



Milk Producers Council



P.O. Box 4030 ~ Ontario, CA 91761 ~ (909) 628-6018
 801 S. Mount Vernon Avenue ~ Bakersfield, CA 93307 ~ (661) 833-2549
 222 S. Thor Street, Suite 20 ~ Turlock, CA 95380 ~ (209) 250-1801
 Fax (909) 591-7328 ~ office@milproducers.org ~ www.MilkProducers.org

DATE: October 13, 2017
 TO: Directors & Members

PAGES: 4
 FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks	- \$.0600	\$1.7000
Barrels	- \$.0675	\$1.6775

Weekly Average, Cheddar Cheese

Blocks	- \$.0030	\$1.7400
Barrels	- \$.0205	\$1.6985

CHICAGO AA BUTTER

Weekly Change	+.0350	\$2.3750
Weekly Average	+ \$.0005	\$2.3395

DRY WHEY

Dairy Market News	w/e 10/13/17	\$3.650
National Plants	w/e 10/07/17	\$4.043

NON-FAT DRY MILK

Week Ending 10/6 & 10/7

Calif. Plants	\$0.8224	9,688,386
Nat'l Plants	\$0.8297	18,141,118

Prior Week Ending 9/29 & 9/30

Calif. Plants	\$0.8789	5,708,681
Nat'l Plants	\$0.8345	16,021,478

Fred Douma's price projections...

Oct 13 Est:	Quota cwt. \$17.14	Overbase cwt. \$15.44	Cls. 4a cwt. \$14.98	Cls. 4b cwt. \$15.68
Last Week:	Quota cwt. \$17.30	Overbase cwt. \$15.60	Cls. 4a cwt. \$15.09	Cls. 4b cwt. \$15.94

Market commentary

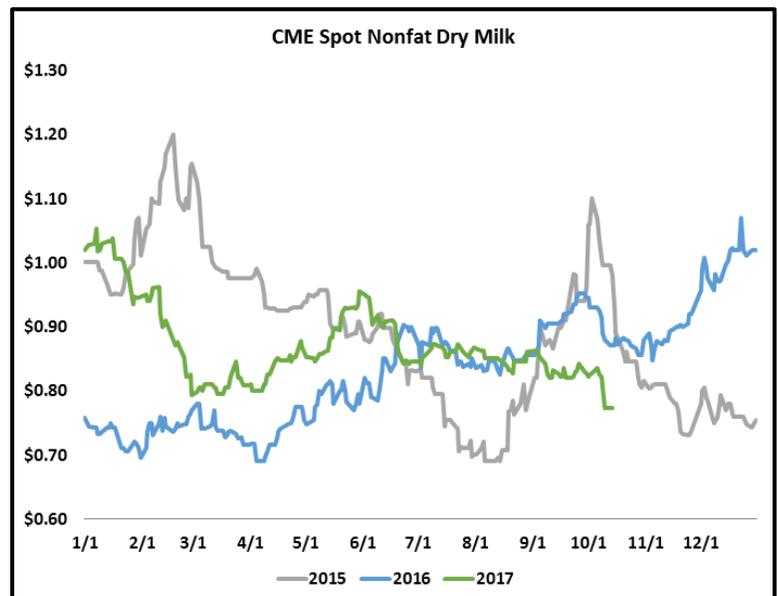
By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com

