



# Milk Producers Council

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**DATE: August 3, 2018**  
**TO: Directors & Members**

**PAGES: 4**  
**FROM: Kevin Abernathy, General Manager**

## MPC Friday Market Update

### CHICAGO CHEDDAR CHEESE

Blocks	+ \$.0675	\$1.5875
Barrels	-.0450	\$1.4750

### Weekly Average, Cheddar Cheese

Blocks	+ \$.0260	\$1.5440
Barrels	-.0005	\$1.4350

### CHICAGO AA BUTTER

Weekly Change	+ \$.0575	\$2.3200
Weekly Average	+ \$.0525	\$2.3070

### DRY WHEY

<b>Dairy Market News</b>	w/e 08/03/18	\$3.3825
<b>National Plants</b>	w/e 07/28/18	\$3.3389

### NON-FAT DRY MILK

#### Week Ending 7/27 & 7/28

Calif. Plants	\$0.7666	10,702,657
Nat'l Plants	\$0.7795	22,861,529

#### Prior Week Ending 7/20 & 7/21

Calif. Plants	\$0.7804	9,265,744
Nat'l Plants	\$0.7891	17,298,456

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## Fred Douma's price projections...

<b>August 3 Est:</b>	<b>Quota cwt. \$15.95</b>	<b>Overbase cwt. \$14.25</b>	<b>Cls. 4a cwt. \$14.04</b>	<b>Cls. 4b cwt. \$14.73</b>
<b>July '18 Final:</b>	<b>Quota cwt. \$15.59</b>	<b>Overbase cwt. \$13.89</b>	<b>Cls. 4a cwt. \$13.71</b>	<b>Cls. 4b cwt. \$14.09</b>

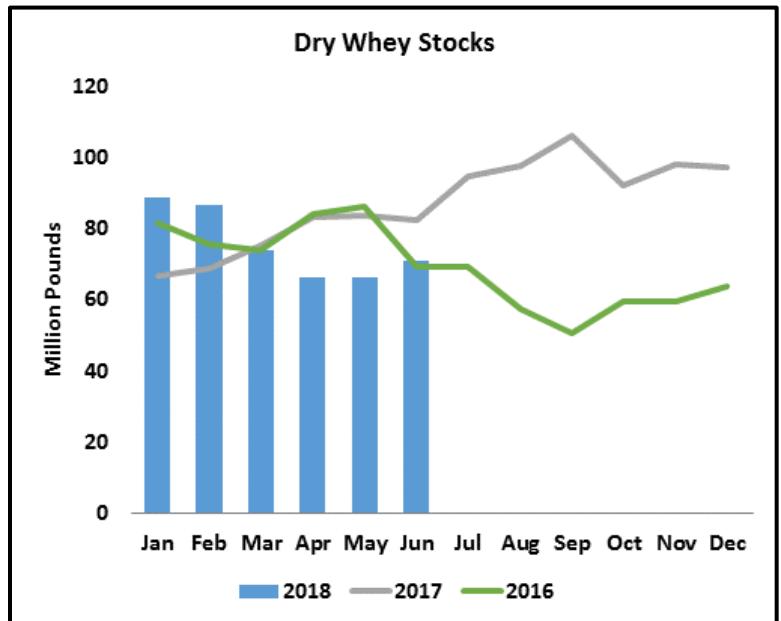
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## Market commentary

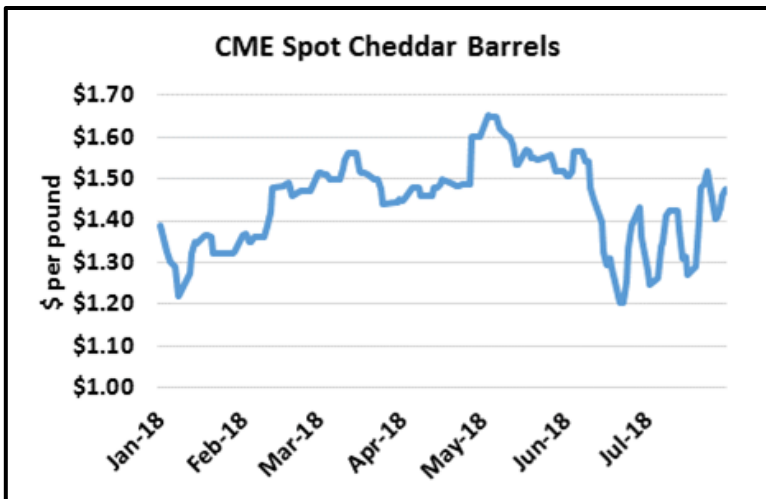
By Sarina Sharp, Daily Dairy Report, [sarina@dailydairyreport.com](mailto:sarina@dailydairyreport.com)

