



# Milk Producers Council

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DATE: April 18, 2014  
 TO: Directors & Members

PAGES: 4  
 FROM: Rob Vandenheuvel, General Manager

## MPC FRIDAY MARKET UPDATE

### CHICAGO CHEDDAR CHEESE

Blocks	+\$ .1100	\$2.2800
Barrels	+\$ .1775	\$2.2575

### Weekly Average, Cheddar Cheese

Blocks	+\$ .0038	\$2.2213
Barrels	+\$ .0740	\$2.1950

### CHICAGO AA BUTTER

Weekly Change	- \$.0800	\$1.8900
Weekly Average	- \$.0675	\$1.9025

### DRY WHEY

Dairy Market News	w/e 04/18/14	\$ .6538
National Plants	w/e 04/12/14	\$ .6718

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### NON-FAT DRY MILK

#### Week Ending 4/11 & 4/12

Calif. Plants	\$1.9798	16,644,692
Nat'l Plants	\$1.9989	27,682,766

#### Prior Week Ending 4/4 & 4/5

Calif. Plants	\$2.0007	16,243,376
Nat'l Plants	\$2.0524	23,869,288

## FRED DOUMA'S PRICE PROJECTIONS...

April 18 Est:	Quota cwt. \$24.08	Overbase cwt. \$22.38	Cls. 4a cwt. \$23.25	Cls. 4b cwt. \$21.88
Last Week:	Quota cwt. \$24.00	Overbase cwt. \$22.31	Cls. 4a cwt. \$23.56	Cls. 4b cwt. \$21.48

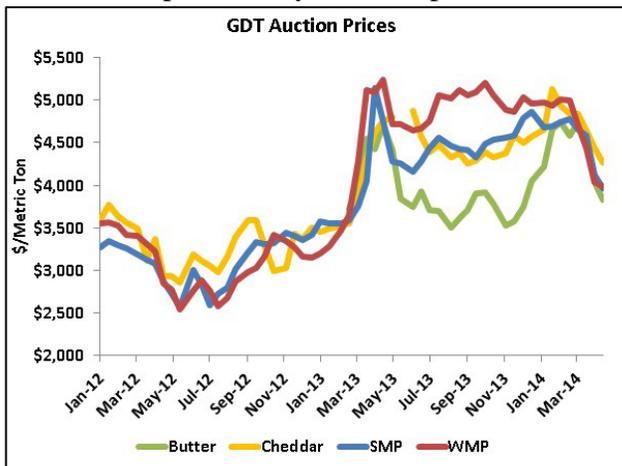
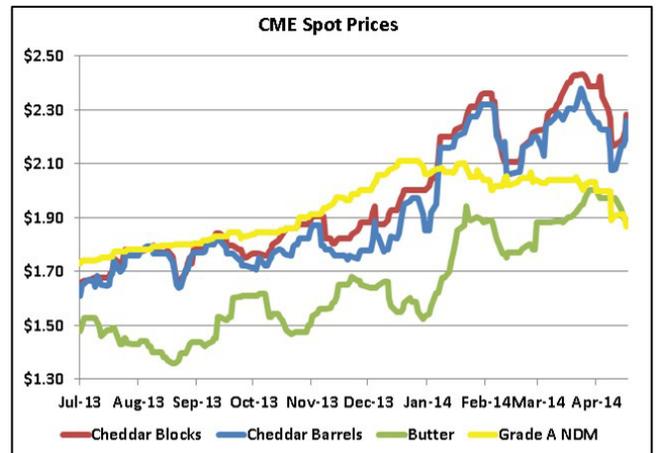
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MARKET COMMENTARY: (By Sarina Sharp, Daily Dairy Report, [sarina@dailydairyreport.com](mailto:sarina@dailydairyreport.com))

### Milk & Dairy Markets

Weakness in the cheese market was short-lived. After plunging last week, CME spot Cheddar came roaring back. Cheddar blocks gained 11¢ and closed on Thursday at \$2.28/lb. Barrels were even stronger. They added 17.75¢, which was more than enough to offset the steep declines of the previous week. Barrels settled at \$2.2575. Nearby Class III futures followed cheese higher. May futures added 64¢. However, contracts for the second half of the year lost ground this week.

