



Milk Producers Council

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DATE: March 2, 2018
TO: Directors & Members

PAGES: 4
FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks + \$.0650 \$1.5600
 Barrels + \$.0150 \$1.4750

Weekly Average, Cheddar Cheese

Blocks + \$.0062 \$1.5350
 Barrels - \$.0079 \$1.4715

CHICAGO AA BUTTER

Weekly Change +\$.0275 \$2.2000
 Weekly Average + \$.0274 \$2.1930

DRY WHEY

Dairy Market News w/e 03/02/18 \$2.500
 National Plants w/e 02/24/18 \$2.549

NON-FAT DRY MILK

Week Ending 2/23 & 2/24

Calif. Plants \$0.7171 13,893,527
 Nat'l Plants \$0.7114 18,649,230

Prior Week Ending 2/16 & 2/17

Calif. Plants \$0.7190 15,604,689
 Nat'l Plants \$0.7118 24,907,342

Fred Douma's price projections...

March 2 Est: Quota cwt. **\$15.04** Overbase cwt. **\$13.34** Cls. 4a cwt. **\$13.07** Cls. 4b cwt. **\$13.88**
 Feb '18 Final: Quota cwt. **\$14.69** Overbase cwt. **\$12.99** Cls. 4a cwt. **\$12.72** Cls. 4b cwt. **\$13.37**

Market commentary

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

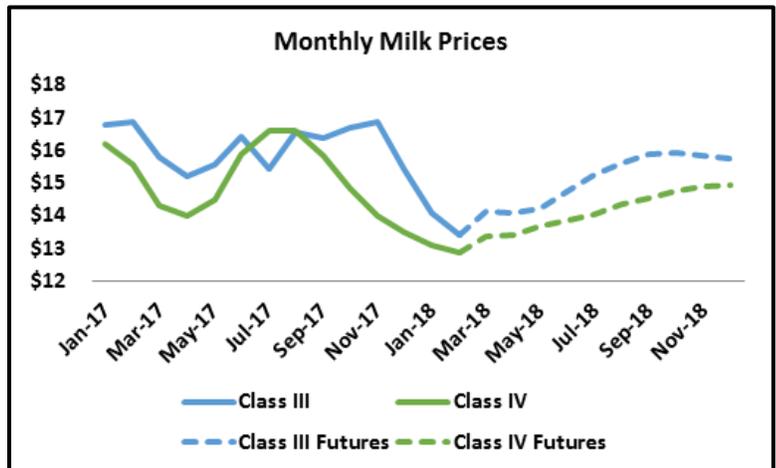
Milk & Dairy Markets

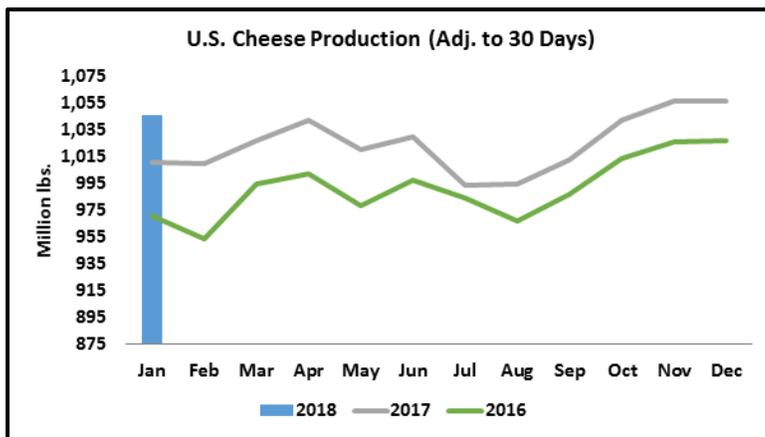
CME spot butter jumped on Monday to \$2.225 per pound, up 5.25¢ from last Friday to the highest spot butter price since early January. May, July, and August futures settled limit up, and the June and September contracts were within a tick of the five-cent limit. But the strength didn't last. Butter futures settled in the red in each of the subsequent trading sessions, and the spot market slipped back to \$2.20. Still, that's 2.75¢ above last Friday's close.

The milk powder market also got off to a strong start but suffered a weak finish. CME spot nonfat dry milk (NDM) slipped a penny to 66.25¢, the lowest value since late-December. With that, March through September Class IV futures settled between 2¢ and 20¢ lower than last Friday. Deferred contracts were unchanged.

The cheese markets rallied this week. CME spot Cheddar blocks climbed 6.5¢ to \$1.56. Barrels gained 1.25¢ and closed at \$1.4725. Nearby whey futures finished higher this week, but deferred contracts retreated. Class III futures settled higher, with stronger gains on the front of the board. The March and April contracts added 22¢ this week.

