



# Milk Producers Council

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**DATE: July 27, 2018**  
**TO: Directors & Members**

**PAGES: 5**  
**FROM: Kevin Abernathy, General Manager**

## MPC Friday Market Update

### CHICAGO CHEDDAR CHEESE

Blocks	\$0.00	\$1.5200
Barrels	+ \$.2500	\$1.5200

### Weekly Average, Cheddar Cheese

Blocks	-.0190	\$1.5180
Barrels	+.0970	\$1.4355

### CHICAGO AA BUTTER

Weekly Change	+.0125	\$2.2625
Weekly Average	+.0055	\$2.2545

### DRY WHEY

Dairy Market News	w/e 07/27/18	\$3.713
National Plants	w/e 07/21/18	\$3.374

### NON-FAT DRY MILK

#### Week Ending 7/20 & 7/21

Calif. Plants	\$0.7804	9,265,744
Nat'l Plants	\$0.7891	17,298,456

#### Prior Week Ending 7/13 & 7/14

Calif. Plants	\$0.7982	7,973,462
Nat'l Plants	\$0.7819	16,612,337

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## Fred Douma's price projections...

<b>July '18 Final:</b>	<b>Quota cwt. \$15.59</b>	<b>Overbase cwt. \$13.89</b>	<b>Cls. 4a cwt. \$13.71</b>	<b>Cls. 4b cwt. \$14.09</b>
<b>Last Week:</b>	<b>Quota cwt. \$15.59</b>	<b>Overbase cwt. \$13.89</b>	<b>Cls. 4a cwt. \$13.70</b>	<b>Cls. 4b cwt. \$14.09</b>

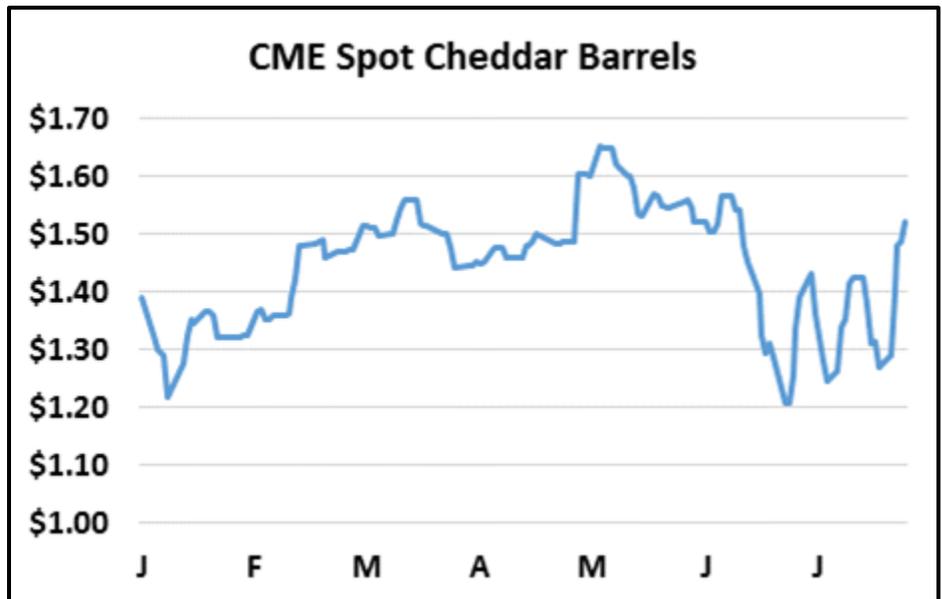
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## Market commentary

