



Milk Producers Council

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DATE: April 28, 2017
TO: Directors & Members

PAGES: 5
FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks	- \$.0650	\$1.4800
Barrels	- \$.0100	\$1.4175

Weekly Average, Cheddar Cheese

Blocks	+ \$.0410	\$1.5300
Barrels	+ \$.0110	\$1.4225

CHICAGO AA BUTTER

Weekly Change	+ \$.0150	\$2.1050
Weekly Average	+ \$.0340	\$2.1070

DRY WHEY

Dairy Market News	w/e 04/28/17	\$4.750
National Plants	w/e 04/22/17	\$5.114

NON-FAT DRY MILK

Week Ending 4/21 & 4/22		
Calif. Plants	\$0.8306	11,717,769
Nat'l Plants	\$0.8471	19,518,175

Prior Week Ending 4/14 & 4/15

Calif. Plants	\$0.8527	17,894,945
Nat'l Plants	\$0.8316	26,856,094

Fred Douma's Price Projections...

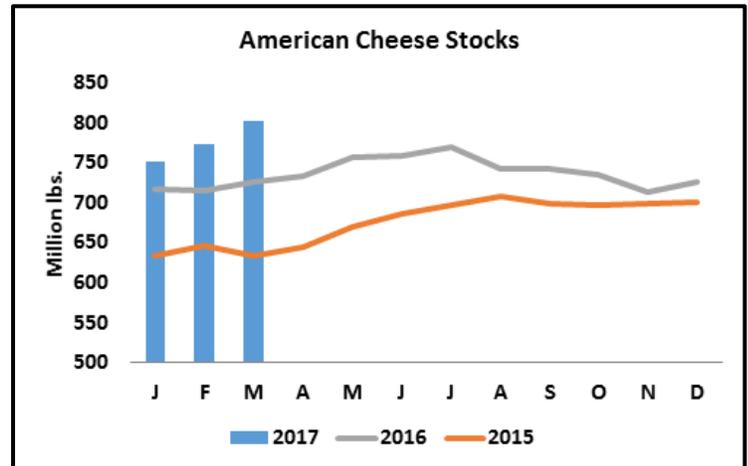
April 28 Final:	Quota cwt. \$15.72	Overbase cwt. \$14.02	Cls. 4a cwt. \$13.70	Cls. 4b cwt. \$14.30
Last Week:	Quota cwt. \$15.71	Overbase cwt. \$14.01	Cls. 4a cwt. \$13.69	Cls. 4b cwt. \$14.29

Market Commentary

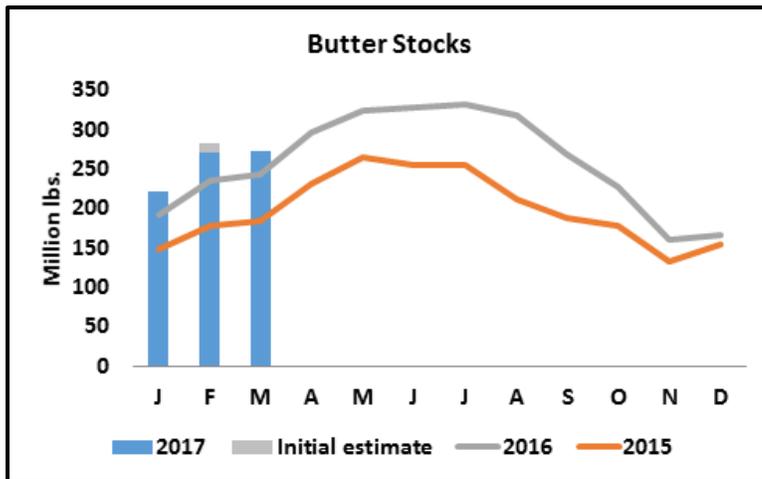
By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com

Milk & Dairy Markets

Bring on the sunshine and the cheeseburgers. Grilling season can't come soon enough. Milk is abundant and cheese plants are running at capacity, with seven-day work weeks and other measures that allow them to squeeze a few more loads of discounted milk through their facilities. Cheese inventories were once again record large at the end of March, and further growth is all but assured. At 1.293 billion pounds, March 31 cheese stocks were 8.5% greater than at the same time last year. American cheese inventories surged nearly 30 million pounds from February to March, an increase that is more than three times as large as in a typical year. In light of burdensome inventories and formidable output, the cheese market has arguably fared better than expected. This week CME spot Cheddar blocks dropped 6.5¢ to \$1.48/lb., the lowest price since... last Thursday. The more heavily-supplied barrel market slipped a penny to \$1.4175. Class III futures were sharply lower in the nearby contracts, while deferred contracts finished mixed.



