



Milk Producers Council

P.O. Box 4030 ~ Ontario, CA 91761 ~ (909) 628-6018
 2328 Jonathon Court ~ Escalon, CA 95320 ~ (209) 691-8139
 Fax (909) 591-7328 ~ office@milproducers.org ~ www.MilkProducers.org



DATE: March 23, 2018
TO: Directors & Members

PAGES: 4
FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks - \$.0400 \$1.5450
 Barrels - \$.0500 \$1.5100

Weekly Average, Cheddar Cheese

Blocks - \$.0070 \$1.5600
 Barrels - \$.0035 \$1.5225

CHICAGO AA BUTTER

Weekly Change - \$.0200 \$2.1900
 Weekly Average - \$.0270 \$2.1860

DRY WHEY

Dairy Market News w/e 03/23/18 \$2.2538
 National Plants w/e 03/17/18 \$2.2406

NON-FAT DRY MILK

Week Ending 3/16 & 3/17

Calif. Plants \$0.7105 16,640,821
 Nat'l Plants \$0.6884 19,519,031

Prior Week Ending 3/9 & 3/10

Calif. Plants \$0.7150 14,784,441
 Nat'l Plants \$0.7061 14,931,985

Fred Douma's price projections...

Mar 23 Final: Quota cwt. \$15.07 Overbase cwt. \$13.37 Cls. 4a cwt. \$13.06 Cls. 4b cwt. \$13.96
Last Week: Quota cwt. \$15.11 Overbase cwt. \$13.41 Cls. 4a cwt. \$13.10 Cls. 4b cwt. \$14.02

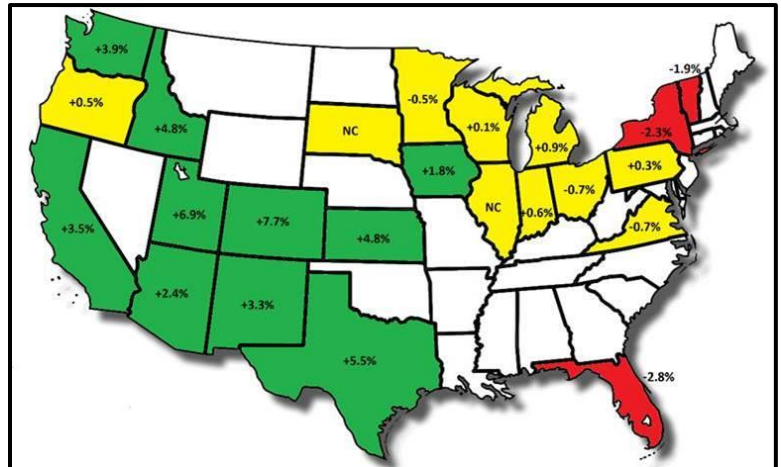
Market commentary

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

Milk & Dairy Markets

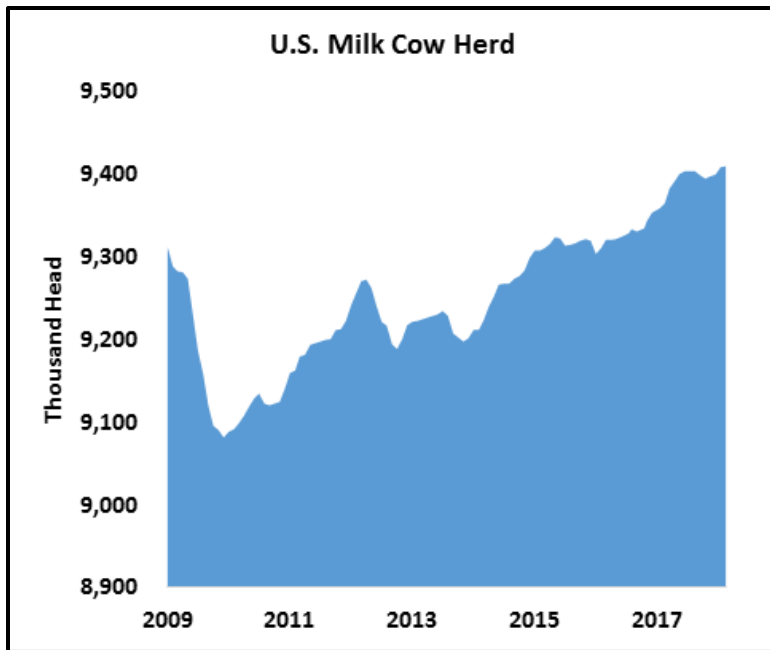
The dairy markets had to digest a lot of bad news this week. U.S. cow numbers continue to climb. Butter and cheese inventories moved sharply higher in February. Prices were mostly lower at the GDT. Trade tensions are escalating. Dairy product prices retreated, but they were not routed. There was no sense of panic, no collapse. It could have been much worse. That may be of little immediate comfort, but it suggests that further downside may be limited.

