



Milk Producers Council

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DATE: September 8, 2017
TO: Directors & Members

PAGES: 5
FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks	+ \$.1025	\$1.6425
Barrels	+ \$.0200	\$1.5400

Weekly Average, Cheddar Cheese

Blocks	+ \$.0975	\$1.6300
Barrels	+ \$.0574	\$1.5569

CHICAGO AA BUTTER

Weekly Change	- \$.0500	\$2.4575
Weekly Average	- \$.1085	\$2.4575

DRY WHEY

Dairy Market News	w/e 09/8/17	\$3.825
National Plants	w/e 09/2/17	\$4.280

NON-FAT DRY MILK

Week Ending 9/1 & 9/2

Calif. Plants	\$0.9104	5,971,101
Nat'l Plants	\$0.8706	13,264,810

Prior Week Ending 8/25 & 8/26

Calif. Plants	\$0.9338	4,420,942
Nat'l Plants	\$0.8829	14,153,562

Fred Douma's price projections...

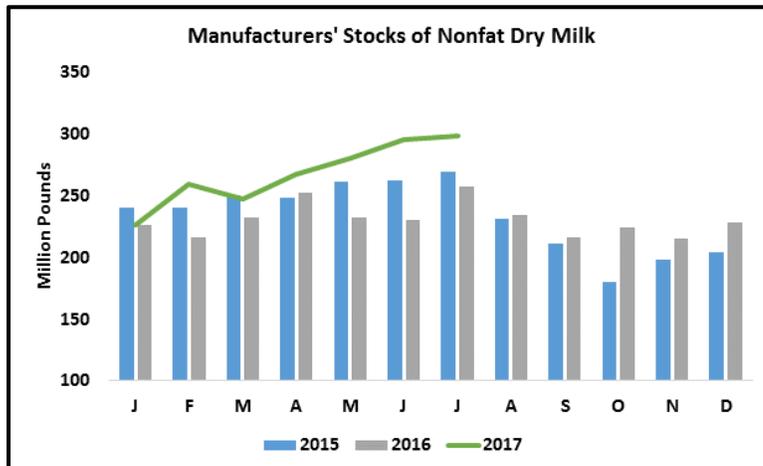
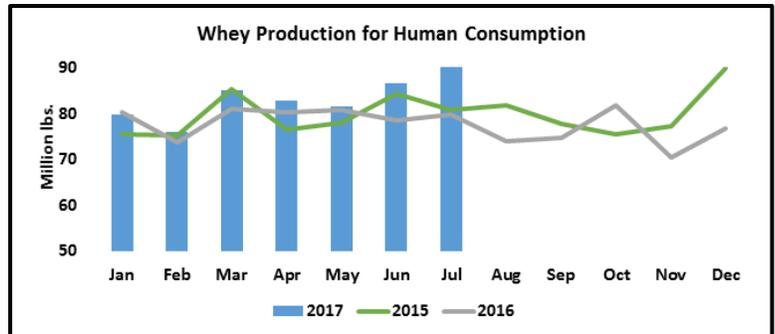
Sept 8 Est:	Quota cwt. \$17.14	Overbase cwt. \$15.44	Cls. 4a cwt. \$15.93	Cls. 4b cwt. \$15.02
Last Week:	Quota cwt. \$16.90	Overbase cwt. \$15.20	Cls. 4a cwt. \$16.17	Cls. 4b cwt. \$14.41

Market commentary

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

Milk & Dairy Markets

You wouldn't know it by looking at the beleaguered futures market, but CME spot cheese prices rebounded this week. Spot Cheddar blocks rallied 10.25¢ to \$1.6425/lb. Barrels climbed 2¢ to \$1.54. September cheese futures moved higher in sympathy, but the October through March contracts posted double-digit losses. End users see no reason to step in and buy up cheese in enough volume to steady the market. Given the size of the U.S. stockpile, they can afford to be patient. U.S. cheese production totaled 1.03 billion pounds in July, up 1% from a year ago. U.S. cheese exports reached 60.1 million pounds in July, up 13.7% from a year ago. However, they disappointed after a much stronger showing in June.