### Milk & Dairy Markets

The dairy markets moved warily higher this week. CME spot dry whey added a penny, reaching a fresh high at 43.5¢ per pound. The whey market remains relatively tight, helping to stabilize the Class III market. Production of dry whey for human consumption totaled 85.9 million pounds in June, down 0.8% from a year ago. Whey powder inventories climbed from the very low levels of April and May, but they remain 13.8% below year-ago volumes. Manufacturers continue to concentrate whey in large quantities. In the first half of the year, U.S. production of whey protein concentrates was 3.2% greater than the first six months of 2017.

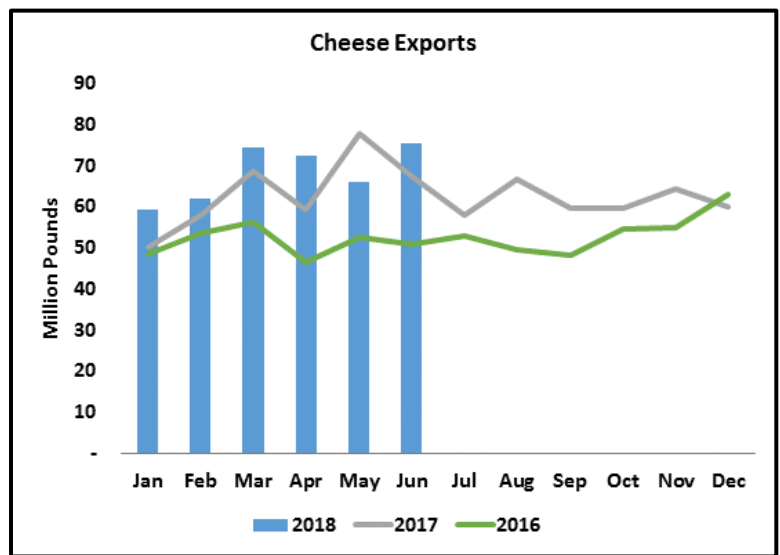


CME spot Cheddar blocks strived valiantly to break the recent down-trend. They rallied 6.75¢ this week to \$1.5875 per pound. Barrels maintained their upward slant, with noticeably higher lows than in preceding weeks. However, they failed to eclipse last Friday's high. They settled today at \$1.475, down 4.5¢ for the week. August Class III futures followed barrels lower, closing at \$14.88 per cwt. The remaining 2018 futures finished higher; most contracts added between a nickel and 15¢. USDA announced the July Class III price at \$14.10, down \$1.11 from June and \$1.35 lower than July 2017. At \$14.09, California 4b milk was 34¢ lower than the June 4b price.

