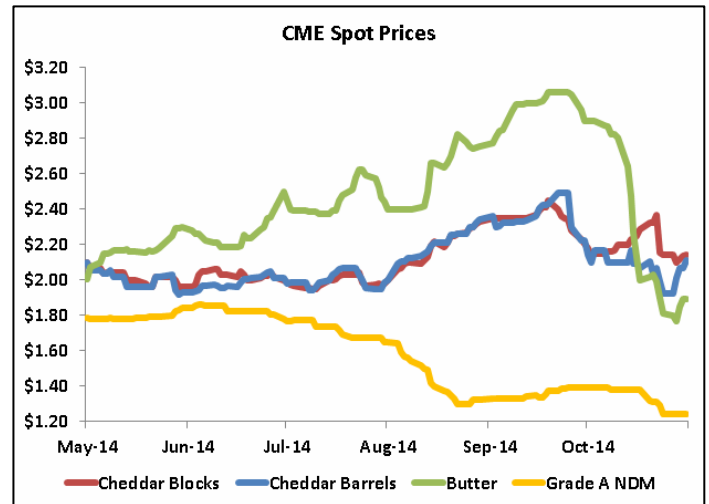
Nov '14 Est:	Quota cwt. \$21.58	Overbase cwt. \$19.88	Cls. 4a cwt. \$18.43	Cls. 4b cwt. \$20.04
Oct '14 Final:	Quota cwt. \$23.14	Overbase cwt. \$21.44	Cls. 4a cwt. \$21.05	Cls. 4b cwt. \$20.94

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

Milk & Dairy Markets

Over the past couple weeks, the dairy markets were quite spooked. But this week calm resumed. The butter market looks more buoyant after its recent plunge; spot butter gained 8¢, rising to \$1.89/lb. Grade A nonfat dry milk (NDM) slipped 0.25¢ to \$1.2425.

Cheddar barrels also showed signs of life. They rallied 18.75¢ this week to \$2.11. Blocks held steady at \$2.14. This narrowed the block-barrel spread to a more typical 3¢, closing a chasm that reached as wide as 30¢ less than two weeks ago. Class III trading was up 46¢ from last week, and Class IV lost 69¢.

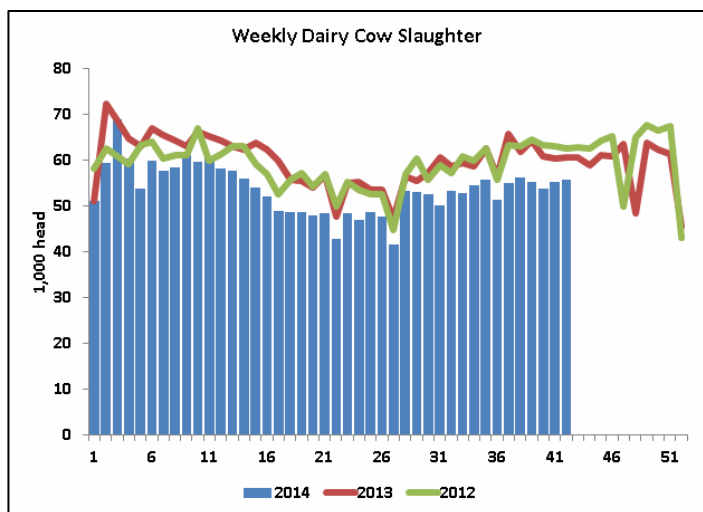
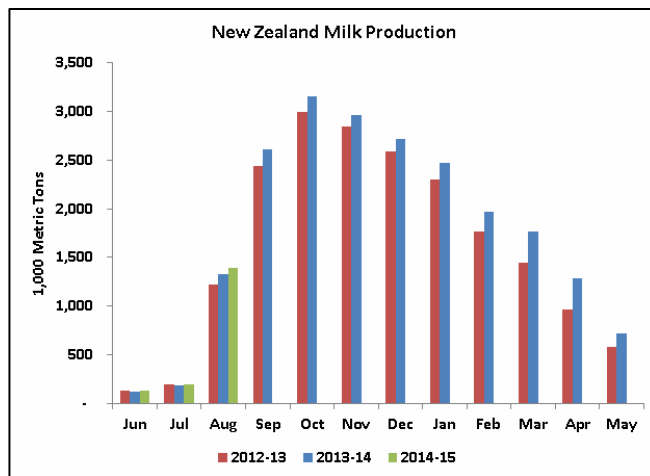


Although the data is a bit stale, it is clear that overseas milk production remains robust. Milk deliveries in the 28 nations of the Eurozone were 4.3% greater than last year in August. With European cheese supplies backing up, a larger share of the milk supply is headed for the drier. European production of skim milk powder in August was 30% greater than last year.

According to *Dairy Market News*, European dairy producers are concerned about falling revenue, but current prices "are not to a level to prompt producers to lower milk production or reduce herd sizes." Producers in the better dairying regions in northern Europe and

Ireland will be particularly reticent to trim their herds ahead of the expiration of quota next spring.

Australia produced 4.2% more milk in September than it did a year ago and 0.6% more than in September 2012. In New Zealand, August output was up 4.5% from last year. With seasonal output at its peak and no real weather issues, production is holding strong, and dairy product prices are expected to decline further. USDA staff in New Zealand estimate that one in four producers there will not be able cover the cost of production and debt service in 2015. New Zealand's dairy producers are heavily leveraged and may be the first to cut production through reducing supplemental feeding, culling and early drying. However, they are not likely to adopt such measures en masse for at least six months.



Dairy producers in the U.S. are also unlikely to increase cull rates for some time. They are set to enjoy large milk checks through the end of the year, and many are expanding. For the week ending October 18, dairy cow slaughter totaled 55,654 head, 8.1% lower than the same week last year. So far, dairy culling is 10.5% behind the 2013 pace.

Stocks surged Friday, and the dollar rallied to a seven-year high against the Japanese yen. As the U.S. Federal Reserve wraps up its quantitative easing program, the Bank of Japan announced efforts to increase its economic stimulus program. Japan is a big importer of U.S. dairy products and beef suggesting economic

weakness could adversely impact its dairy demand in the near-term.

Grain Markets

Soybean and soybean meal prices are set to report their largest monthly gain since 2012. DEC soybean meal contract is trading more than \$100 higher than where it began the month. The soybean harvest is in full swing, but transportation issues have slowed the flow of soybean meal to end users, and they are bidding the market higher. Strength in soybean meal futures has also supported soybean prices and, to a lesser extent, corn futures.

USDA ANNOUNCES ONE WEEK EXTENSION OF MPP SIGNUP DEADLINE: (By Rob Vandenheuvel)

This week, the U.S. Department of Agriculture (USDA) announced that Margin Protection Program (MPP) applications will be accepted through December 5th, one week later than the original deadline. This change was made due to the fact that November 28th fell on the Friday after Thanksgiving, which is not technically a Federal holiday, but probably should be, given that many people take the day off to enjoy the “Black Friday” sales.

Having said that, dairy farmers are still encouraged to begin processing their paperwork as soon as possible. You are not required to commit to a final enrollment (i.e., selecting a margin level or percentage of production to enroll) until December 5th, but completing the other general paperwork early can make that last decision much easier for both you and your local Farm Service Agency office. MPC members with any questions about the MPP program can contact us at (909) 628-6018.

ELECTION DAY IS ON TUESDAY – DON'T FORGET TO VOTE!