



# Milk Producers Council

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**DATE: January 19, 2018**  
**TO: Directors & Members**

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

## MPC Friday Market Update

### CHICAGO CHEDDAR CHEESE

Blocks + \$.1100 \$1.5650  
 Barrels + \$.1275 \$1.3450

### Weekly Average, Cheddar Cheese

Blocks + \$.0708 \$1.5263  
 Barrels + \$.0376 \$1.3231

### CHICAGO AA BUTTER

Weekly Change - \$.0400 \$2.1200  
 Weekly Average -\$.0299 \$2.1406

### DRY WHEY

Dairy Market News w/e 1/19/18 \$2.600  
 National Plants w/e 1/13/18 \$2.797

### NON-FAT DRY MILK

#### Week Ending 1/12 & 1/13

Calif. Plants \$0.7110 5,284,310  
 Nat'l Plants \$0.6896 18,265,365

#### Prior Week Ending 1/5 & 1/6

Calif. Plants \$0.7054 4,527,027  
 Nat'l Plants \$0.6971 11,985,155

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## Fred Douma's price projections...

Jan 19 Est: Quota cwt. \$15.01 Overbase cwt. \$13.31 Cls. 4a cwt. \$13.06 Cls. 4b cwt. \$13.45  
 Last Week: Quota cwt. \$14.88 Overbase cwt. \$13.19 Cls. 4a cwt. \$13.17 Cls. 4b cwt. \$13.09

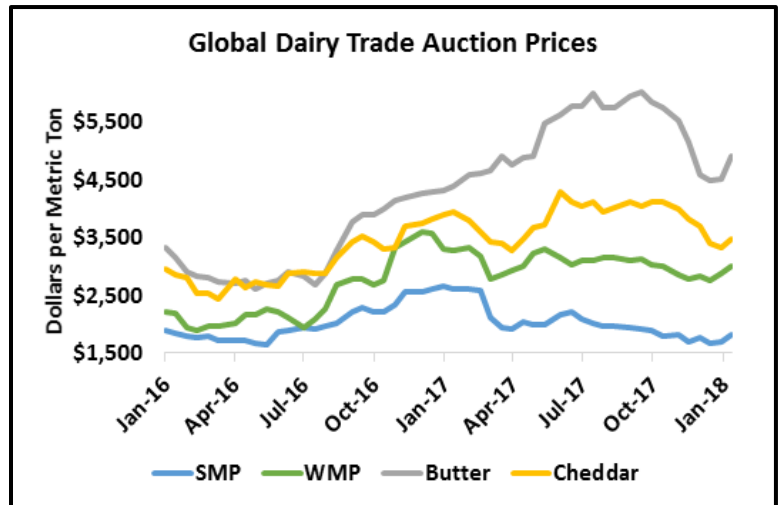
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## Market commentary

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

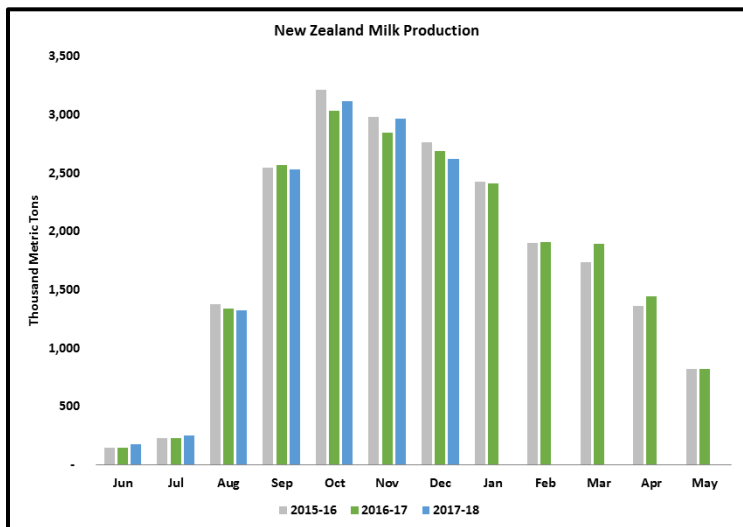
### Milk & Dairy Markets

At long last, the milk powder market is looking lively. CME spot nonfat dry milk (NDM) bounced 4¢ this week to 70.75¢ per pound. That was enough to push Class IV futures 20¢ to 40¢ higher. The Global Dairy Trade (GDT) auction provided the impetus. At the GDT, skim milk powder (SMP) prices jumped 6.5% from the previous event to an average of \$1,818 per metric ton, or the equivalent of 88¢ NDM after adjusting for protein. Whole milk powder (WMP) prices rallied 5.1% and all other products moved higher as well, pushing the GDT Index up 4.9%, its largest increase in more than a year.