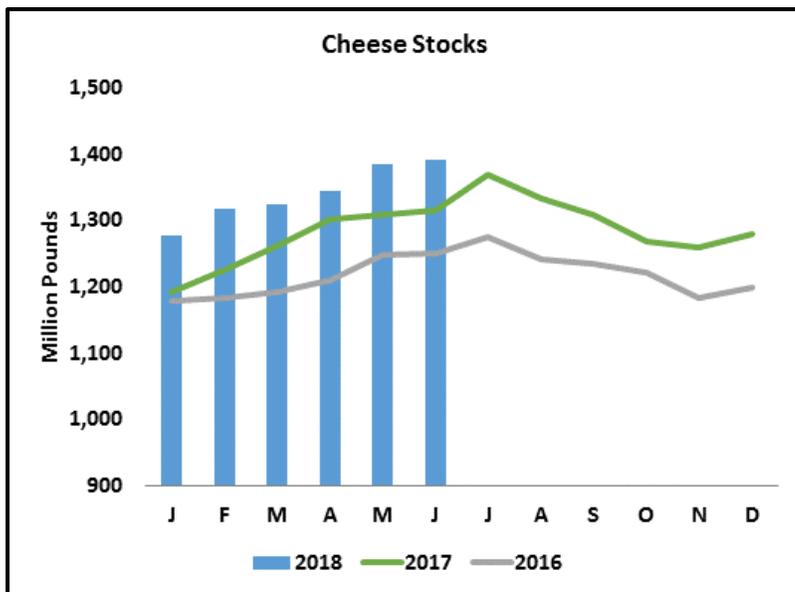
By Sarina Sharp, Daily Dairy Report, [sarina@dailydairyreport.com](mailto:sarina@dailydairyreport.com)

### Milk & Dairy Markets

The CME spot Cheddar barrel market has spent the summer at the amusement park, going up and down and back and forth on one heart-stopping, stomach-churning ride after another. Last week the barrel market took the kind of precipitous drop that would thrill roller coaster enthusiasts; dairy producers felt all of the stomach-sinking rush with none of the joy. But this week, they had reason to cheer. Spot Cheddar barrels jumped 25¢ to \$1.52/lb., the highest value since early June. That puts them on par with blocks, which were unchanged this week, in keeping with their less dramatic fashion.



Cheese remains plentiful. Inventories reached a fresh record high on June 30, at 1.39 billion pounds. That's 5.8% higher than at the same time last year. However, American-style cheese inventories declined slightly last month and slipped 0.9% below year-ago levels. Barrels have been moving to Chicago in large volumes for months now, so the market is quite aware of the cheese surplus. The Cold Storage report did nothing to change traders' sentiment; abundant cheese is already factored into today's prices.

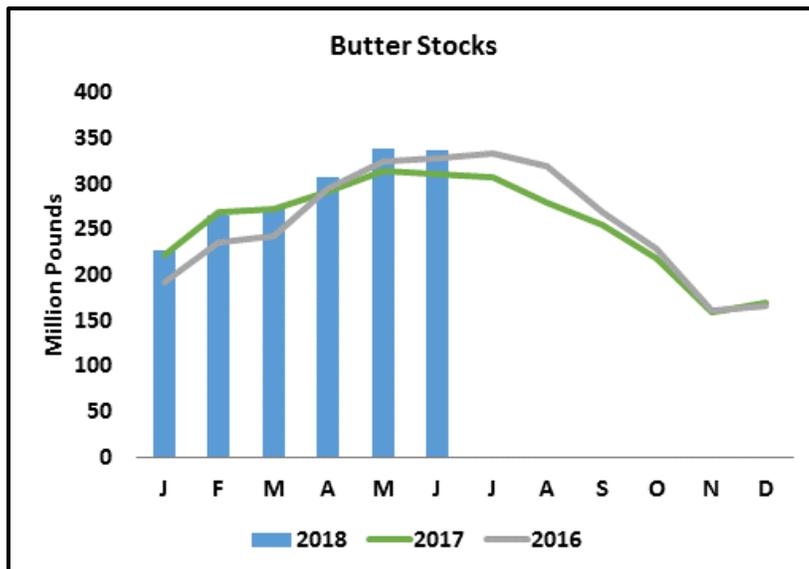


The dry whey market has perhaps the most to lose in the escalating trade war with China. But while the rest of the dairy complex was shaken, whey powder has been resilient. Demand has more than kept pace with supply despite robust cheese and whey output. A salmonella contamination prompted a recall which further tightened supplies. The futures have made some impressive gains over the past two weeks, and today CME spot whey reached a fresh high at 42.5¢, up a half-cent since last Friday. That helped Class III futures to improve by double digits. The August contract is up 41¢ this week to \$15.02.