The seasonal increase in ice cream production is helping to put a bid in the cream market, although butter production remains active amidst heavy milkflows and strong components. The Cold Storage report revealed robust pre-holiday demand. USDA revised downward its estimate of February 28 butter stocks, from an initial report of 282.6 million pounds to 269.9 million pounds, a 4.5% decline. The agency recorded a modest 2.6-million-pound increase in butter inventories from February to March, growth that is much smaller than average for this time of year. Still, butter stocks are 10.8% greater than they were a year ago. At the CME spot market butter climbed 1.5¢ to \$2.105. Prices in Europe and Oceania are similarly steady to a little firmer. Competitive

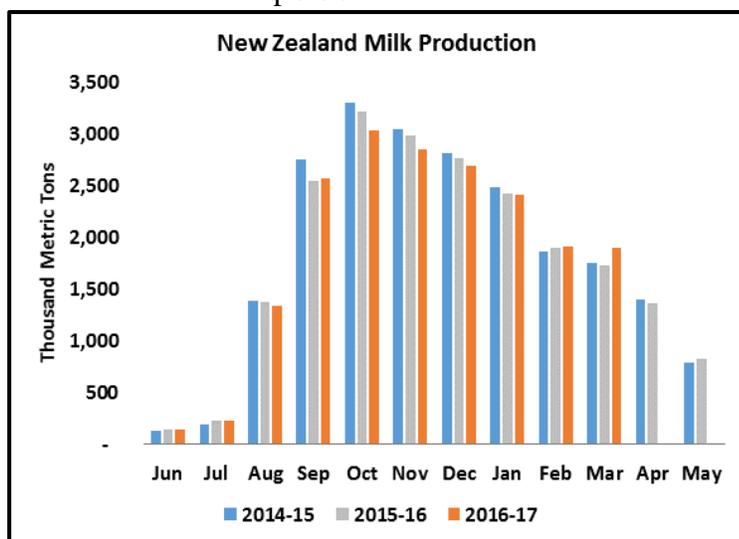


U.S. butter prices are likely to reduce butter imports this year, which has the same impact on domestic supplies as an uptick in exports.

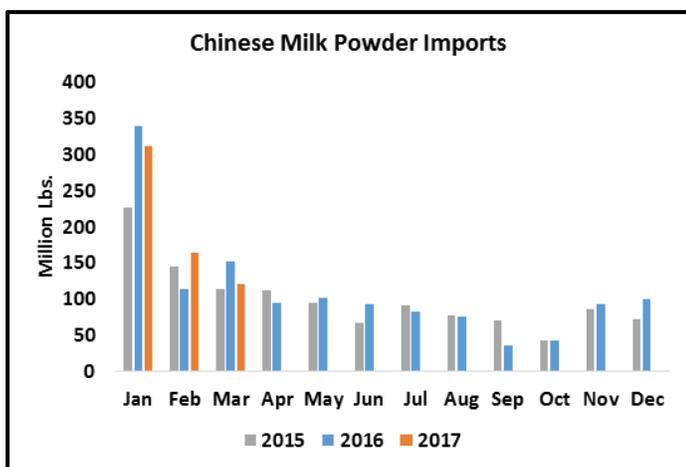
The milk powder markets are marching upward, which is a bit curious in light of heavy global output and unimpressive demand from China. CME spot nonfat dry milk (NDM) gained 1.25¢ this week and closed at 86.75¢, a more than two-month high. Most Class IV futures contracts finished a dime or more in the green.

Australian milk production continues to struggle. March output was 5.1% below prior-year levels,

bringing season to date collections down 7.8%. In contrast, New Zealand milk collections improved in March to 4.2 billion pounds, up 9.2% from a year ago. Milk solids collections were up 9.9%. That is much better than was feared just a few months ago, putting season-to-date intakes down just 1.2% from the 2015-16 season. This means New Zealand has the raw material to make substantially more milk powder than was assumed when the season began.



