



# Milk Producers Council

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DATE: July 2, 2015  
 TO: Directors & Members

PAGES: 3  
 FROM: Rob Vandenhuevel, General Manager

## MPC FRIDAY MARKET UPDATE

### CHICAGO CHEDDAR CHEESE

Blocks - \$.0200 \$1.6200  
 Barrels - \$.0425 \$1.5825

### Weekly Average, Cheddar Cheese

Blocks - \$.0410 \$1.6250  
 Barrels - \$.0567 \$1.5913

### CHICAGO AA BUTTER

Weekly Change +\$.0250 \$1.9400  
 Weekly Average +\$.0201 \$1.9281

### DRY WHEY

Dairy Market News w/e 07/03/15 \$4.050  
 National Plants w/e 06/27/15 \$4.140

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### NON-FAT DRY MILK

#### Week Ending 6/26 & 6/27

Calif. Plants \$0.9051 10,140,477  
 Nat'l Plants \$0.9140 24,510,368

#### Prior Week Ending 6/19 & 6/20

Calif. Plants \$0.9324 17,047,535  
 Nat'l Plants \$0.9292 26,937,291

## FRED DOUMA'S PRICE PROJECTIONS...

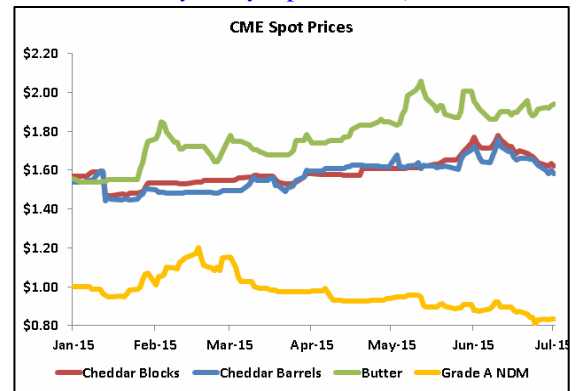
July 2 Est: Quota cwt. \$16.02 Overbase cwt. \$14.33 Cls. 4a cwt. \$13.62 Cls. 4b cwt. \$14.67  
 June '15 Final: Quota cwt. \$16.31 Overbase cwt. \$14.61 Cls. 4a cwt. \$13.65 Cls. 4b cwt. \$15.55

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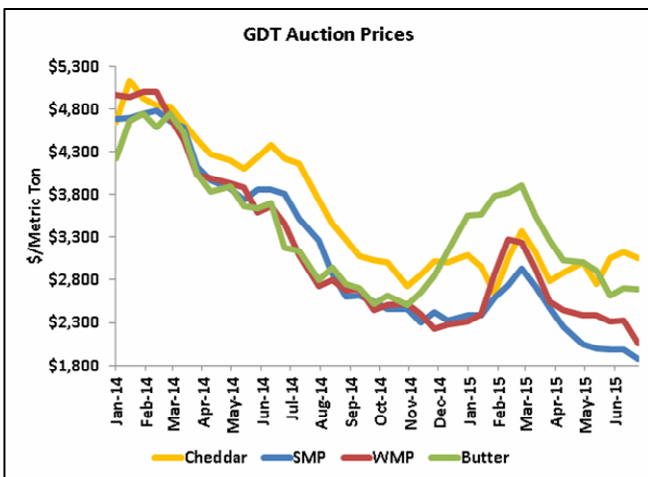
## MARKET COMMENTARY: (By Sarina Sharp, Daily Dairy Report, [sarina@dailydairyreport.com](mailto:sarina@dailydairyreport.com))

### Milk & Dairy Markets

The U.S. dairy markets asserted their independence once again this week. Although milk powder prices moved sharply lower at the Global Dairy Trade (GDT) auction, there was no such collapse at the CME. In fact, spot nonfat dry milk (NDM) gained 0.25¢ and closed at 83.25¢/lb. NDM futures settled a little lower than last Friday. Spot butter prices climbed 2.5¢ to \$1.94. Nonetheless, Class IV futures took a decisive step backward. Nearby contracts lost a penny, and deferred contracts lost 20 to 30¢.



Spot Cheddar prices continued to slip. Blocks dropped 2¢ to \$1.62. Barrels fell 4.25¢ to \$1.5825, a level not seen since March. Class III futures also moved lower, although, following a big drop last week, losses there were not nearly as steep as in the cheese market. Most contracts fell just a few cents.