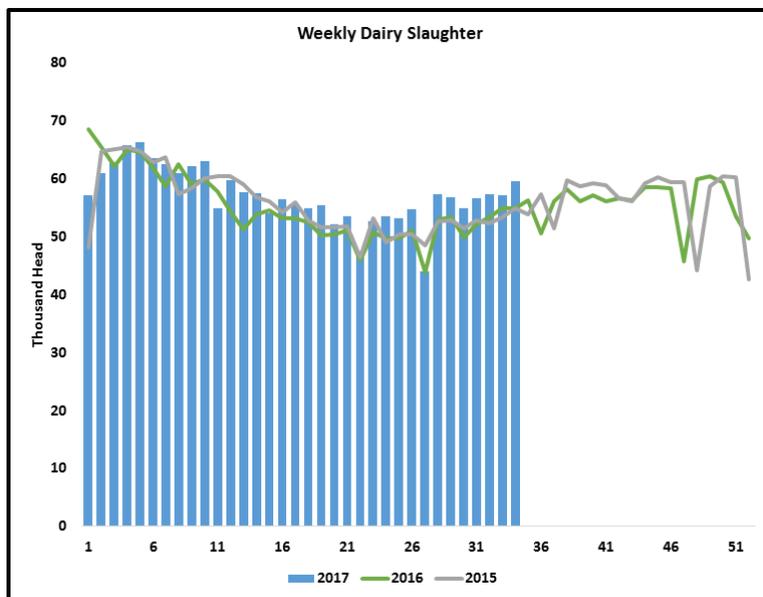
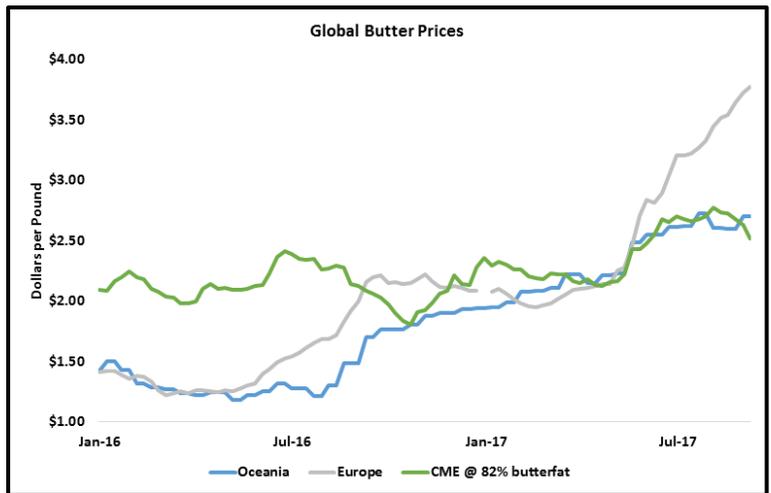


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In light of modest growth in cheese output, whey production is impossibly high. USDA reported output of dry whey for human consumption at 86.6 million pounds in July, up 21.6% from a year ago. Production of whey protein concentrates was up 8.5% from a year ago, and output of whey protein isolates grew 9.8%. Given volumes like these, it is no wonder that the whey market has come under pressure and stocks are growing. USDA reported inventories of dry whey for human consumption at

95.1 million pounds on July 31, up 37.2% from a year ago. Whey futures moved sharply lower this week, and Class III futures were deep in the red. October through June Class III futures were mostly 30¢ to 40¢ lower than last Friday's settlement. Over the past four weeks, fourth quarter contracts have lost \$1.34, on average, and January through March contracts have fallen more than a dollar.

The Class IV products also floundered this week. CME spot nonfat dry milk (NDM) dropped 3.75¢ to 82.5¢, the lowest price since early April. USDA estimated combined production of NDM and skim milk powder (SMP) at 198.64 million pounds in July, down 0.5% from a year ago. Despite a noticeable decline in NDM output in July, manufacturers' stocks of NDM climbed 3.1 million pounds during the month, reaching 298.83 million pounds. That's the largest volume in storage in years, and it is 16.2% greater than inventories in July 2016. U.S. exports of NDM slipped to 93.1 million pounds in July, a 13-month low.