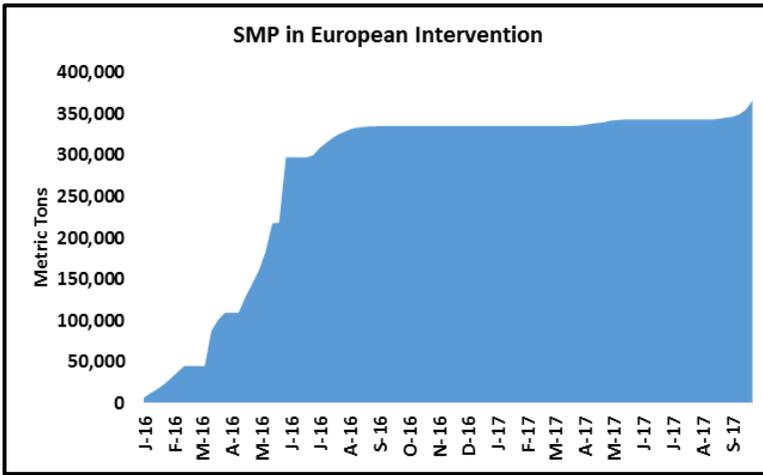
Milk & Dairy Markets

The dairy futures were battered this week, and the milk powder market took the brunt of the blows. CME spot nonfat dry milk (NDM) plunged 5.25¢ to 77.25¢/lb., the lowest price since late-May 2016. The decline was fueled by concerns that the European Commission is considering changes to its skim milk powder (SMP) Intervention purchase program, which has served as a floor supporting the global milk powder market for the past three years. Under current policy, the European Commission would purchase up to 109,000 metric tons of SMP at a fixed price of €1,690 per metric ton during the upcoming Intervention season, from March 1 to September 30, 2018. With these terms, the European Commission has amassed a mountain of milk powder totaling roughly 365,000 metric tons (805 million pounds).

But the commission is reportedly considering a proposal to switch to a tender, with no guaranteed volume or fixed price. Instead, the commission would set purchase prices for SMP at levels it deems appropriate based on market conditions. This uncertainty was unwelcome in a market already weighed down by heavy inventories. USDA's *Dairy Market News* echoed this sentiment, reporting, "Downward pressure, caused by global surpluses of SMP and the diminishing prices of protein alternatives, have the once resilient NDM market beginning to bow to fate."

Whether or not the proposed changes in Europe come to pass, the NDM market will have to



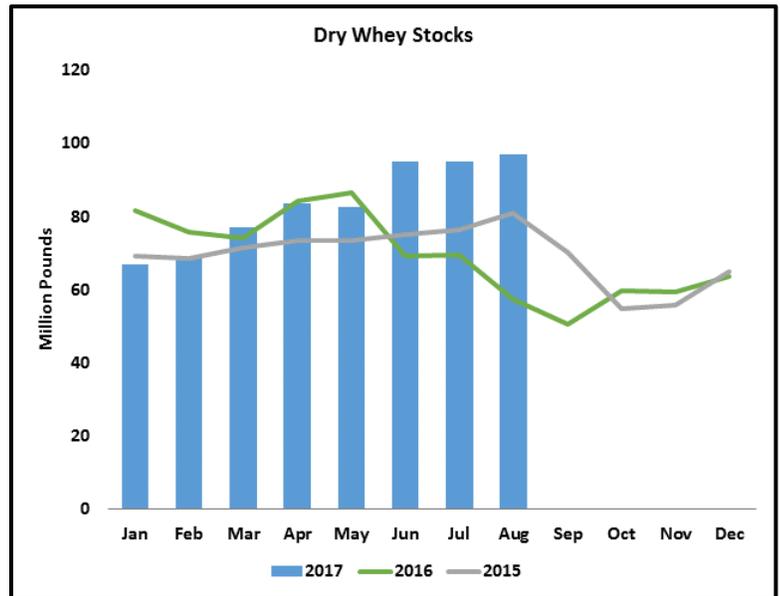


contend with formidable supplies of protein. The trade speculates that the European Commission will release some of the aging product in its SMP Intervention program into feed markets, where it will compete directly with whey products. And there is no shortage of whey. Last week's Dairy Products report showed U.S. output of dry whey for human consumption at 94.7 million pounds in August, up 27% from a year ago. Production is up 9.6% for the year to date, and inventories have surged. On August 31, stocks of dry whey for human consumption reached 97.1 million pounds, up 68.6% from a year ago. Both whey and NDM