In contrast, CME butter and milk powder were both lower. Butter was particularly weak. Spot butter fell 8¢ to \$1.89.

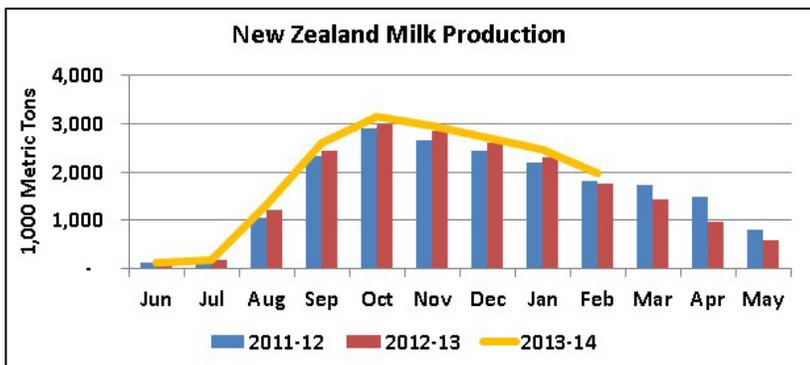


Grade A

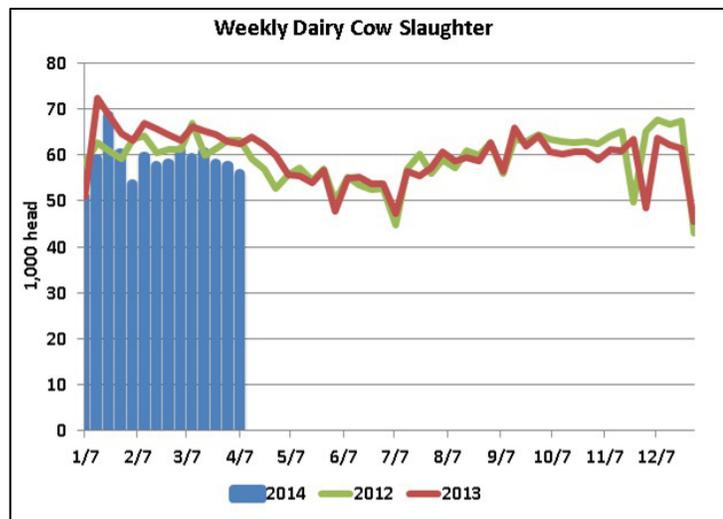
nonfat dry milk (NDM) lost 4.25¢, dropping to \$1.865. Class IV contracts were generally steady to 17¢ lower.

Dairy product markets overseas also moved lower this week, although the tone seems to have shifted to a slow, steady slump rather than a steep, panicked decline. Prices fell nearly across the board at the Global Dairy Trade (GDT) auction. Only anhydrous milk fat traded higher than at the previous event. The GDT index dropped 2.6%. Skim milk powder (SMP) and whole milk powder (WMP) both fell below \$4,000/metric ton (MT) for the first time in over 13 months.

The competitive advantage the U.S. once held in the export market has been completely erased. For example, GDT butter for June and July delivery averaged \$1.68 and \$1.66, respectively, on an 80% butterfat equivalent basis. CME June and July butter futures settled Thursday at \$1.8425 and \$1.839. U.S. export orders are waning as buyers turn toward lower cost alternatives.



New Zealand's milk production season is coming to an end, but output remains high relative to previous years. Milk output totaled 1.97 million MT in February, or 4.3 billion lbs. This was 11.9% greater than February 2013 and brings season-to-date production to 17.5 million MT, up 6.4% from the 2012-13 season.