Fonterra helped to boost sentiment among milk powder traders this week. New Zealand's largest dairy cooperative reported a 6% decline in its December milk collections and lowered its estimate of full-season collections, citing dry weather. Fonterra's producers suffered worse than the nation as whole; New Zealand's fluid milk collections in December were down 2.6% from a year ago, and milk solids collections fell 4.6%. That puts New Zealand's June-to-December milk solids production up 0.4% from a year ago, but the momentum points toward contraction.

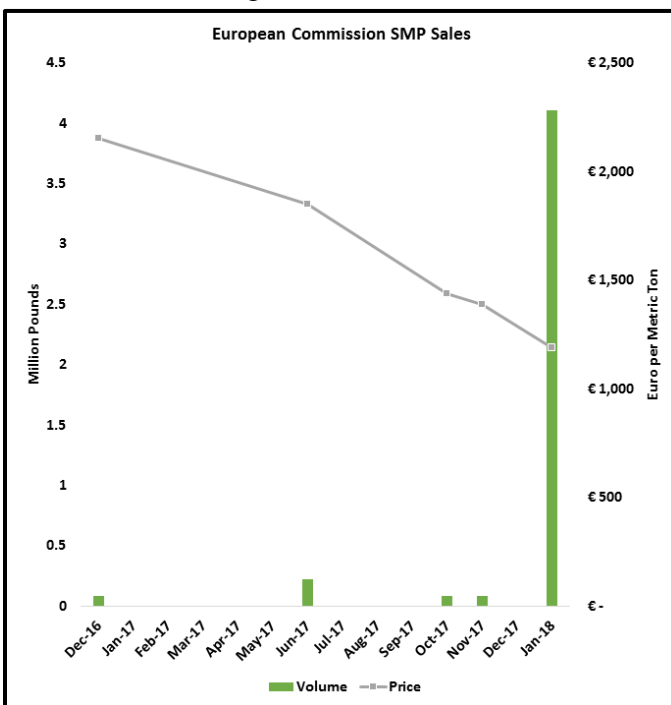
Nonetheless, domestic indications of milk powder pricing remain depressed. Dairy Market News reports that "offers remain more pervasive than buys." Stocks are burdensome in the U.S. and in Europe. This week, the European Commission managed to sell 1,864 metric tons (or 4.1 million pounds) of SMP out of its Intervention



storage program, but it had to accept just €1,190 per metric ton to get product moving, well below the former floor price of €1,698. At the current exchange rate, the European Commission is selling SMP at the equivalent of NDM at 70¢ per pound.

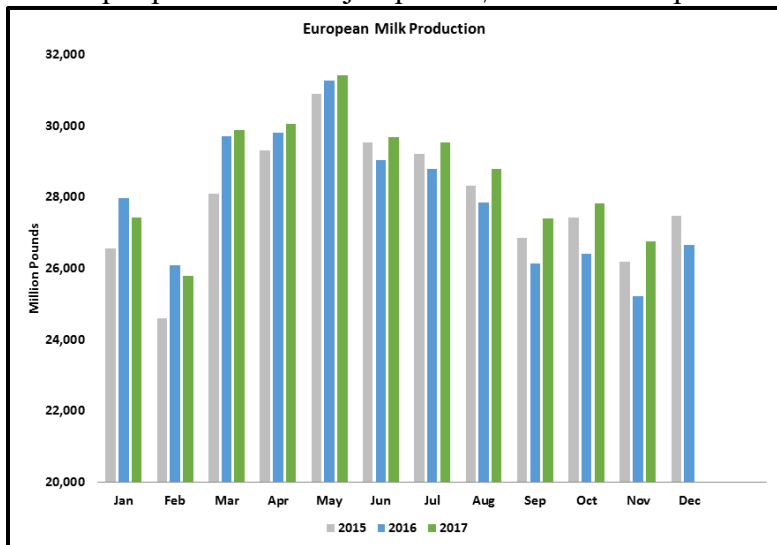
While New Zealand’s milk supply has tightened, Europe’s continues to grow. European milk collections reached 26.8 billion pounds in November, assuming steady production in Greece, which reports its milk production data at a leisurely pace. That volume is 6.1% greater than in November 2016 – when the European Commission paid producers to limit production – and 2.2% greater than the record-breaking volumes of November 2015.

While talk of drought and sliding milk output in New Zealand sparked a milk powder rally this week, continued growth in European milk output can quickly douse bulls’ enthusiasm. The *Daily Dairy Report* notes that New Zealand’s year-over-year milk production shortfall came to 152 million pounds in December, less than one-tenth of the 1.55 billion pound increase in European milk collections in November. “While New Zealand could see a slowdown, surpluses from Europe – and likely the United States – should be able to backfill potential shortages.”