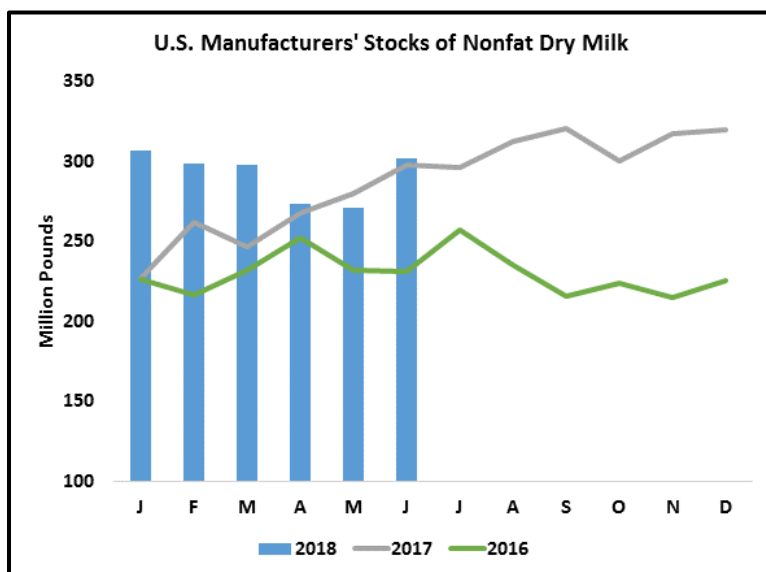


U.S. cheese output reached 1.06 billion pounds in June, up 1.8% from the prior year. Cheddar production was robust, up 4% from a year ago. This likely explains the pronounced weakness in the CME spot Cheddar barrel market in June and early July. Cheesemakers had access to large volumes of discounted milk in the early summer months, and barrels represent one of the most efficient ways to utilize capacity in many cheese plants. Cheesemakers were also leery of making cheese varieties that are typically slated for export; trade-related uncertainty likely pushed the cheese-production mix in favor of barrels.

Trade continues to capture the headlines, but, for now, cheesemakers and dairy producers may find domestic demand – which accounts for around 95% of U.S. cheese production – of greater concern. Despite a booming economy, rising wages, and accelerating restaurant sales, domestic cheese consumption has not impressed. In contrast, exports remain strong. The U.S. sent 75.4 million pounds of cheese abroad in June, nearly 12% more than in the same month a year ago. Shipments to Mexico jumped 17.4% from year-ago levels, likely because buyers were front-loading purchases before tariffs took effect in early July. U.S. and Mexican officials are reportedly nearing an agreement in principle on NAFTA reform. Hopefully, in a few months they will be able to get the deal across the finish line and rescind Mexico’s punitive tariffs on U.S. cheese exports.



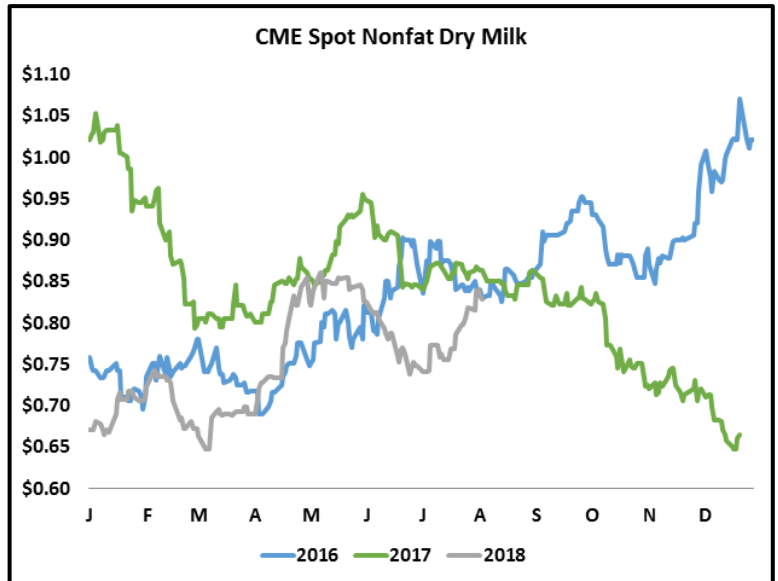
The U.S. sent 125.3 million pounds of milk powder overseas in June. That was substantially less than the robust volumes exported in February through May, but it was still 24.2% greater than prior-year volumes. Combined production of nonfat dry milk (NDM) and skim milk powder (SMP) in June was 207.1 million pounds, roughly on par with daily average production since February, and 2.4% greater than output in June 2017. But despite robust exports, manufacturers stocks of NDM jumped to 301.9 million pounds, up 1.4% from a year ago. When inventories were that size in late 2017 and the first few months of this year, spot milk powder prices languished in the 65¢ to 75¢ range. NDM futures took a step back today on the heels of this inventory data. Still, CME spot NDM closed today at 82.75¢, a penny higher than last week. Today’s prices suggest that NDM inventories have tightened since late June.



CME spot butter jumped 5.75¢ this week to \$2.32 per pound. That helped Class IV futures to a mostly-higher finish. USDA announced July Class

IV milk at \$14.14 per cwt., down 77¢ from June. California 4a milk was \$13.72, down 50¢ from the previous month.