The spot butter market remains comfortable in the mid-\$2.20 range. Today it traded at \$2.2625,

up 1.25¢ from last Friday. Cream is getting pricey, and churning activity is slowing as buttermakers sell cream to other uses. That may help to prevent an untenable buildup ahead of the fall and winter baking season. But butter is not scarce. U.S. warehouses held 336.4 million pounds of butter at the end of June, down just 2.1 million pounds from the nearly 25-year high set on May 31. Inventories are up 8.5% from a year ago, marking the largest U.S. stockpile at this time of year since 1993.

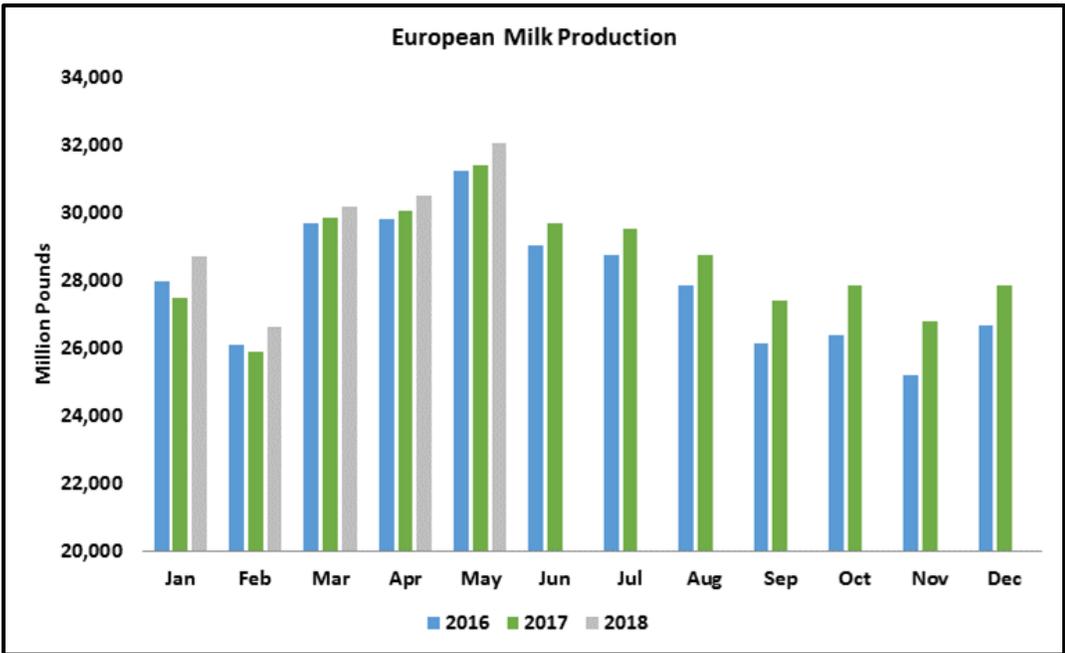
Spot milk powder climbed 3.25¢ this week to 81.75¢, the highest value in nearly two months. Class IV futures improved on last week's gains. August through December futures now average \$14.91/cwt., up from \$14.47 two weeks ago.



Persistent heat is weighing on milk output throughout the western half of the nation, which is slowing the flow of excess milk to driers. Parts of California's Central Valley – home to a significant but waning share of the U.S. milk cow herd – have suffered a record-breaking 22 days with temperatures topping 100°F. The forecast suggests they'll keep the unwelcome streak going for at least another two weeks. Temperatures are less oppressive at night, but heat stress is accumulating. *Dairy Market News* reports that some milk processors are considering bringing milk in from out of state to keep plants running at capacity.

A similar heat wave has washed over Europe, curtailing milk yields there. The heat will likely slow growth in European milk output in June and July. But in May, output was strong. Collections totaled 32.1 billion pounds, up 2% from the year before. Manufacturers continue to send all the milk they can into cheese vats and avoid dryers. European cheese production was up 1.7% in May compared to a year ago. Butter output was up just 0.6%, and skim milk powder (SMP) production fell 4%.