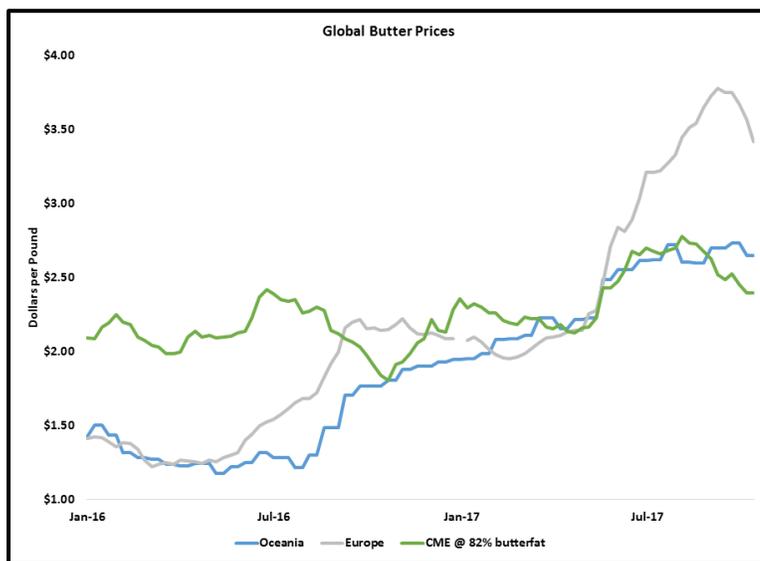
futures lost ground Monday through Thursday but rebounded today.

After much wavering, the butter market also enjoyed a late-week rally. CME spot butter finished at \$2.375, up 3.5¢ since last Friday. Demand is starting to pick up ahead of the holidays, and exports are respectable. U.S. butter remains competitively priced, but the sky-high European butter market took a sizable step back this week.

The cheese markets weakened. CME spot Cheddar blocks dropped 6¢ to \$1.70. Barrels fell 6.75¢ to \$1.6775. Class III futures finished sharply lower, with winter and early spring contracts down between 20¢ and 60¢. There are both sunshine and clouds in the cheese market forecast. The late-September heat wave temporarily throttled milk production in the Midwest. Output has largely recovered, but cheese makers in the region report that milk is not



as plentiful as it once was. There is abundant milk for cheese vats in the Northeast and in the West. Demand seems to be picking up, and *Dairy Market News* notes that some buyers who had been waiting for lower prices have stepped back into the market. Still, the warehouses are full.

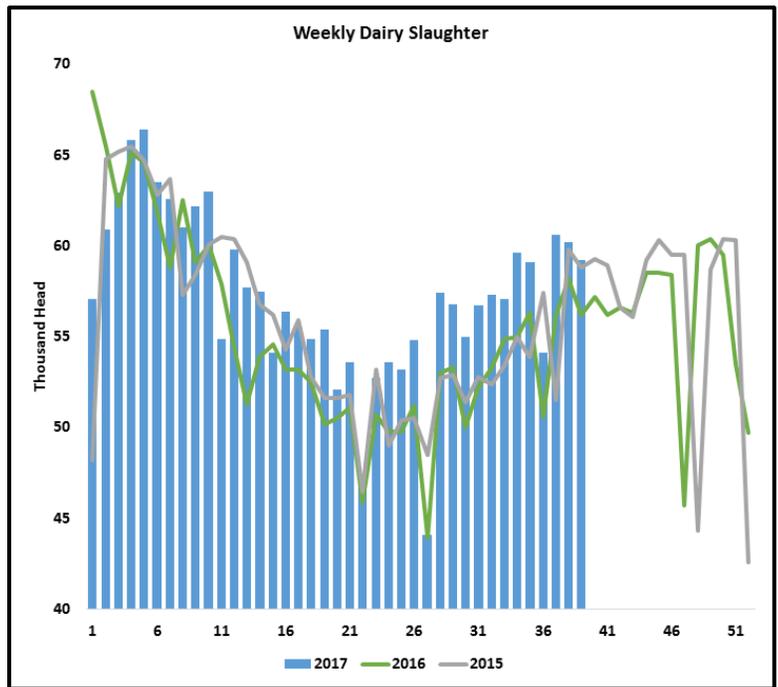


For the week ending September 30, dairy cow slaughter was 59,200 head, up 5.3% from the same week last year. Dairy slaughter has been running very high over the past three months, pushing the year-to-date cull rate up 3.9% from last year. This is partially due greater cow numbers, but slim margins are also to blame. Perhaps the U.S. dairy herd is finally poised to pause its formerly unflagging growth.