For the week ending April 5, dairy producers culled 55,968 head. This was 10.3% lower than in the same week a year ago and almost 4,000 head lower than the average slaughter rate last month. So far this year, slaughter is 8.7% lower than last year. Replacement heifers remain in high demand and dairy producers are clearly slowing cull rates in order to keep their barns full.

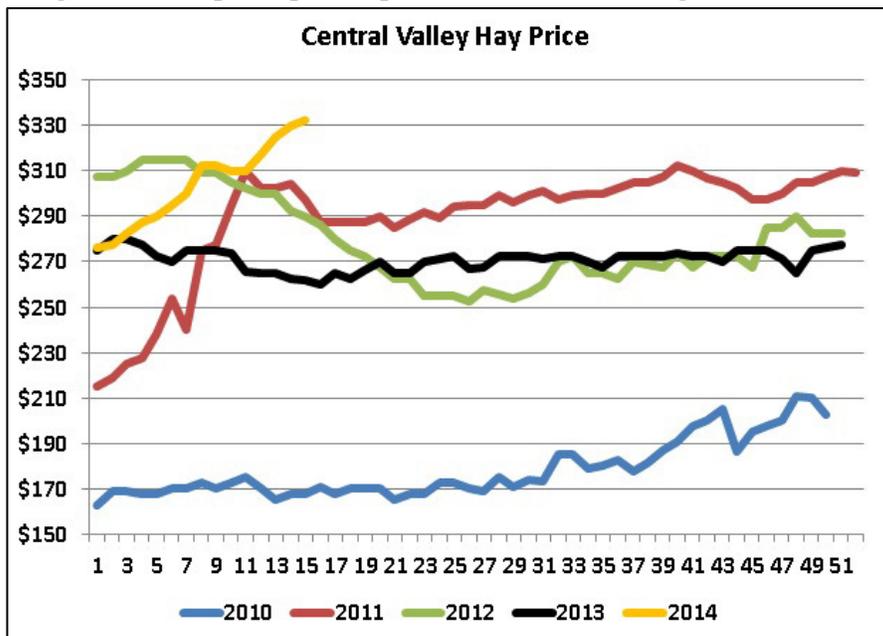
Grain and Hay Markets

Corn futures shed a few cents this week. Winter has been unwilling to release the Corn Belt from its icy grip. Snow fell in much of the northern Midwest this week, although temperatures have since warmed.

Fieldwork has been limited. However, there is plenty of time to get the crop in the ground, if the weather allows. After years of sky-high corn prices, farmers have shiny new equipment and can plant a lot of corn in very little time.

Soybean futures climbed 51¢ this week. Soybean crushers continue to crush at a heady pace, and soybean supplies are extremely tight. According to the National Oilseed Processor's Association, processors crushed 154 million bushels of soybeans in March. This was greater than pre-report expectations and much higher than March 2013 crushings. USDA projects the full-season crush to be slightly lower than last year, but that seems very unlikely. The balance between remaining soybean supplies and expected demand is becoming increasingly untenable. The U.S. will have to import soybeans in order to ensure that there are enough to meet demand until harvest. The only way to encourage imports is with even higher prices.

Forage remains pricey, especially in California where the drought will probably reduce hay production later this year. In a typical year when a hay shortage is foreseeable, dairy producers might alter their rations to reduce haylage use and