U.S. butter production totaled 143.5 million pounds in June, up 3.1% from a year ago. California drove the increase, boosting output 9.5% from June 2017 volumes. Butter makers in the West are churning rather than selling cream at prices low enough to compensate for the cost to haul it to population centers in the East. The Labor Department estimates that long-distance trucking costs in June were 9.4% greater than the prior year. Given higher oil prices and the shortage of truckers, freight is likely to remain expensive, and cream is likely to remain tight in the East and more plentiful in the West.



Sweltering summer weather is trimming milk components and overall production. California’s Central Valley, home to a significant share of U.S. milk production, is on track to suffer a record-shattering 30 days with high temperatures above the 100° mark. Hot, humid weather throughout the Southwest and in the Northeast has tightened supplies just as fluid milk bottlers and ramping up for the new school year.

Dairy producers in Europe are also struggling amidst a severe heat wave and devastating drought. The impacts of adverse summer weather could linger, as conception rates, forage quality, and winter feed stocks are all likely to take a hit. For years, Europe has been the main – but not the only – driver in the global dairy surplus. The dairy trade will be unusually attuned to the vagaries of the weather across the pond.

### Grain Markets

The European drought has drastically altered the global grain outlook. Strategic Grains deemed the situation “catastrophic.” Germany, typically one of Europe’s largest wheat exporters, is likely to be a net importer this year. French wheat futures stand at multi-year highs. High-priced foreign wheat is supporting both wheat and corn prices in the U.S., as corn edges wheat out of feed rations. Nearby wheat futures jumped 39.25¢ this week to \$5.5625 per bushel. September corn settled at \$3.6975, up 7.75¢ since last Friday.

The soy product markets moved violently back and forth this week, enduring whiplash from an onslaught of trade-related headlines. September soybeans closed at \$8.915 per bushel, up 5.25¢. The Trump administration wants to keep channels open for talks with China, but it doubled down on threats to enact tariffs on the rest of U.S.-China trade. It seems unlikely that China will rescind tariffs on U.S. soybean exports anytime soon. While U.S. soybeans will attract new markets, China is too large to be fully replaced.

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## **July 2018 California Dairy Quality Assurance Program Newsletter: CDQAP Certification, Farm Security Workshops, Reminders for Crop Sampling**

*By Kevin Abernathy, MPC General Manager*

The July e-update from the California Dairy Quality Assurance Program (CDQAP) provides information on the benefits of CDQAP certification, upcoming farm security workshops, and tips on taking soil samples. Denise Mullinax, CDQAP’s Assistant Director, details the three-step process required for a dairy facility to gain CDQAP Environmental Certification.



The article provides dairy farmers details on how the certificate can benefit their operation, including water quality permit discounts and improved understanding of regulatory requirements.

The newsletter gives additional tips on crop harvest and forage sampling. Information on CDQAP Farm Security Workshops is also provided.

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

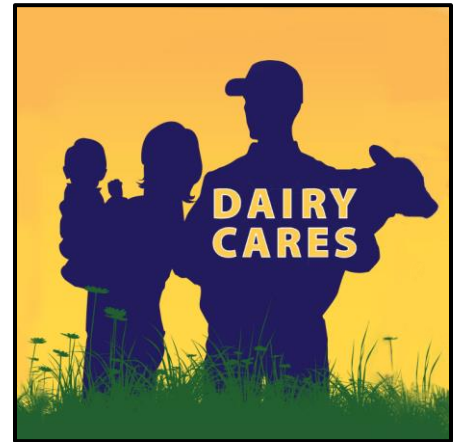
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## **Dairy Cares Newsletter: A Lesson in Planet-Smart Dairy**

*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 July edition of the Dairy Cares newsletter provides information on California's efforts to reduce greenhouse gas emissions through investments in methane digesters. The newsletter details how private funding and CDFA grants are allowing the California dairy industry to build additional digesters in an effort to meet the goal of 40% reduction in manure methane emissions by 2030. The update also explains efforts to convert methane into renewable natural gas (RNG), which can be used as fuel for transportation vehicles.



Read the full article [here](#).

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