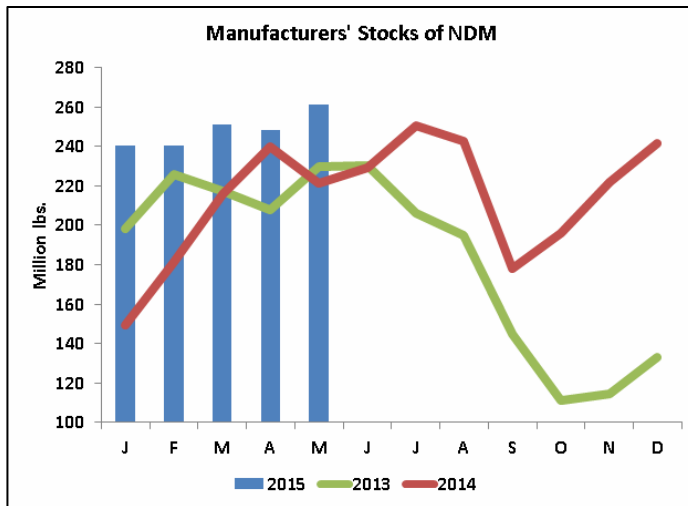


USDA announced the June Class III milk price at \$16.72, up 53¢ from May but down \$4.64 from June 2014. Year-over-year comparisons are even more painful for Class IV milk, which was \$13.90, down \$9.23 from last June. California 4a milk was \$13.65, down 26¢ from May. At \$15.55, 4b milk was 92¢ higher than the previous month.

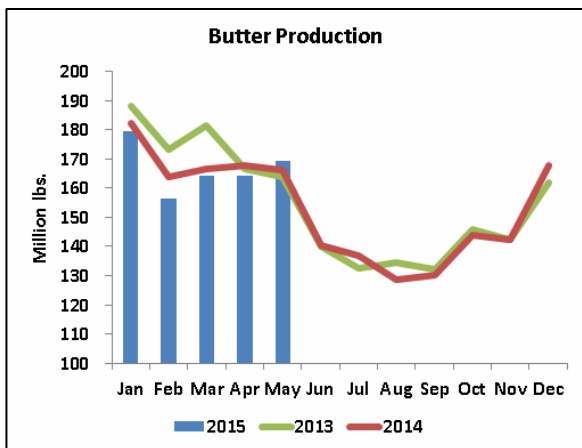
Prices plunged at the GDT on Tuesday. The index fell 5.9% to its lowest level since July 2009. All products except anhydrous milkfat traded lower than at the previous auction. Whole milk powder (WMP) prices were particularly anemic; they dropped 10.8% to their lowest level ever at the GDT.

Skim milk powder (SMP) fared only slightly better, falling 5.8%. Relative to the last auction, Cheddar prices dipped 4.9% and butter ended 0.3% lower, on average.

With China largely on the sidelines, demand for milk powder is starting to languish. End users have had ample opportunity to stock up on milk powder at historically low prices, and they have done so in volume. Now that their warehouses are full, buyers who were already opportunistic can be downright stingy. It will take increasingly lower milk powder prices to attract much interest. This week the California Weighted Average Price for NDM dropped to 90.5¢, its lowest level since August 2009. But apparently this was not low enough. Sales volume fell to just over 10 million pounds, a four-month low.



U.S. milk powder production slowed from record-high levels in April, but stocks continue to mount. As of May 31, manufacturers' stocks of NDM were a record-large 261 million pounds, up 5.2% from April and 18% greater than year-ago volumes.

