



# Milk Producers Council

13545 S. Euclid Avenue, Unit B ~ Ontario, CA 91762 ~ (909) 628-6018  
 801 S. Mount Vernon Avenue ~ Bakersfield, CA 93307 ~ (661) 833-2549  
 222 S. Thor Street, Suite 20 ~ Turlock, CA 95380 ~ (209) 250-1801  
 Fax (909) 591-7328 ~ [office@milproducers.org](mailto:office@milproducers.org) ~ [www.MilkProducers.org](http://www.MilkProducers.org)



DATE: April 25, 2014  
 TO: Directors & Members

PAGES: 3  
 FROM: Rob Vandenheuvel, General Manager

## MPC FRIDAY MARKET UPDATE

### CHICAGO CHEDDAR CHEESE

Blocks	- \$.0700	\$2.2100
Barrels	- \$.0775	\$2.1800

### Weekly Average, Cheddar Cheese

Blocks	- \$.0008	\$2.2205
Barrels	+ \$.0165	\$2.2115

### CHICAGO AA BUTTER

Weekly Change	+ \$.0200	\$1.9100
Weekly Average	- \$.0055	\$1.8970

### DRY WHEY

Dairy Market News	w/e 04/25/14	\$ .6538
National Plants	w/e 04/19/14	\$ .6790

\*\*\*

### NON-FAT DRY MILK

#### Week Ending 4/18 & 4/19

Calif. Plants	\$1.9751	12,972,450
Nat'l Plants	\$2.0110	21,446,419

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

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

## FRED DOUMA'S PRICE PROJECTIONS...

<b>April 25 Final:</b>	<b>Quota cwt. \$23.61</b>	<b>Overbase cwt. \$21.91</b>	<b>Cls. 4a cwt. \$23.24</b>	<b>Cls. 4b cwt. \$20.81</b>
<b>Last Week:</b>	<b>Quota cwt. \$24.08</b>	<b>Overbase cwt. \$22.38</b>	<b>Cls. 4a cwt. \$23.25</b>	<b>Cls. 4b cwt. \$21.88</b>

\*\*\*

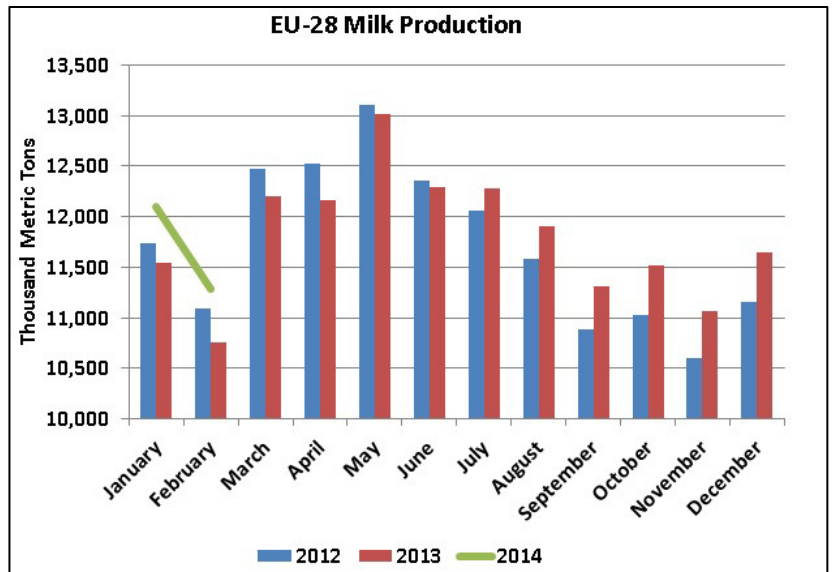
**MARKET COMMENTARY:** (By Sarina Sharp, Daily Dairy Report, [sarina@dailydairyreport.com](mailto:sarina@dailydairyreport.com))

### Milk & Dairy Markets

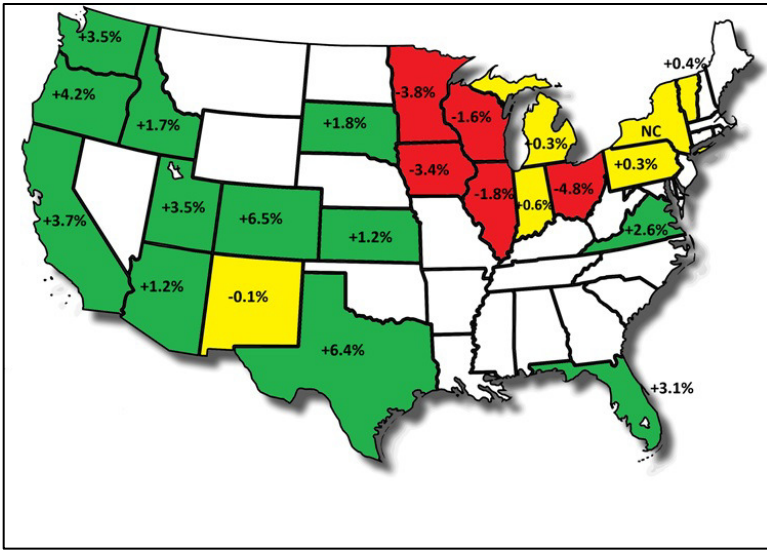
Despite falling prices overseas and a softer spot Cheddar market, Class III futures climbed this week. The July contract added 75¢ and all 2014 contracts except April posted double digit gains. CME spot Cheddar blocks closed at \$2.21/lb., down 7¢ from last week. Barrels were 7.75¢ lower, at \$2.18.

