



Milk Producers Council

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DATE: October 27, 2017
 TO: Directors & Members

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 FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE		
Blocks	+ \$.0750	\$1.7450
Barrels	+ \$.0650	\$1.7050

Weekly Average, Cheddar Cheese		
Blocks	+ \$.0110	\$1.7200
Barrels	+ \$.0270	\$1.6940

CHICAGO AA BUTTER		
Weekly Change	- \$.0475	\$2.3025
Weekly Average	- \$.0835	\$2.2915

DRY WHEY		
Dairy Market News	w/e 10/27/17	\$3.3475
National Plants	w/e 10/21/17	\$3.891

NON-FAT DRY MILK		
Week Ending 10/20 & 10/21		
Calif. Plants	\$0.7759	9,238,508
Nat'l Plants	\$0.7971	18,509,361

Prior Week Ending 10/13 & 10/14		
Calif. Plants	\$0.8302	13,079,819
Nat'l Plants	\$0.8277	16,973,844

Fred Douma's price projections...

Oct 27 Final: Quota cwt. **\$17.25** Overbase cwt. **\$15.55** Cls. 4a cwt. **\$14.51** Cls. 4b cwt. **\$16.17**
 Last Week: Quota cwt. **\$17.07** Overbase cwt. **\$15.37** Cls. 4a cwt. **\$14.75** Cls. 4b cwt. **\$15.66**

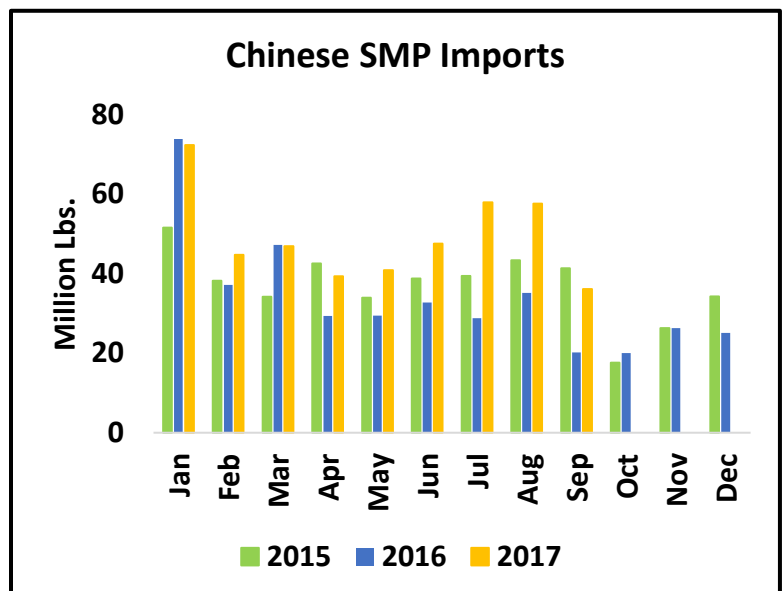
Market commentary

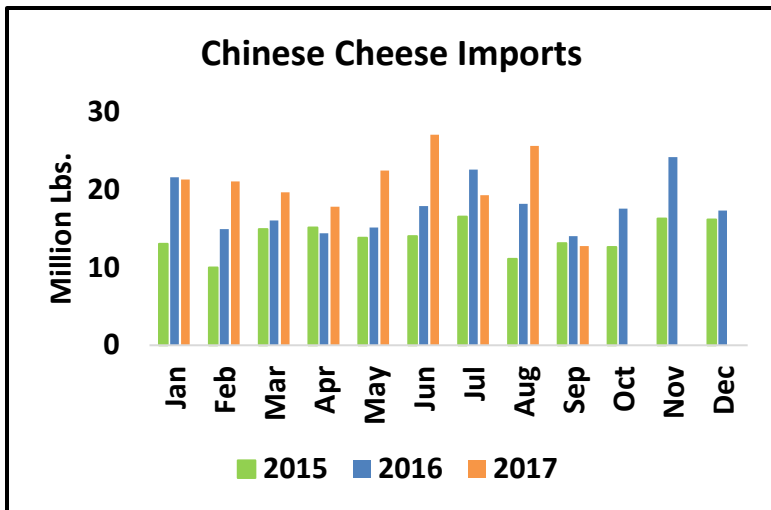
By Mary Ledman, Daily Dairy Report, mary@dailydairyreport.com