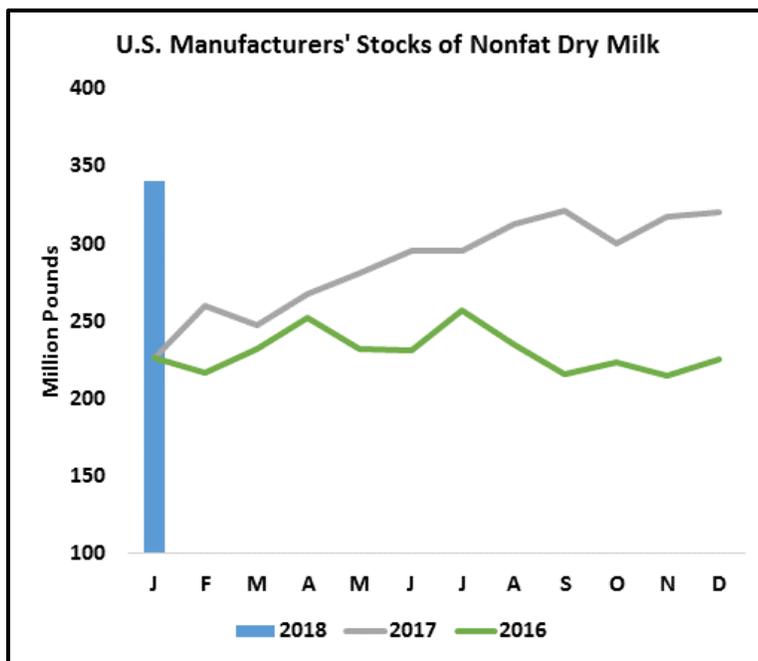
Based on current futures pricing, the worst milk prices are behind us. USDA announced February Class III milk at \$13.44, down 67¢ from January and \$3.44 lower than February 2017. February Class IV milk was \$12.87, 26¢





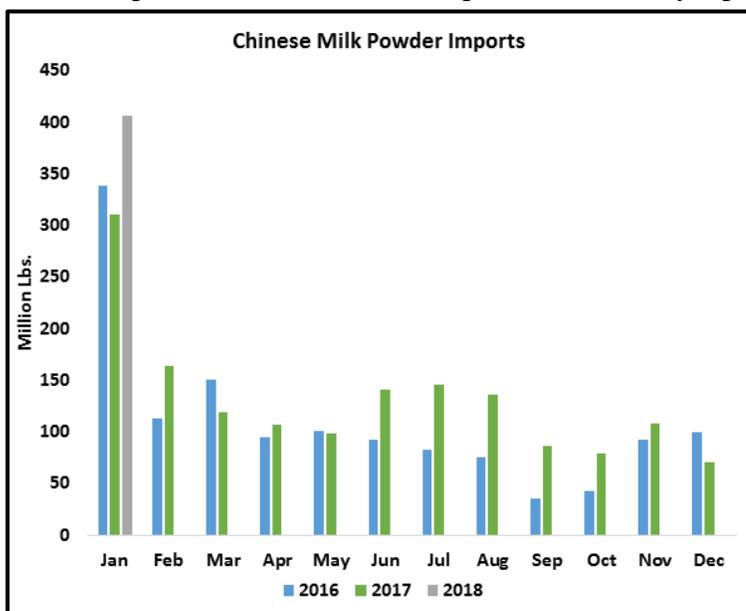
lower than January and \$2.72 below prior-year pricing. California 4a milk was \$12.72, down 11¢ for the month and \$2.68 lower than February 2017. 4b milk was \$13.83, up a penny from January but down nearly \$2 from 2017. February’s disappointingly small milk checks are soon to arrive, but the future looks a little brighter. Today all Class III contracts are at least \$14 per cwt., with \$15 or more throughout the second half of the year. Class IV futures offer about a dollar less than Class III.

With 1.8% more milk than a year ago and strong components in January, manufacturers churned out plenty of product. Cheese production reached 1.08 billion pounds, a new record for the month and 3.4% more than January 2017. Output was 1% shy of the all-time monthly high set in December. Manufacturers shifted production to mozzarella in favor of Cheddar. While mozzarella production was up 3.1% year over year, Cheddar production was just 0.3% higher. That could make CME-eligible cheese a little harder to come by, which would support spot cheese prices.