For the first time in twelve months, CME spot butter prices have topped Grade A nonfat dry milk (NDM) prices. Butter added 2¢ this week and now stands at \$1.91. NDM fell to \$1.81, down 5.5¢ on the week. Nevertheless, Class IV futures moved higher across the board. The September contract gained 57¢.

Overseas milk production continues to grow. Australian milk output in March was 3.7% higher than in March 2013. This was the fourth consecutive month of year over year gains after a long string of deficits. EU-28 milk production totaled 11.28 million metric tons in February, up 4.9% from last year. Much of Europe's milk is flowing to driers. European skim milk powder (SMP) production was 13.3% higher than last year, and whole milk powder (WMP) production was up 15.9%.



As the *Daily Dairy Report* noted on Friday, "Expanding milk supplies in the United States and Europe and manufacturers engrossed with milk powder production may have helped to alleviate market tightness, resulting in



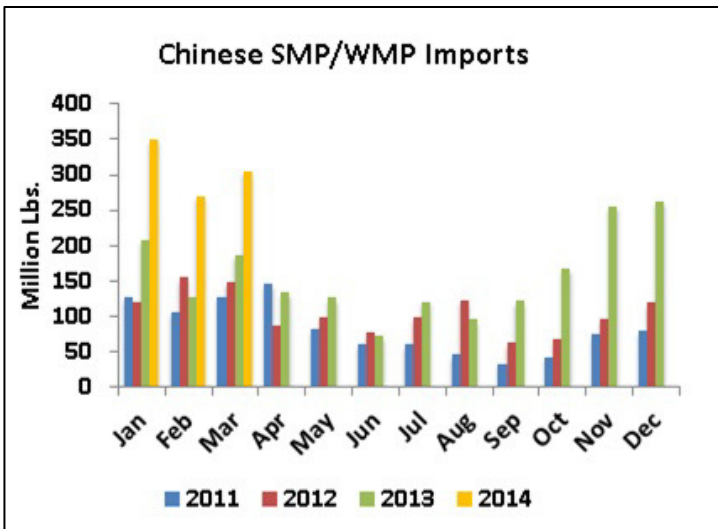
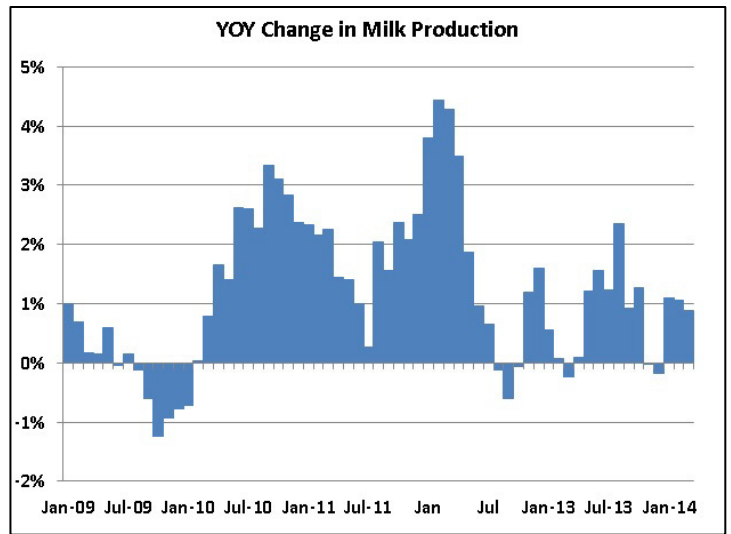
a temporary glut of product hitting the market this spring which has weighed on prices in recent weeks.” *Dairy Market News* reported a 4.8% decline in SMP in Oceania over the past two weeks, and a 2.9% drop in SMP prices in Europe. Nearly all products surveyed by *Dairy Market News* now stand below the very high levels that prevailed overseas at this time last year.

U.S. milk production totaled 17.8 billion lbs. in March. This was 0.9% greater than March 2013 and 1.1% higher than February on a daily average basis. Dairy producers continue to respond to high milk prices by adding cows and improving production per cow. The milk cow herd totaled 9.218 million head in March. This is up 3,000 head

from February, and USDA revised its estimate of the February herd upward by an additional 4,000 head.

Relative to last year, milk production is very strong in the Southwest, while producers in the Midwest have struggled with year-over-year production deficits. California milk production was 3.7% higher than March 2013, while Texas and Colorado exceeded last year by 6.4% and 6.5%, respectively. BST use in Colorado and other states where that is permissible is likely very high.