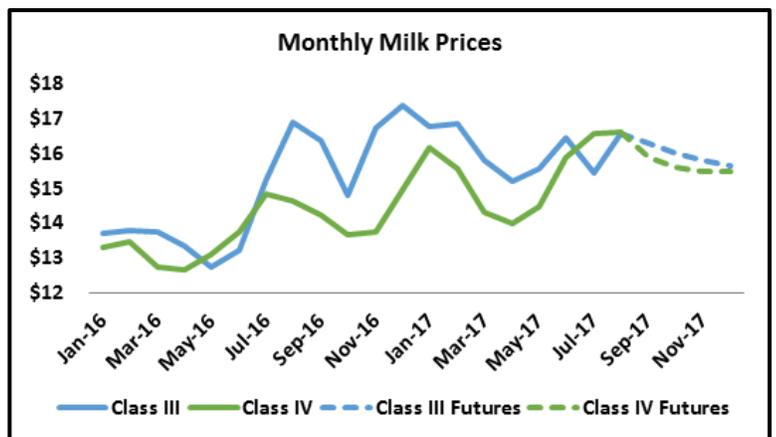


Foreign prices added pressure to the already enfeebled milk powder market. At the Global Dairy Trade (GDT) auction, the average winning price for SMP was down 1.2% from the previous event. Whole milk powder (WMP) prices dropped 1.6%. In Europe, SMP prices have fallen below the floor for the Intervention Purchase program. Milk powder makers sold another 1,325 metric tons (2.9 million pounds) to the government last week. The Intervention program closes for the season in a few weeks. Barring extraordinary circumstances – likely in the form of a groundswell of complaints

about cheap milk powder loud enough to attract the sympathies of the European Commission – it will remain closed until March. In the meantime, the Southern Hemisphere will ramp up milk production, and much of that milk is destined for the dryer.

Despite steady to higher pricing overseas and an increasingly favorable exchange rate, CME spot butter plunged a nickel this week to \$2.4575, the lowest price since early June. Class IV futures suffered losses ranging from 20¢ to nearly 70¢ for the week. European butter prices really took off in July, too soon to impact trade flows. At 6.6 million pounds, U.S. butter imports in July were more than twice as large as exports, and a new high for the calendar year. Much of the imported product came from Europe, and U.S. consumers seem to be developing an appetite for higher-fat European-style butter. Still, price is the final arbiter, and U.S. butter exports are likely to improve in the months to come. That would be helpful, as U.S. butter output is climbing. It reached 137.3 million pounds in July, up 1.6% from a year ago. That's the first year-over-year production increase since March.

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For the week ending August 26, dairy cow slaughter was 59,612 head, the largest weekly volume since March. That is 8.4% higher than the same week last year, bringing the 2017 slaughter rate 3.7% ahead of the 2016 pace. Given on-farm economics, slaughter is likely to remain elevated. The slide in prices over the past few weeks is surely discouraging to dairy producers who had grown accustomed to seeing the futures promise \$16 to \$17 milk. However, the industry has muddled through worse this year. The March through May Class III price averaged \$15.53, with Class IV at \$14.27. Fourth quarter futures call for both Class III and Class IV in the mid- to upper-\$15 range. Milk checks based on August and September pricing will be much better. After that, if today's prices hold, the industry is likely to see some equity slip away, although low feed prices will help mitigate some losses. Given the capacity constraints at both the processor and the warehouse, some consolidation will be healthy, albeit painful.

Grain Markets

The corn market is in a holding pattern ahead of next week's Crop Production and supply and demand reports. December corn futures closed at \$3.5675 per bushel, up 1.5¢ during this holiday-shortened trading week. November soybeans settled at \$9.62, up 12.5¢. Global demand for soybeans remains strong, providing good prospects for U.S. exports despite large South American crops. Farmers in South America continue to favor holding their soybeans and sending grain abroad, which is likely to cap rallies in U.S. corn prices.