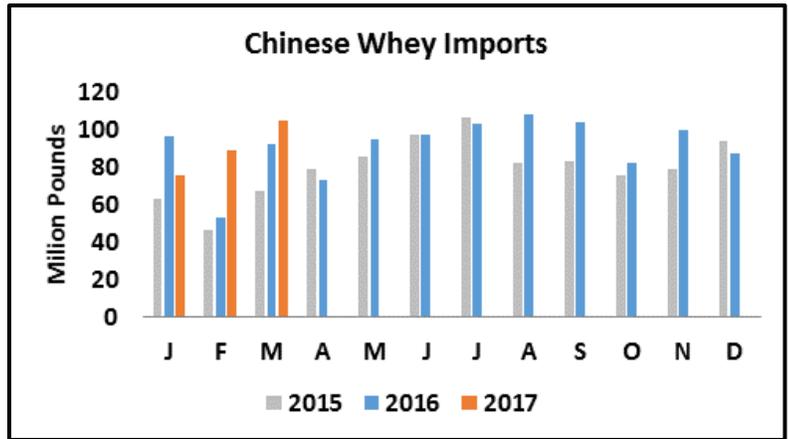
There are concerns that heavy flooding could have reduced New Zealand’s milk collections this month, but the impact is likely to be temporary. Going forward, the outlook for vastly improved dairy product prices could fortify dairy producers’ resolve, as well as their balance sheets, as they head into the offseason. The *Daily Dairy Report* opines, “While prices could still face setbacks, farm economic prospects appear more favorable than last year. Good pasture, solid soil moisture, and better milk checks suggest the start of the 2017-18 milk season could be quite favorable.” With output improving in Europe and still growing in the U.S., there could be a lot of milk to contend with later this year.



Hopefully, Chinese demand for dairy products will grow at least as quickly as global supplies. But that was not the case in March. Chinese imports of whole milk powder (WMP) dropped 30% below prior-year levels, and skim milk powder (SMP) imports were just shy of March 2016 volumes. Combined milk powder imports were down 21% from last year. However, the March decline may be the natural consequence of large trade in February. China’s first-quarter milk powder imports were down just 1.4% from the first three months of 2016.

Chinese imports of ultra-high temperature (UHT) fresh milk were similarly disappointing. China imported 88.5 million pounds of UHT milk in March, 25.4% less than the year before. First-quarter imports of UHT milk were 14.5% behind last year’s pace. Class III products fared better. China imported 19.7 million pounds of cheese last month, 22.6% more than in March 2016. Chinese whey product imports were 13.1% greater than those in March

2016. U.S. whey product exports to China were record large last month, accounting for nearly two thirds of China’s global imports. For the quarter, Chinese whey imports were up 11.4% from last year, and imports from the United States were up 26.2%. Sales of U.S. whey to Southeast Asia remain brisk. However, “Canadian whey prices are presently lower than U.S. whey prices,” according to *Dairy Market News*, which is helping Canada secure a greater share of the Mexican market.



Grain Markets

Concerns that the United States might withdraw from NAFTA and a fickle forecast made for a wild week in the grain markets. But like the NAFTA nail-biting, this week’s rally and subsequent collapse was much flash before a fizzle. July corn settled at \$3.6525 per bushel, up 1.5¢ from last Friday. July soybeans finished at \$9.555, down 5.25¢.

The forecast is wet, which will slow planting efforts, but the trade remains hopeful that there will be enough dry days to get everything in the ground within the ideal timeframe. Soybean exports have been brisk, but it will take more than that to rally a market burdened by record-large South American harvests and record-breaking U.S. acreage. The forecast can certainly cause some fireworks in the near-term, and the trade’s long-term outlook may be overly complacent after years of benign weather. It is much too soon to discount the possibility of spring flooding, a summer drought, or a killing frost in the fall. But barring a crop-killing disaster, expect prices to continue to drift downward.

MPC Wraps Up Successful Week of Meetings on Capitol Hill

By Kevin Abernathy, MPC General Manager

I write to you this week from our nation’s capital, having just completed a week of important and informative meetings with many members of Congress, Trump administration advisors and regulatory agency staff.

MPC Secretary/Treasurer Daryl Koops and I, along with our Western States Dairy Producers Trade Association partners, arrived in Washington, D.C. this past Monday to visit with as many key decision makers and influencers as possible. Our goal was simple: To give a voice to our California dairy families in the halls of Congress and educate our elected representatives and their staff members on the issues facing us back home.