At the CME spot market, Cheddar blocks fell 4¢ to \$1.545/lb. Barrels finished at \$1.51, down a nickel. Spot dry whey closed at 28.75¢, a half-cent lower than last Friday. Most Class III futures contracts settled between 5¢ and 15¢ in the red. The Class IV markets were even more resilient, with modest losses in nearby contracts and little change down the board. CME spot butter slipped 2¢ this week to \$2.19, still at the upper end of the recent trading range. Spot nonfat dry milk (NDM) managed to gain a quarter-cent, finishing at 69.25¢.



Year-Over-Year Change in Milk Production

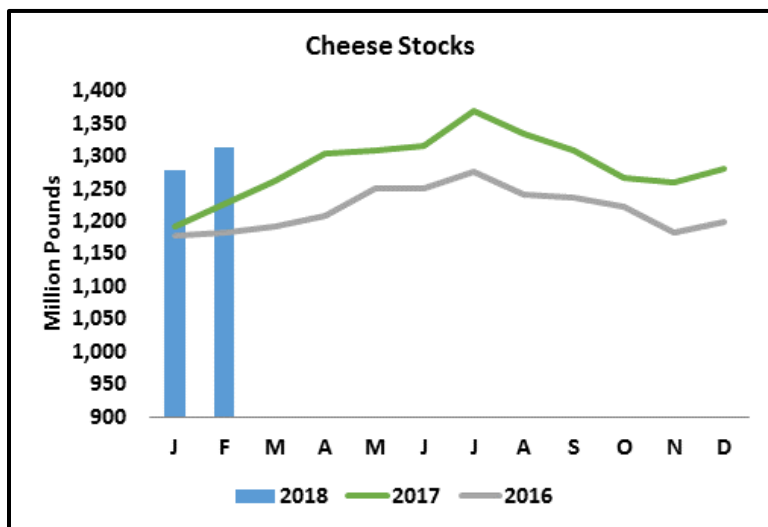
U.S. milk output totaled 17 billion pounds in February, up 1.8% from a year ago. Mild weather allowed for an early spring flush in California and throughout the West, helping to drive the increase. The Golden State reported a 3.5% year-over-year increase in milk production despite having 13,000 fewer cows than in February 2017. Milk output was up 7.7% in Colorado, 6.9% in Utah, and 5.5% in Texas. Growth slowed in the Midwest. Output was



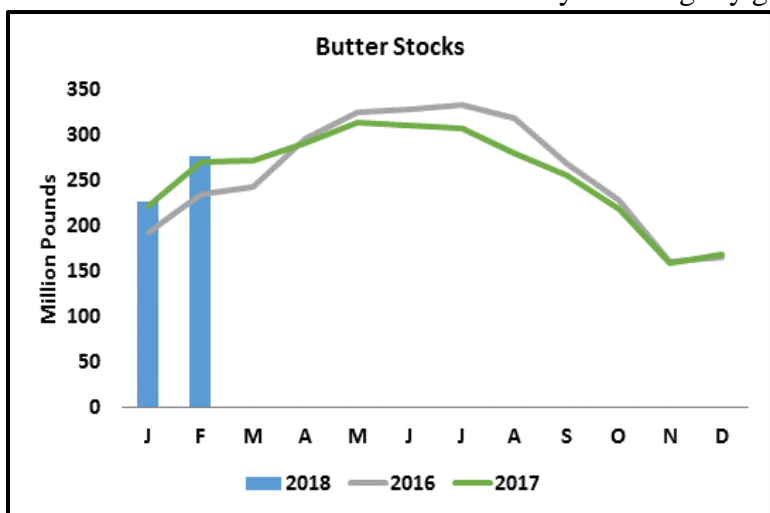
up just 0.1% in Wisconsin and 0.9% in Michigan, while Minnesota and Ohio reported year-over-year declines. Dairy producers on the East Coast struggled.