Milk & Dairy Markets

CME cash cheese prices moved higher throughout the week ending Oct. 27, which pushed CME cheese and milk futures higher. The NOV Class III contract began the week at \$15.98/cwt. and settled at \$16.42 on Friday, up 44¢ from last week. CME block and barrel cheese prices closed at \$1.745/lb. and \$1.705, respectively, up 7.5¢ and 6.5¢ from last Friday. Trading volume was moderately active with 16 loads of blocks and ten loads of barrels during the week. The CME cash butter price dropped to \$2.25/lb. early in the week but recovered to \$2.3025 on Friday. There appears to be market support from \$2.25 to \$2.30, but further price escalation is becoming less likely due in part to retreating global butterfat prices. Trading was heavy with 44 loads of butter exchanging hands. The CME spot nonfat dry milk (NDM) traded within a narrow range from \$0.7450/lb. to \$0.7550 during the week. Cash NDM closed the week at \$0.75, up a penny from last Friday's settlement price. The NOV Class IV contract eroded during the week, down 26¢ due to lower butter and NDM prices.

China's dairy product imports were mixed in September. Skim milk powder (SMP) and whole milk powder (WMP) continued to outperform year-ago levels. China imported 16,367 metric tons (MT), or 36.1 million pounds, of SMP in September, 79% more than the prior year. The United States was the beneficiary of China's stronger SMP imports, with U.S. export volumes to China up 120%, followed by exports from Australia (up 266%) and Germany (up 401%). On top of SMP imports, China purchased 22,935 MT, or 50.6 million pounds, of WMP, up 231%



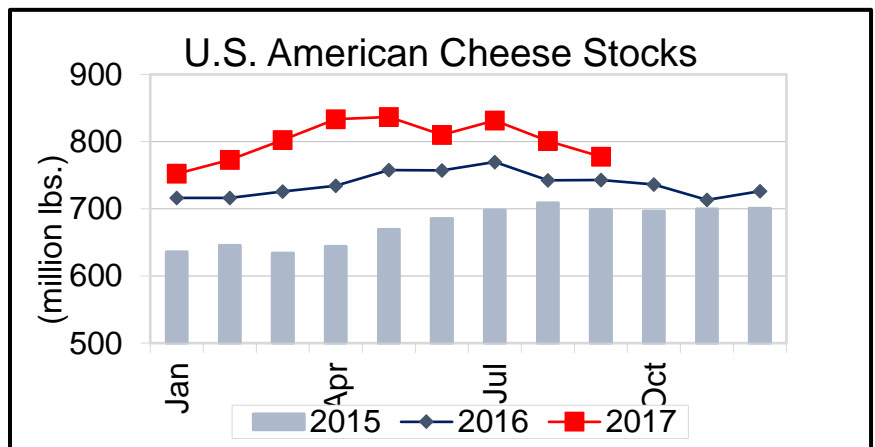


vs. the prior year and the highest volume for September since 2013. Again, U.S. manufacturers benefited from the stronger demand, with volumes increasing 307% to 1.28 million pounds. China's whey imports totaled 43,172 MT, or 95.2 million pounds, 8.3% less than the prior year. Reduced volumes from the United States accounted for most of the declines.

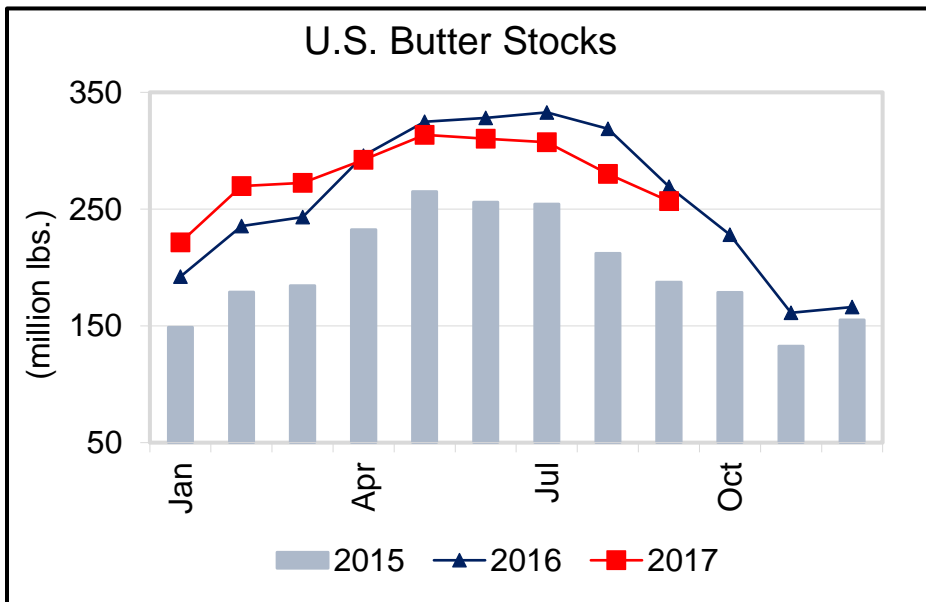
China's cheese imports showed signs of weakness in September. During the month, China imported 5,799 MT, or 12.7 million pounds, 9.1% less than the prior year and about half of August's volume. New Zealand was the only top-ten supplier to post a decline in cheese shipments to China, down 57% vs. the prior year. In