In the longer run, however, low milk prices are likely to limit growth in U.S. milk output. A sustained rally in U.S. milk powder prices is unlikely, but perhaps they have fallen far enough for now. The same seems to be true in the cheese market. After falling to the lowest level since 2009 last week, CME spot Cheddar barrels came roaring back. They surged 12.75¢ this week to a still unimpressive \$1.345 per pound. Blocks jumped 12¢ to a more respectable \$1.565 per pound. With that, most Class III futures

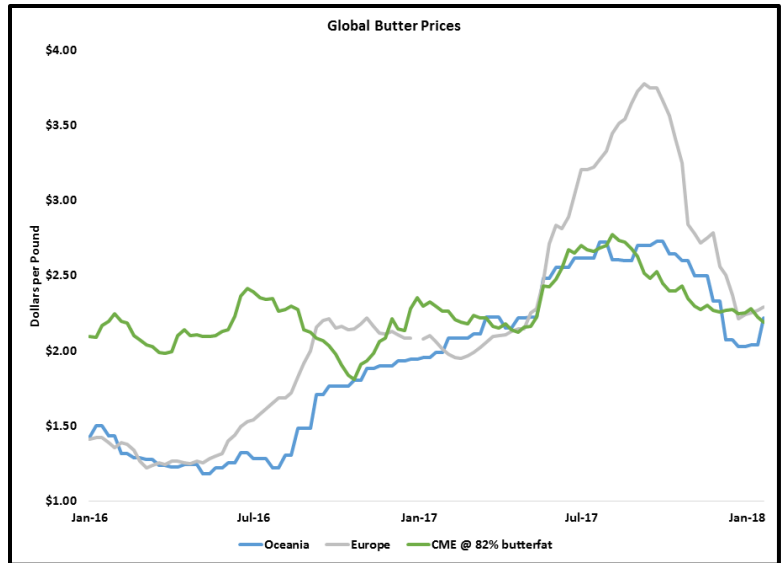
logged double-digit gains this week. The February contract climbed 49¢.



In contrast, the CME spot butter market spent the holiday-shortened trading week in decline. It finished today at \$2.12 per pound, down 4¢ to the lowest price since May. Butter prices in Europe and Oceania have stopped falling, and – thanks to the weak dollar – they have turned upward when expressed in U.S. dollars.

The fact that dairy product prices have stopped falling is encouraging, but it is meager comfort to dairy producers who must muddle through \$13 and \$14 milk. In California, poor margins have

already translated to lower supplies. November milk collections in the largest dairy state fell to an eight-year low for the month. The continued decline in California milk collections prompted California Dairies Inc. (CDI), to shut down its Los Banos facility, which makes cream cheese and Neufchâtel cheese. The Los Banos plant was CDI's oldest and least efficient processing plant, making it the obvious choice for closure. Going forward, declining milk output in California is likely to translate into lower milk powder production, which could help to chip away at the global milk powder surplus.



### Grain Markets

The corn market made a bit of a comeback this week, climbing 6.25¢ to \$3.525 per bushel. March soybean futures were even stronger, rallying 33.25¢ to \$9.605. The rebound is another week of benign weather in South America. Global demand for grains and oilseeds remains strong, but U.S. soybean exports continue to lag as Brazil controls a growing share of the market.

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## **CVDRMP to host Annual Membership Meeting January 25 in Fresno**

*By Kevin Abernathy, MPC General Manager*

The Central Valley Dairy Representative Monitoring Program (CVDRMP) will host its Annual Membership Meeting on Thursday, January 25 in Fresno. The CVDRMP is a not-for-profit group of more than 1,000 Central Valley dairies, organized and overseen by directors elected from its membership. The group's purpose is to reduce regulatory costs for members by administering a representative groundwater monitoring program for dairies.

The meeting agenda includes a technical program report, important membership information, results of the 2017 Board of Directors elections, finance reports, an open section for member questions and comments, and a CV-SALTS regulatory update. We encourage MPC members to attend the meeting to learn about the program. If you are unable to attend and have questions, please contact the CVDRMP office at 916-594-9450 or [cvdrrmp@gmail.com](mailto:cvdrrmp@gmail.com).

### **CVDRMP Annual Membership Meeting Details**

1 p.m. Thursday, January 25, 2018

Fresno County Farm Bureau Conference Room

1274 West Hedges Avenue

Fresno, CA 93728

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## **MPC's Northern Office has moved!**

MPC's Turlock office has moved to Escalon. Please update your contacts with the new information:

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