Despite strained finances, elevated dairy cow slaughter, and regular reports of dairy herd dispersals, the milk cow herd continues to expand. USDA revised upward its estimate of the January herd by 4,000 head and dairy producers added another 1,000 head in February. At 9.41 million head, the dairy herd is 45,000 cows greater than it was a year ago and larger than at any point in more than two decades. Growth in the U.S. dairy herd is unwelcome. It suggests that the industry is still headed in the wrong direction on the long road to recovery.

However, despite the calendar and the size of the herd, the raw milk market is not in disarray. Some milk is moving at a discount, but milk marketers are better prepared and seem to have more options than they did at this time last year. Here too, the dairy markets are bending but not breaking in the face of adverse conditions. There is more to be done, but the industry has become more efficient and has corrected some of the imbalance between milk output and processing capacity. As more capacity comes on line, dairy producers may see milk premiums begin to rebound, although a full restoration is unlikely.



With milk aplenty, dairy products are abundant. Cheese stocks jumped 35.5 million pounds in February to 1.31 billion pounds. They are 2.8% greater than they were a year ago. The February increase was large enough to offset the unexpected decline in cheese inventories from December to January, and it hints at less than impressive demand. Growth in cheese stocks in the first two months of the year is slightly greater than the five-year-average inventory build, and it comes on top of already formidable stockpiles.



Butter inventories climbed 50.3 million pounds in February to just shy of 277 million pounds. That's the largest January-to-February stock build since 1992. Butter inventories are 2.6% greater than they were a year ago and they represent the largest February stockpile since 1993. It's not encouraging to be reaching back into the early '90s – when low-fat products and neon windbreakers were in fashion – for comparable butter trends.

Grain Markets

Markets of all types were rattled this week as the

U.S. and China proposed retaliatory tariffs. The Trump administration announced duties on as much of \$60 billion in Chinese products. China's Ambassador to the U.S. warned, "If somebody imposes a trade war on China, we'll fight to the end." Beijing rolled out tariffs on U.S. fruit, ginseng, nuts, pork, and recycled aluminum and steel pipes. Officials on both sides have left themselves enough room to back away from these threats and save face. The tariffs will not become official until after a comment period, and perhaps the affected industries will successfully lobby against the border tax. China hit agriculture hard, but didn't touch sorghum or soybeans, which would have a much broader impact on the U.S. farm and livestock industries than its chosen targets. Both sides seem full of bluster but wary of allowing this trade spat to escalate into all-out war. If China continues to slap U.S. agriculture with retaliatory tariffs, the whey market would be the most vulnerable part of the dairy complex. The fact that whey prices held their own this week suggests that the trade expects the status quo to prevail.

It rained in Argentina last weekend, prompting a dramatic selloff in the grain and oilseed markets on Monday. The rains were neither heavy nor widespread, but the crop markets were overdue for a correction. Investment funds had been buying corn, soybean, and soybean meal contracts en masse, and the market was listing heavily to one side. After the recent downturn, it is nearer a sustainable equilibrium. May corn settled today at \$3.7725 per bushel, down 5.5¢. May soybeans dropped 21.25¢ to \$10.2825. May soybean meal climbed \$5 to \$377.90 per ton.

The same issues persist. It's dry in Argentina and the crop is in pitiful shape. The U.S. hard red winter wheat crop is also suffering from drought. Corn inventories are historically large, but exports have been strong. Soybean inventories are a bit tighter, but exports have not impressed. In light of the issues in Argentina, however, U.S. soybean exports are expected to pick up eventually.

***California Dairy Digital Magazine* highlights MPC dairy farmer, activities**

By Kevin Abernathy, MPC General Manager

With the first quarter of 2018 nearly behind us, we figured it was a great time to share with you some of the MPC-related articles featured in *California Dairy Digital Magazine* this year.

In its most recent edition, the magazine profiled MPC Board Member Michael Oosten and the farming practices he is implementing on his dairy operation. Highlighted in the article is Oosten's use of Italian ryegrass to support soil health and genetically modified alfalfa for a feed that improves milk production. If you want to read more about the innovations happening on Oosten's dairy, the article can be found on pages 3-6 of the digital version [here](#).

The magazine's January edition highlighted MPC membership meetings at the close of last year. The purpose of those meetings was to inform California dairy farmers on important environmental and economic issues facing our state's dairy families. The article touches on topics ranging from the Federal Milk Marketing Order to the Sustainable Groundwater Management Act. This article can be found in the digital version of the magazine on pages 8 through 10 [here](#).



We encourage you all to give these articles a read and we'll continue to share future articles.

In observance of Good Friday, there will not be a Friday Report on March 30.



The next MPC Friday Report will be published on April 6, 2018.