fact, China's cheese imports from Australia were stronger than those from New Zealand. Cheese volumes from the United States and Europe all increased last month. Even though volumes were lower than last month, they were consistent with the past year, and year-to-date volumes are still 21% greater than the same period in 2016. Butter imports faltered in September. China's imports declined 23% to 3,847 MT, or 8.5 million pounds.

Seasonally, U.S. dairy stocks are declining, but inventories are still elevated, according to USDA's latest Cold Storage report released earlier this week. U.S. stockpiles of butter totaled 257 million pounds on Sept. 30, down 4.5% vs. the prior year and 23 million pounds less than in August. The month-to-month decline from August to September was consistent with the five-year average pace of 26 million pounds.



The month-to-month decline from August to September was consistent with the five-year average pace of 26 million pounds. The five-year average stocks level for September was nearly 208 million pounds, indicating that current holdings are still a bit high.



U.S. total cheese stocks were 1.305 billion pounds at the end of September, down 28 million pounds from August but still 5.7% more than the prior year. American cheese stocks totaled 778 million pounds, 2.9% less than August but 4.7% more than last year. The seasonal August-to-September drawdown was a bit slower than the five-year average pace of 42 million pounds. The Swiss and other cheese categories also declined last month, but American cheese was the driver behind the month-to-month decline. Overall, the latest stocks data

points to the possibility of an improved performance for October cheese, which the market demonstrated this week.

Tulare County Planning Commission adopts revised General Plan, EIR for dairies; Recommends adoption by county Board of Supervisors

By Kevin Abernathy, MPC General Manager

On October 25, the Tulare County Planning Commission unanimously adopted proposed changes to the county's General Plan for dairies (Animal Confinement Facilities Plan) along with a Final Environmental Impact Report (EIR). The county's Board of Supervisors will consider the proposed changes likely before the end of the year, with a recommendation from the Planning Commission to adopt the revised General Plan and EIR.

For nearly 8 years, the Tulare County Producers Group (TCPG), in coordination with the Dairy Environmental Justice Fund and Dairy Cares, has led the producer-funded effort to update the county's General Plan. In 2010, TCPG signed a Memorandum of Understanding with the county, allowing it to hire appropriate consultants to revise the General Plan Dairy Element and prepare an EIR, with the county's producers investing in, and co-sponsoring, its development.

The updated county plan allows for more streamlined permitting of new or modified dairies by recognizing the regulatory programs of other agencies, such as the Central Valley Regional Water Quality Control Board, the San Joaquin Valley Air Pollution Control District, and the California Air Resources Board. By aligning county permit requirements with existing regional environmental regulations, unnecessary duplication is avoided, and time and money is saved.

Updates to the county's dairy plan also reflect major changes in the dairy industry and California's environmental laws and policies over the last few years, mostly related to climate change and water quality. It is important to recognize that the above agencies have significantly strengthened their regulations, policies and statutory authority over the past decade, and dairies are doing more than ever before to cooperate with them. State and regionwide policies also allow for fair and consistent rules from county to county and ensure that everyone is operating on a level playing field. The adoption of the revised General Plan is an important step for ensuring the health of the dairy community and the county's economy.

MPC will continue to track this process and work with Tulare County producers on dairy permitting matters. Please contact me at kevin@milkproducers.org with any questions.

California Dairy Quality Assurance Program provides helpful tips in latest e-update

By Kevin Abernathy, MPC General Manager

The October e-update from the California Dairy Quality Assurance Program (CDQAP) highlights important information about new laws regarding livestock drug use, tips for preparing your dairy for the winter season, and upcoming water quality workshops for producers in the North Coast. Be sure to give it a read!

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