Whey output was considerably higher than year-ago volumes. Production of dry whey for human consumption climbed 9.1% and whey protein concentrate (WPC) output jumped 9.1%. But whey was cheap and demand was strong. Inventories of dry whey for human consumption fell 11.5 million pounds from December to January, a decline of 11.7%. WPC stocks were up just 0.5%. Still, dry whey stocks are 28.6% greater than year ago volumes.

Butter output reached 185.5 million pounds in January, up 4.3% from a year ago. Milk powder output was anemic in comparison. While NDM production was up 5.4% from a year ago, output of skim milk powder (SMP) fell 17.2% and combined NDM/SMP production was 0.6% shy of January 2017 volumes. Nonetheless, manufacturers’ stocks of NDM jumped to 340.2 million pounds, 20.1 million pounds higher than in December and 50% higher than inventories on January 31, 2017. With massive stockpiles in both the United States and Europe, the milk powder market is likely to continue to languish.



Low prices are the best cure for low prices, and China gobbled up huge volumes of inexpensive dairy products in January. Chinese milk powder imports are always large in January as non- and low-tariff quota volumes reset. Merchants and end users

rush to lock up their share of duty-free milk powders from New Zealand early in the year. But this year imports were large even by turn-of-the-year standards. China imported a record-breaking 304.5 million pounds of whole milk powder (WMP), 28% more than in January 2017. SMP imports were also record large; at 102.5 million pounds they were 42% greater than year-ago volumes. Chinese buyers may have been especially aggressive amidst warnings that the New Zealand drought could limit production.

The new year also brought new lower tariffs on Chinese cheese imports. The change benefits the United States and Europe, which were previously disadvantaged by China's lower tariffs on cheese imports from Australia and New Zealand. China brought in a record-large 31.5 million pounds of cheese in January, 48% more than the prior year. U.S. cheese exports to China climbed 60.4% from a year ago. China also imported 36.5 million pounds of butter, the highest volume on record and nearly 50% more than in January 2017. Chinese whey imports reached 109.6 million pounds in January, up 45% from a year ago. Of that volume, the United States accounted for more than half.

Domestic demand for dairy seems to be a little better than last year, but it has certainly not impressed. Fortunately, global demand is on the rise, and the United States can offer dairy products at competitive prices.

Grain Markets

It's uncomfortably dry in Argentina and in the U.S. Southern Plains. The soybean meal and wheat markets are on fire, although the blaze smoldered a bit today. May soybean meal settled at \$392.90 per ton. That's up \$14.60 in the past week and up nearly \$60 in the past month. May wheat futures closed at \$5.00 per bushel, up 70¢ from the January lows. That helped to buoy May corn to \$3.8525 per bushel, up 10.75¢ for the week to a more than seven-month high.

The forecast holds some rains in Argentina, but not nearly enough to bring an end to the drought. Meanwhile, demand for soybeans and soybean meal remains strong both at home and abroad. USDA's monthly Fats & Oils report showed large soybean crushing volumes and smaller-than-expected stocks, implying robust consumption. Dairy and swine herds and the poultry flock are historically large. Dry pastures are pushing cattle off of ranches and onto feedlots, further boosting feed demand. Unless South American weather improves, feed costs are likely to remain elevated.

California Dairy Quality Assurance Program e-newsletter: Remembering Dr. Gonca Pasin

By Kevin Abernathy, MPC General Manager

The February e-update from the California Dairy Quality Assurance Program (CDQAP) remembers the life work of the California Dairy Research Foundation's (CDRF) Executive Director, Dr. Gonca Pasin. With a devotion to research and educational support for the betterment of the California dairy industry, Dr. Pasin ensured CDRF's commitment to leadership and sustainability. MPC sends our sincere condolences to the family of Dr. Pasin.



The e-update also provides important information for dairy farmers regarding new regulations on animal identification protocols. With updated Animal Disease Traceability (ADT) regulations focusing primarily on dairy producers, we advise our members to please take the time to educate yourself on new practices for animal identification.

The entire CDQAP e-newsletter is available [here](#).

Dairy Cares newsletter: Dairy families, CDFA partner on new ways to reduce methane

By Kevin Abernathy, MPC General Manager



Milk Producers Council has been a longstanding member of Dairy Cares, a coalition of dairy trade groups, cooperatives, processors, and allied industry members working together on industry sustainability issues.

The February edition of the Dairy Cares newsletter highlights recent grant funding totaling \$9.64 million to 17 dairy farms for proposed manure management improvement projects. The funding is part of CDFA's Alternative Manure Management Program, which provides financial assistance to dairies for reducing greenhouse gas emissions through non-digester technologies.

Read the full article [here](#).