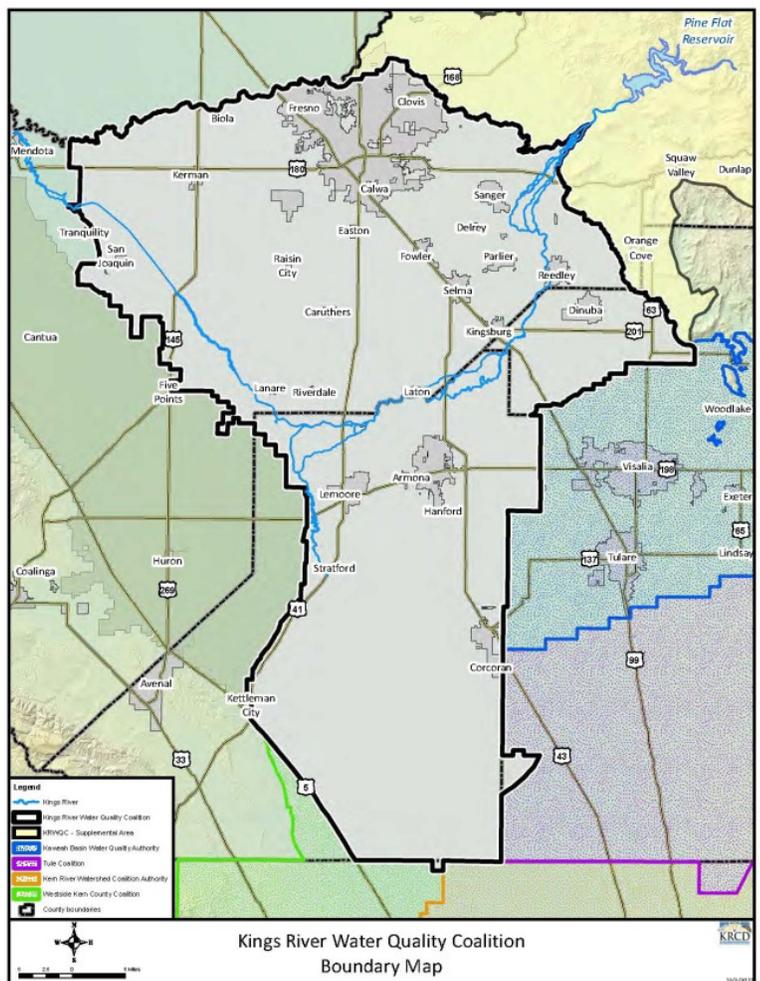


preserve inventories. But with milk prices at record highs, dairy producers are largely unwilling to lower the quality of their rations, as every pound of milk is precious. Hay prices continue to climb, and dairy producers in the Central Valley are shelling out \$330/ton or more for premium quality alfalfa. With both forage and protein prices on the rise, the cost of milk production on the West Coast is quite high. Although there is room for a slide from today's record levels, milk prices must remain elevated in order to cover feed bills and help to pay down the sizeable debt held by dairy producers in the region.