Forage issues have plagued some Midwestern producers, and the whole region has wrestled with bitter and persistent winter weather. Production was 4.8% lower than last year in Ohio in March, 3.8% smaller in Minnesota and 1.6% lower in Wisconsin. However, the temperature is rising this month and anecdotal reports suggest that milk production is as well. Producers in the Midwest are obviously incentivized to increase milk output and the looming flush could lead to very strong national production in the months to come.

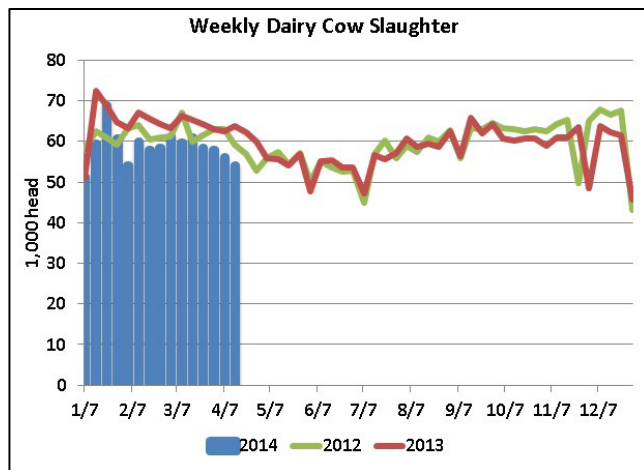


With prices falling, China is buying even more milk powder. China’s combined imports of SMP and WMP totaled 306 million lbs. in March, up 64% from last year. New Zealand has focused almost exclusively on supplying WMP to China, holding a commanding 92% share of China’s WMP imports in March. This has left the door open for other major dairy exporters to serve other markets. In the first two months of the year, New Zealand’s share of global SMP exports was more than 11% lower than in January and February of 2013. Over the same period Europe’s share increased 7.5% and the U.S. increased 1.6%. The U.S. is also making inroads in the global cheese and butter trade.

Stocks of butter and cheese in the U.S. remain well below last year’s volumes. Total cheese inventories reached 1.01 billion lbs. This is 0.1% higher than in February and 8.6% lower than last year. As milk flows increase in the Midwest, cheese inventories could finally begin to build. Butter stocks of 178 million lbs. are 30% lower than last

year. However, they grew 9% in March. This is a larger than typical increase in butter inventories for this time of year and reveals the slowdown in domestic and foreign demand for U.S. butter.

For the week ending April 12, dairy cow slaughter fell to 53,958 head. This was 15.5% lower than the same week last year. So far this year, slaughter is 9.1% lower than last year. Beef prices remain high, but today's margins motivate dairy producers to keep barns full and to delay culling until they have heifers to replace their cull cows.



### Grain Markets

Corn futures gained 13¢ this week. As tensions ratchet upward in Russia and Ukraine, wheat prices are running higher, and corn is following. There have been no delays in shipments from the Black Sea region so far, but the situation is tenuous and the grain market has gained a considerable risk premium.

Corn prices have also been supported by the slow pace of fieldwork. Planters are rolling in the southern states and in the western corn belt, but on Monday USDA reported that only 6% of the corn crop was in the ground. This is notably below the five-year average pace of 14%. In the eastern corn belt, soggy fields and cool temperatures have kept farmers sidelined. If weather continues to delay planting, it could shift some acreage to soybeans.

Soybean futures lost 15¢ this week. As noted above, the weather delays favor soybean acreage. Furthermore, there are again reports of Chinese soybean import cancellations and of shipments of South American soybean cargoes reaching the U.S. Argentine farmers are starting to sell their record large soybean crop, and this has pressured the South American soybean market. U.S. prices need to remain high enough to encourage a continued flow of soybeans from the southern hemisphere. But as the market demonstrated this week, there is a little room for prices to decline, as long as U.S. prices hold a premium to South America.

\*\*\*

**MILC PROGRAM SIGNUP FROM NOW THROUGH MAY 30<sup>TH</sup>:** (By Rob Vandenheuvel) It may seem somewhat odd to be talking about the Milk Income Loss Contract (MILC) program at a time of historically high milk prices, but due to the passage of the Farm Bill earlier this year, there may be some paperwork needed to make sure your dairy is able to take advantage of the program, if necessary.

While the MILC program will eventually be replaced by the "Margin Protection Program" later this year, the Farm Bill did temporarily extend the MILC program in the meantime. That means that if payments under the MILC program were to be available between now and about September 1, 2014, your dairy could be eligible to receive those payments.

As you recall, for most dairies in California, the selection of a "start month" is critical for the MILC program. Your start month for this year is set for whatever your dairy's start month was last year. That may or may not be acceptable to you, depending on how long it takes your dairy to produce up to the 2.985 million pound volume "cap" on the program.

If you wish to modify your start month to later this year, in order to provide your dairy with more flexibility as the dairy markets change on a daily basis, your local FSA office can process those changes during a **special "relief period" from now through May 30<sup>th</sup>**. You can either contact your local FSA office, or MPC members can contact our office at (909) 628-6018 to get assistance on this.

Of course it goes without saying that we certainly hope there are no MILC payments between now and the end of the program.