Kevin Abernathy (MPC General Manager), Representative Jim Costa (D-CA 16th District), and Daryl Koops (MPC Secretary/Treasurer)

I am happy to report that we had high level discussions with 11 California Congressional representatives during our time here. We discussed many issues in each of our meetings, including:

- Farm labor costs;
- Immigration reform;
- The 2018 Farm Bill;
- Tax reform;
- NAFTA and other policies that impact our dairy trading partners;
- The Resource Conservation and Recovery Act (RCRA), which has been the basis for several dairy lawsuits, one in the Yakima Valley of Washington and two in California;
- H.R. 848 – The Farm Regulatory Certainty Act (Newhouse; R-WA 4th District, Sunnyside), which seeks to clarify the intent of Congress with respect to RCRA and that it was not intended to regulate animal or crop manure, fertilizer or constituents derived from those sources. You can read the complete text of the bill at <https://goo.gl/9eacAk>; and
- Water supply reliability and infrastructure issues and fixes.

I want to specifically highlight the great work that Congressman David Valadao (R-CA 21st District, Hanford) is doing on behalf of his constituents and especially for the agricultural community. As a second-generation dairy farmer himself, he knows the challenges our dairy families are up against here in California, whether they be on the farm or in the market place, and he continues to work effectively for meaningful change in Congress. Having an actual dairy voice in Congress is invaluable, and coupled with his skill to work in a bi-partisan fashion, Mr. Valadao will continue to successfully advance policies that align with our values and principles.

We also had an opportunity to meet with a senior White House policy advisor, and after that meeting, I can say we're excited to see what's coming in the 2018 Farm Bill and out of USDA and NRCS in the future.

All told, the week was a great success for California dairy families. We strengthened existing relationships on Capitol Hill and we made some new ones. I also want to publicly say thank you to all the Members of Congress we met with this past week for their willingness to listen to the concerns of dairy families. Thank you also to Mr. Daryl Koops for his strong advocacy on behalf of our MPC members. If you have any questions about any of the issues I touched on in this report, please feel free to contact our office at office@milkproducers.org.

Upcoming Compliance Dates, Requirements for Tier 1, Tier 2 Certified Compression-Ignited (Diesel) Engines

By Kevin Abernathy, MPC General Manager

San Joaquin Valley Air Pollution Control District (District) Rule 4702 requires all non-emergency use Tier 1 and Tier 2, EPA certified diesel internal combustion (IC) engines rated greater than 50 horsepower to be removed from service by January 1, 2015, or 12 years after the installation date, but not later than June 1, 2018.

Listed below are options describing methods to comply with the June 1, 2018, deadline:

1. Replace the diesel engine with a new diesel engine meeting latest certified EPA Tier.
 - If you choose this option, you will need to submit either a permit application by December 1, 2017, or a Permit Exempt Equipment Registrations (PEERs) application by March 1, 2018.
 - For assistance in determining whether your operation requires a permit or PEER, please contact the District's Small Business Assistance hotline listed below.
2. Replace the diesel IC engine with an electric motor.

- Electric motors are exempt from District rules and regulations, including permit/registration requirements.
3. Limit the number of hours of usage to no more than 200 hours per calendar year.
- If you currently have a permit for the engine, you will need to submit a permit modification application to officially lower the allowed operating hours.
 - If you have a PEER for the engine or if your facility is not required to have Permits to Operate, notify the District in writing of your intent to operate the engine no more than 200 hours per year.
 - You will be required to maintain usage logs demonstrating the engine operates no more than 200 hours per year.

Rule 4702 may affect your operation in ways not mentioned in this bulletin, as there may be further exemptions and/or requirements. For additional information please read the full text of the rule at: <https://goo.gl/0QBhwG>
To contact the District's Small Business Assistance staff call:

Modesto: 209-557-6446

Fresno: 559-230-5888

Bakersfield: 661-392-5665

Tricolored Blackbird Remains on State's Endangered Species List

By Kevin Abernathy, MPC General Manager



As we enter the heart of the Tricolored Blackbird nesting season, we want to remind producers they should contact our office for assistance if they suspect the birds have nested in a dairy silage field.

The Tricolored Blackbird, recognizable by the red and white markings on its wings, was placed on the California endangered species list by the Fish and Game Commission on a temporary emergency basis in 2014. A longer-term process is underway to determine if it should be permanently listed, and as such, it is illegal to take the birds during harvest.

From March to July, these birds can often be found nesting in triticale wheat, oat and other grass-blend fields grown for feed silage. Unfortunately, the bird's nesting season coincides with farmers' springtime crop harvest.

NRCS has made funding available to help farmers protect nesting Tricolored Blackbirds, offering more than \$600 per acre to cover the costs of delaying harvest until the birds have successfully nested and fledged.

If you have Tricolored Blackbirds in your fields, please contact our office at office@milkproducers.org and we will assist you in working with NRCS and its biologists.