Grain Markets

USDA surprised the oilseed markets this week, reporting a tighter-than-expected balance between soybean supply

and demand. The agency trimmed its estimate of 2016-17 soybean production and boosted its assessment of demand in all categories, resulting in a 44 million bushel decline in old crop ending stocks, which carried through and brought about a similar drop on the new crop balance sheet. With harvest underway, USDA lowered its yield estimate for the 2017-18 soybean crop, but this was exactly offset by an increase in acreage resulting in no change in soybean production. Still, the lower average yield spooked the market. If history is any precedent, a decline in the October soybean yield estimate will lead to another step down in November. With lower inventories and the prospect of a slightly smaller crop, the soybean market surged. November soybean futures settled at \$10.0025 per bushel, up 28¢ this week.



USDA's raised its estimate of corn demand for both the 2016-17 and 2017-18 crop years. However, the agency also increased its 2017-18 corn yield estimate by 1.9 bushels per acre, which adds up to 96 million bushels more corn than USDA had projected in September. That was more than enough to compensate for the increased demand in both crop years, resulting in a slightly higher estimate of 2017-18 ending corn stocks. The revised figures lean bearish, but the corn market followed soybean futures higher. December corn finished at \$3.5275, up 2.75¢ since last Friday.

MPC Board endorses Quota Implementation Plan; Recommends 'Yes' vote

By Geoff Vanden Heuvel, MPC Board Member and Economics Consultant

Ballots sent out by the California Department of Food and Agriculture are appearing in California producers' mailboxes this week. Up for a vote is the Quota Implementation Plan (QIP) developed by the Producer Review Board (PRB). This plan is designed to allow the continuation of the California quota program IF California producers decide to join the Federal Milk Marketing Order (FMMO) program.

What is happening now is NOT a vote on the FMMO. It is a vote on the state plan to operate the quota system if producers eventually vote to join the FMMO system.

At the MPC board meeting this past Tuesday, the QIP was thoroughly discussed by the MPC board. A motion was passed to endorse the plan and recommend a **"yes" vote** to our fellow California producers.

MPC for many years has objected to the milk prices established under the California State Order. MPC has been very supportive of the effort by the California producer owned cooperatives to petition the federal government for the establishment of a California Federal Milk Marketing Order. At the same time, MPC has always been a strong supporter of the California quota program and shared and relies on the commitment by the cooperatives that only if the quota value can be protected would we be willing to consider supporting an FMMO for California. What is before us now is the quota piece which is an essential pre-condition for being able to consider a California FMMO next year. Therefore, it is vital that the QIP be approved by California producers.

In order to address any questions you may have, three meetings jointly sponsored by the three major California cooperatives and the three producer trade associations will be taking place. The first of those meetings is next **Monday, October 16, 2017** at the Stanislaus County Farm Bureau office located at 1201 L St. in Modesto. The

meeting starts at 10:00 a.m. There will be a presentation and the opportunity for questions and answers. There is another meeting scheduled for **November 6** at the Chino Fairgrounds, 5410 Edison Avenue in Chino and **November 7** at the Tulare Heritage Complex, 4450 S. Laspina in Tulare.

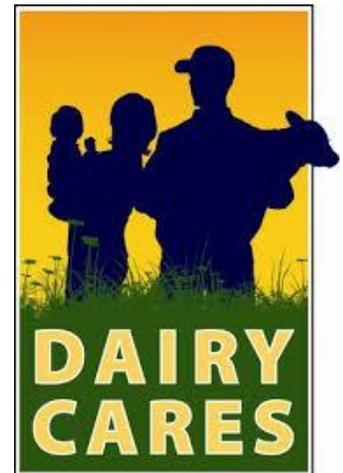
For the result of the vote to be valid, 51% of the eligible voters need to cast a ballot. The deadline for the votes to be returned is December 4. If you are ready to vote yes, get your vote in today before you forget! If not, come to one of these meeting and get answers to your concerns.

Dairy Cares newsletter highlights increase in California climate change investments

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.

Our last newsletter, *Pioneering change through global leadership*, was an update on California's efforts to reduce dairy's carbon "hoofprint" and fight climate change. Since then, Governor Brown and the state legislature approved another \$99 million to support dairy methane reduction projects through improved manure management. Combined with the \$50 million currently being administered and the \$11 million in funds already expended, California's direct investment in helping to reduce dairy methane emissions will soon total \$160 million. Governor Brown is putting the state's money where his climate change policy is – at the forefront of global methane reduction efforts. With all this momentum, we've decided to take a step back and "digest" how we got here and why it matters.



You can read the entire Dairy Cares September newsletter [here](#).