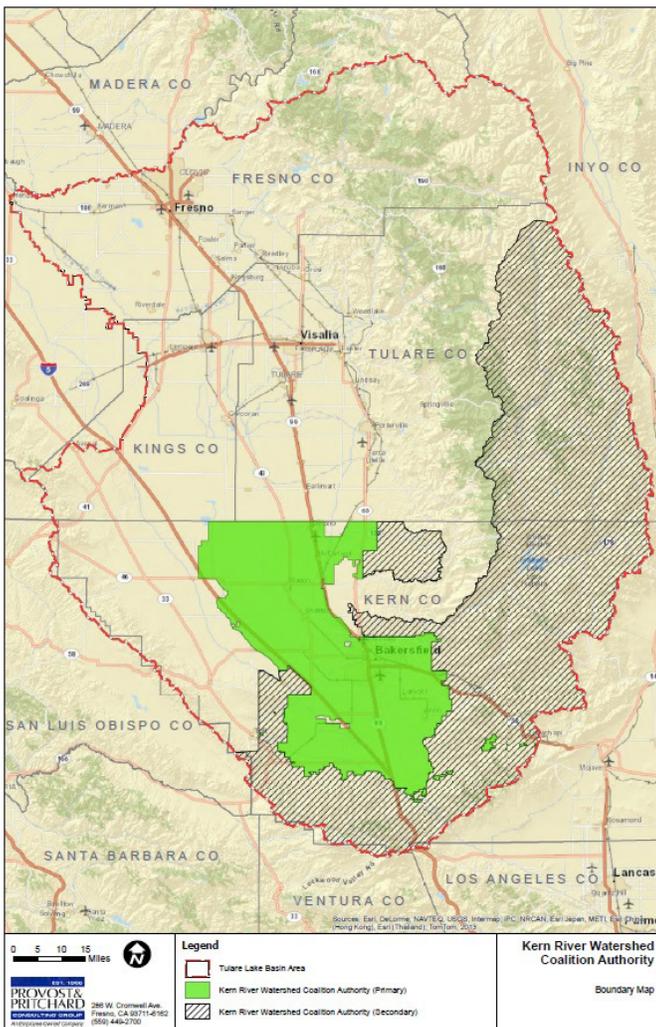
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**ATTENTION FARMERS IN THE KERN AND KINGS RIVER REGIONS – IMPORTANT MEETINGS ON ENROLLMENT IN THE WATER QUALITY COALITIONS:** *(By Kevin Abernathy, Director of Regulatory Affairs)* As you probably know by now, last year the Central Valley Regional Water Quality Control Board (CVRWQCB) approved a General Order for all commercially irrigated land in the Tulare Lake Basin (covering much of the Central Valley from Fresno to Bakersfield). These new regulations apply to irrigated land that is *not* already covered under another General Order (i.e., this new Order would not apply to a dairy's cropland that is already covered under the Dairy General Order that was approved in 2007).

Farmers with irrigated land that is covered by this new General Order can either comply with the monitoring and reporting requirements on their own, or they can be part of an approved third party that complies on behalf of their members. There are several Water Quality Coalitions in the Central Valley that will be complying with the General Order on behalf of their members.



**For farmers in Kings River Service Area** (see map above), the Kings River Water Quality Coalition is the approved third party you may enroll in. They have already held several enrollment meetings, and have “last chance enrollment sessions” coming up in a couple weeks. These sessions are scheduled for Friday, May 9<sup>th</sup> at the Fresno County Farm Bureau office at 1274 W. Hedges, in Fresno. There will be four sessions to choose from, 1 pm, 2 pm, 3



pm and 4 pm. Farmers attending the sessions will need to provide the physical address and APN for each property they will be enrolling. They will also need to bring a check for the payment of the enrollment fee.

For farmers in the Kern River Watershed (see map on previous page), the last in a series of enrollment meetings is scheduled for next Wednesday, April 23<sup>rd</sup> at the Kern Ag Pavilion at 501 South Mt. Vernon Avenue in Bakersfield. While the official deadline for enrollment in the Kern River Watershed Coalition Authority isn't until August, the cost of enrollment is cheaper for farmers who sign up before May 31<sup>st</sup>.

If you are in either of these regions, and have irrigated land that is subject to this new General Order, you are strongly encouraged to attend the enrollment sessions for more information. MPC members interested in more information can contact me at [kevin@milkproducers.org](mailto:kevin@milkproducers.org), or you can check out the Kings River Water Quality Coalition's website at [www.kingsriverwqc.org](http://www.kingsriverwqc.org), or the Kern River Watershed Coalition Authority's website at <http://www.krwca.org>.

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**FIND TRICOLORED BLACKBIRDS IN YOUR FIELDS? USDA MAY HAVE SOME FUNDING FOR YOU:** *(By Kevin Abernathy)* The U.S. Department of Agriculture has announced that for farmers who find Tricolored Blackbirds nesting in their fields, there may be funding under the EQIP program that is available if harvesting needs to be delayed. MPC members with more questions about this can contact me at [kevin@milkproducers.org](mailto:kevin@milkproducers.org) or can check out USDA's website at [www.ca.nrcs.usda.gov](http://www.ca.nrcs.usda.gov).

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*On behalf of the Board and staff of MPC, we'd like to wish you and your family a wonderful Easter!*