Producer Review Board to meet to finalize Stand-Alone Quota Program

By Geoff Vanden Heuvel, MPC Board Member and Economics Consultant

On Tuesday September 12, 2017, the Producer Review Board (PRB) is again meeting, hopefully to put the finishing touches on the Stand-Alone Quota Program it has been working on all summer. Just to review where we are, the USDA is in the process of finalizing the rules for a California Federal Milk Marketing Order (FMMO). In USDA's preliminary decision announced last February, they said that the rules of a California FMMO would accommodate a state run quota program, but they would not operate it and it would need to be operated by the State of California outside of the FMMO regulated system.

Therefore, in order to maintain a quota program in the context of a California FMMO, something new needed to be created. The California Department of Food and Agriculture, responding to California producers strong urging, empowered the Producer Review Board, a standing committee that has existed since the beginning of the Milk Pooling Act in 1969, to develop a stand-alone quota program that would operate in the event California producers decided to vote in a Federal Milk Marketing Order for California.

The Plan the PRB has constructed is quite simple in its architecture. All grade A milk produced and delivered to a California processor will be charged an assessment by the state sufficient to fund the payment of the quota differential to those who own quota. That's it. The rest is details.

Of course, details are important and the PRB has spent some time already fine tuning the language of the Implementation Plan as well as making some determinations about what milk gets assessed and how the program will be administered. The public had the opportunity to file written comments and nine comment letters were submitted which you can read [here](#).

The comments run from general support to general opposition. There are suggestions for language tweaks as well as a suggestion that only dairies that were part of the California Pool on July 1, 2017 should be required to pay the assessment, which begs the question about whether dairies that start after that date will not be assessed. There were complaints about the requirement to do a survey every five years to get producer input about the functioning of the program. But by in large, it seems what the PRB has come up with is a pretty solid piece of work. No doubt it will take a bit of time next Tuesday to work through all the comments and deal with any remaining issues.

Assuming the PRB finishes its work at the meeting the idea is to then submit the plan to Secretary Karen Ross for her consideration. She has indicated that it is the intent of CDFA to submit this plan to the producers for a vote as soon as October. A ballot will be mailed to every eligible producer in California and they will have 60 days to return it. In order for the referendum to pass, at least 51% of the eligible producers need to vote, and either 65% of the voters representing at least 51% of the total amount of fluid milk produced, or 51% of the votes representing 65% of the milk need to vote yes for the referendum to be approved.

Dairy Cares newsletter highlights California dairy farmers methane reduction efforts

By Kevin Abernathy, MPC General Manager

MPC has been a long-standing member of Dairy Cares, a coalition from across the California dairy community that focuses on environmental stewardship and animal care.

The following is an excerpt from the latest Dairy Cares newsletter.

California, a longtime pioneer in fighting climate change, recently doubled down on its efforts by extending climate policies to 2030 and beyond. The state's more than 1,300 dairy farm families are now partnering with Governor Brown to do their part by voluntarily reducing dairy manure methane emissions by 40% by 2030. That's an ambitious goal, but innovation, efficiency, and world-leading productivity give California a great place to start. California's dairy farm families have long led the nation in milk production and are now doing the same for greenhouse gas reduction and fighting climate change.

The state's dairy farm families have been decreasing their carbon "hoofprint" for decades through increasing efficiency (producing more milk with fewer cows), converting diesel use to electricity, generating solar energy, and continuously reducing their energy use. California dairies are currently taking methane reductions to the next level through their manure management practices.

The entire Dairy Cares August newsletter is available [here](#).



Dairy Manure Digester Development in California

DAIRY CARES

1. ABEC-Bidart-Old River
2. ABEC-Bidart-Stockdale
3. Blakes Landing Farms/ Straus Family Creamery
4. Castellanelli Brothers Dairy
5. Cottonwood Dairy/ Joseph Gallo Farms
6. Denler Dairy*
7. Pascallini Farms
8. Giacomini Dairy
9. Hilarides Dairy
10. New Hope Dairy*
11. Open Sky Ranch
12. Pacific Rim Dairy
13. Pitley Biogas**
14. Van Steyn Dairy
15. Van Warmerdam Dairy
16. Verwey Dairy- Hanford
17. Verwey Dairy- Madera
18. GJ Tevelde Ranch Under Construction
19. Carlos Echeverria & Sons Dairy
20. Lakeview Dairy
21. West Star Dairy