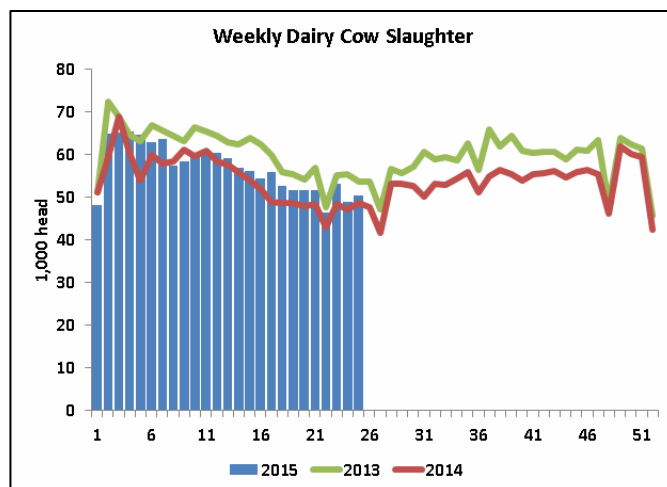


U.S. cheese and butter production in May was slightly lower than daily average production in April, but still well above year-ago levels. At 169.5 million pounds, May butter production set a new record for the month and was 1.9% above 2014 levels. In absolute terms, output rose 5.3 million pounds compared to April, marking the first April-to-May increase since 2006. *Dairy Market News* reports that butter production has slowed over the past few weeks as ice cream makers have ramped up production to meet holiday demand.

Cheese production totaled 988.6 million pounds in May, also a record for the month and 1.8% higher than last year. USDA

revised its estimate of April cheese production downward by 9.3 million pounds, but noted a 2 million pound increase in American cheese output in April relative to its initial assessment. Cheese makers are shifting their product mixes in favor of bulk commodity cheeses in order to get as much milk through their plants as possible. In the Midwest, where milk is most plentiful, many cheese plants will work straight through the holiday weekend.

Given the year-over-year growth in cheese output, dry whey production seems light. Production of dry whey for human consumption totaled 78.6 million pounds in May, down 3.3% from a year ago, and 1.5% greater than April volumes, which were curiously small. Dry whey prices moved appreciably lower in May, and this clearly spurred demand. Inventories on May 31 totaled 63.3 million pounds, down 9.9% from April. Prices may need to stay low in order to prevent stocks from piling up again. *Dairy Market News* reports that dry whey production is on the rise as cheese output remains formidable.



For the week ending June 20, dairy cow slaughter totaled 50,477 head. This was 3.5% higher than the same week last year, putting the 2015 cull rate 4.5% ahead of last year's pace.

## Grain Markets

There were plenty of fireworks in the grain markets this week. USDA lit the fuse on Tuesday with its Acreage and quarterly Grain Stocks reports. When the smoke cleared Thursday, December corn futures had climbed to \$4.3725/bushel, up more than 35¢ from last week. November soybean futures reached \$10.3025, up 44.25¢. Trading volumes for corn, soybean and wheat futures reached record highs after the reports on June 30, surpassing the previous records set just four days earlier.

Weather permitting, farmers will plant a little less corn and more soybeans than they did in 2014. USDA estimates corn area at 88.9 million acres, with 85.1 million acres of soybeans. These figures show a larger shift from corn to soybeans than the agency had reported after surveying farmers in March, and both figures were slightly lower than analysts had expected, helping to support new crop prices.

The Acreage figures were mildly supportive, but the quarterly stocks numbers were categorically bullish. June 1 stocks of corn and soybeans were much lower than anticipated, implying very strong demand during the March to May quarter. Soybean stocks were so low, in fact, that many analysts suspect USDA overestimated the size of the harvest last fall.

With the bulls running wild this week, it is easy to lose sight of the bigger picture. There is no shortage of grain in the world; indeed, corn and wheat stocks are significantly above 2014 levels. U.S. soybean supplies are tight, but they too are much higher than last year, and supplies in South American are plentiful.

The crop is struggling in soggy fields in Missouri, Indiana and Ohio, and these issues should not be dismissed. But nor should they be the sole focus. In many areas corn and soybeans are in fabulous shape, and we are entering the critical pollination phase with unusually pleasant conditions. After two weeks with very large rallies, the corn market may be due for a setback. Soybean prices could prove a bit more stubborn.

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**JUNE'S DAIRY CARES REPORT POSTED ON OUR WEBSITE:** *(By Rob Vandenheuvel)* The current issue of the *Dairy Cares Newsletter* has been posted at: <http://www.milkproducerscouncil.org/cares.htm>. This month's edition focuses on the tremendous strides the California dairy industry has made in implementing the FARM (or Farmers Assuring Responsible Management) program. This national program, which was launched in 2010 and has already been implemented on more than 1,000 California dairy farms, includes available classroom courses, on-site evaluations, and a third-party verification program to ensure validity and integrity in the program. As you'll see in the *Dairy Cares Newsletter*, California dairy participation in the program continues to grow, providing our consuming public with the confidence that the milk and dairy products they enjoy every day are being produced on farms that make responsible animal care a top priority.

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**The MPC Board and staff would like to wish all of you and your families  
a wonderful Independence Day!**