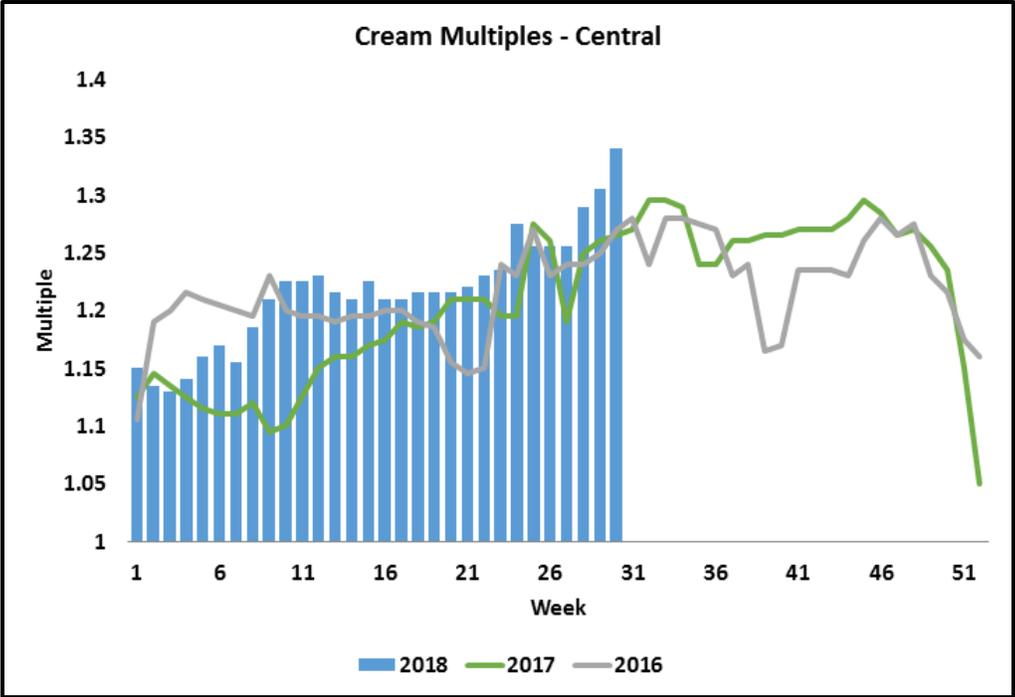
This week the White House acknowledged the damage that the multi-front trade wars have done to American agriculture. USDA announced that it would spend \$12 billion in the form of commodity purchases, trade promotion,



and direct payments to farmers and livestock producers. Details are scant, but dairy producers will be included in the dole. The industry would be better served getting its money from customers than from taxpayers, but the trade spats have made that more difficult. To that end, the industry has been heartened by the growing consensus that the U.S. and Mexico are nearing an agreement in principle on NAFTA. The U.S. and Europe have also reached a

temporary détente, promising no new tariff threats as the two sides negotiate. However, the trade war with China could drag on for years, according to Treasury Secretary Steve Mnuchin.

In the meantime, U.S. dairy product merchants and their foreign customers are working together to mitigate the impact of higher border taxes, with both sides eating some of the added cost for now. With that, dairy product exports have not slowed as much as was feared, allowing the dairy markets to bounce back from the lows seen in the initial panic. But foreign dairy customers are not likely to swallow higher costs indefinitely. It is crucial that these trade spats are indeed resolved. The industry cannot afford another setback.



Grain Markets

The feed markets continued to climb back from their mid-month lows. September corn settled at \$3.62 per bushel, up nearly 7¢ from last Friday. Soybeans jumped 20¢ to \$8.7525. Soybean meal rallied \$6.20 to \$331.80 per ton. The real winner this week was the wheat market, which surged 14.5¢ to \$5.305 per bushel. Poor weather in Europe and in the Black Sea region are damaging crops there, and the global grain balance is projected to tighten considerably. That puts more pressure on the U.S. corn crop. Corn and soybean yields are still expected to be well above-trend, but there are some trouble spots.

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## **Agricultural Trade Disruption Assistance**

*By Stephanie Mercier, Farm Journal Foundation*

*Introduction by Geoff Vanden Heuvel, MPC Director of Regulatory and Economic Affairs*

The following article by Stephanie Mercier does a good job of explaining what we currently know about the proposed \$12 billion of U.S. government expenditures to help farmers deal with the economic impacts of the current trade disputes.