*Temporarily Offline
**Undergoing Repairs
Updated August 2017

Funding Available for

Solid Separation and Other Manure Management Equipment

(up to \$750,00 per project)



APPLICATION DEADLINE – 5 PM **OCTOBER 2, 2017**

The 2017 Alternative Manure Management Program (AMMP) has a total of between \$9 and \$16 million available for California producers to install manure management equipment that reduces methane emissions at dairy and livestock operations. Projects must be on a commercial dairy or livestock operation in California. Each applicant can apply for up to \$750,000 per project. **More details at <https://www.cdfa.ca.gov/oefi/AMMP/>**

Awards announced January 2018 / Funding expended by January 31, 2020

A variety of practices are eligible.

1. Separation of manure solids in conjunction with drying, storage for land application, daily spreading or composting
2. Conversion from a flush to scrape manure management system in conjunction with drying, storage for land application, daily spreading or composting
3. Conversion of non-pasture dairies/livestock operations to pasture-based manure management projects

All projects must use commercially available technologies, not experimental.

100% of your project has a chance of being funded!

100% of project cost can be funded without match, but contributions to project expenses can help improve your chances of being selected. Contributions can be in the form of cash or non-cash (in-kind).

Receive free assistance, and apply online.

Applications must be submitted online using the Financial Assistance Application Submittal Tool (FAAST) at <https://faast.waterboards.ca.gov>. CDFA will conduct four application assistance workshops and a webinar on the application process and FAAST system. See website for details at <https://www.cdfa.ca.gov/oefi/AMMP/>

Eureka – Thursday, Sept. 7, 2017, 2 p.m. – 4 p.m.
 Humboldt County Agricultural Commissioner
 5630 S. Broadway
 Eureka, CA 95501

Santa Rosa – Friday, Sept. 8, 2017, 2 p.m. – 4 p.m.
 Sonoma County Agricultural Commissioner
 133 Aviation Blvd., Suite 110
 Santa Rosa, CA 95403

Modesto – Thursday, Sept. 14, 2017, 2 p.m. – 4 p.m.
 ABC Room, Stanislaus County Agricultural Commissioner
 3800 Cornucopia Way, Suite B
 Modesto, CA 95358

Tulare – Friday, Sept. 15, 2017, 10 a.m. – 12:00 noon
 Tulare County Agricultural Commissioner
 4437 S Laspina
 Tulare, CA 93274

If you cannot attend in person, register online for the Sept. 14 webinar at <https://register.gotowebinar.com/register/298705808159550978>

Technical support providers have been funded to further assist you. Check CDFA website for updates.

Provider	Details	Date
California Dairy Campaign	https://www.cdfa.ca.gov/oefi/AMMP/docs/CA_Dairy_Campaign_Workshops.pdf	Sept. 5, 7, 13, & 21
Earth First Construction	https://www.cdfa.ca.gov/oefi/AMMP/docs/Earth_First_Workshops.pdf	Sept. 11 & 12
Humboldt County RCD	https://www.cdfa.ca.gov/oefi/AMMP/docs/HumboldtRCD_Workshops.pdf	Sept. 13 & 14
RCD of Greater San Diego Co.	https://www.cdfa.ca.gov/oefi/AMMP/docs/SanDiegoRCD_Workshops.pdf	Sept. 13, 22 & 25
UC Cooperative Extension	https://www.cdfa.ca.gov/oefi/AMMP/docs/UCCE_Workshops.pdf	Sept. 13, 15, 22 & 27
Institute for Env. Mgmt.	https://www.cdfa.ca.gov/oefi/AMMP/docs/Institute_for_Env_Mgmt_Workshops.pdf	Sept. 19
UC Davis	https://www.cdfa.ca.gov/oefi/AMMP/docs/UCDavis_Workshop.pdf	Sept. 20

For more information, contact the MPC staff at (909) 628-6018 or office@milproducers.org