Milk Producers Council is participating with other dairy groups in the country to develop economic cost estimates of the impact dairy producers are experiencing due to tariffs imposed by our trading partners. We will want to do our best to make sure that whatever payments are made to producers do not discriminate based on size.

We hope this \$12 billion of farm assistance is part of a strategy by the Trump administration to demonstrate to trading partners – who deliberately targeted agriculture with retaliatory tariffs because they perceive that farm country is part of the President’s political base – that the U.S. government is prepared to protect farmers and therefore offset the impact of the retaliation.

The real solution is to reach fair trade deals with our trading partners. All Americans can agree on that.

*From [www.AgWeb.com](http://www.AgWeb.com) –Stephanie Mercier, Farm Journal Foundation*

Effective July 6<sup>th</sup>, the governments of the United States and China ratcheted up their trade disputes, with each country imposing \$34 billion worth of tariffs on each other’s exports in nearly simultaneous fashion. As anticipated, China’s tariffs are heavily focused on agricultural products, with the government of China explicitly targeting products produced in U.S. regions and states that were supportive of the President in the 2016 elections. Other countries, such as Mexico, Canada, and the EU have also imposed retaliatory tariffs on U.S. agricultural products over the last few months.

President Trump has raised expectations that the U.S. Government would step in to provide assistance to mitigate the harm caused to American farmers by their loss of a major market. Secretary of Agriculture Sonny Perdue has provided repeated public assurances over the last few months that USDA is working to develop such a plan, including in an op-Ed published in USA Today on June 25th, although he did not provide any details in those comments.

Despite USDA’s previously stated reluctance to disclose their plans before the full impact of imposed tariffs could be gauged, President Trump apparently ordered the Secretary to make an announcement on July 24th about their plan to utilize existing authorities of USDA to provide this assistance. This decision was clearly a response to nervousness on the part of farm state Republicans that the adverse impact from the various retaliatory tariffs (primarily China but also Mexico, the EU, and Canada) might have on farmers’ voting preferences in the upcoming midterm election. President Trump was also scheduled to visit both Iowa and Illinois later in the week, which likely also factored into the early announcement.

The USDA announcement included three components of assistance to farmers, estimated to total \$12 billion once the payments are distributed later this year. Two of the components are being provided based on the authority the Secretary possesses from the Commodity Credit Corporation (CCC) Charter Act--Passed in 1948, this authority has primarily been used over its history to acquire commodities when stocks are excessive, causing prices to drop. Section 5 of the Act does allow the Corporation to “(a) Support the prices of agricultural commodities (other than tobacco) through loans, purchases, payments, and other operations.” This authority will be used to provide direct payments to producers of program crops such as corn, wheat, soybeans, and rice, as well as dairy and hog producers. No details have been provided as to how payment levels to individual farmers will be calculated, although we do know that the program will be delivered by USDA’s Farm Service Agency (FSA).

In addition, USDA announced that it would draw on additional CCC funds to promote U.S. agricultural exports. It is not clear whether these funds will be used to establish a new program or will supplement mandatory funding for existing trade promotion programs such as the Market Access Program (MAP) and the Foreign Market Development Program (FMDF), both of which provide matching funds to U.S. trade and commodity groups to promote their products in overseas markets.

Continue reading [here](#).

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## **Survey of Antibiotic Drug Use in California Dairy Cows**

*Courtesy of University of California's School of Veterinary Medicine*

University of California's School of Veterinary Medicine and the Division of Agriculture and Natural Resources are reaching out to California dairy owners and managers to share their experiences about antibiotic use in adult dairy cows. California dairies will receive a mail survey which should take 20-30 minutes to complete.

Each dairy's response is very important to the future use of antibiotics for dairy cows in California. Responses are confidential, anonymous, and protected.

The survey goals are to: 1) Further the understanding of the industry's needs and expectations for the availability and effectiveness of antibiotics for adult cows, and 2) Guide future recommendations and best practices. It is important to complete and return the survey because antibiotics are valuable to the health and welfare of our dairy cattle and public health.