

WEEKLY UPDATE

May 17, 2018

Attend WUD's kitchen table meeting May 23

Please join WUD's CEO Anja Raudabaugh and South Valley Field Rep Katelyn Lewis at Vejar's Restaurant on May 23 to discuss current issues that impact your dairy. Anja will provide an update on politics in the state and in D.C., labor and immigration barriers. She will also be discussing efforts under way that provide potable drinking water to disadvantaged communities. Your questions and concerns will of course also be at the forefront! As a bonus, you get to enjoy delicious food at Vejar's (1293 S. K St., Tulare). The meeting will start at 11am. Sign-ups for WUD's new labor hub (Lecheros Unidos de California (LUC)) will also be available along with full labor support as part of your membership.

Organic market update

By Annie AcMoody, Director of Economic Analysis

There is a lot going on with organic milk in California and despite the high interest for information, there is not a lot of data on organic producer pay prices. Still, USDA's Dairy Market News provided some market information in its commodity report, reporting data from the annual meeting of a large national organic cooperative. A sign of tough times in the market, the organic coop announced its first loss in the past 20 years in 2017. Factors cited behind the loss include: "delay in lowering pay prices to organic producer members; increased inventories of organic nonfat dry milk; and slower sales than expected. The coop reports a 12 month 2018 average pay price of \$30.96, with an April pay price of \$29.24. This is noted to be for total solids of 12.9 percent Midwest based pricing." According to CDFA data, gross milk receipts averaged \$30.85/cwt for the fourth quarter of 2017 in California. This is based on a sample of 13 organic dairies in California. While the average seems in line with that aforementioned national average, there is a lot of variation for dairies in the sample, with the lowest gross milk receipts at \$25.09/cwt and the highest at \$44.25/cwt. It is important to mention both those dairies had the lowest and the highest fat percentage in the sample, at 3.39% and 5.25% respectively (the average is 4%).

The wide price variations in California are not unique to the Golden State. Some producers in Wisconsin are facing similar issues, in particular as some of the organic milk there is being replaced by milk being trucked from very large organic farms in Texas. Somehow those farms manage to produce the organic milk and ship it for less than contracted prices to Wisconsin producers. USDA reports the estimated trucking costs from Texas to Wisconsin are upward of \$5/cwt. To give an idea of the difference between dairies' sizes in Texas and Wisconsin, a NASS survey showed there was 76 times more organic dairies in Wisconsin than Texas, yet Texas produced 1.3 times more milk. Put another way, the average dairy's production in Texas was 80 million pounds, while the average dairy in Wisconsin produced 810,000 pounds.

Outside of the U.S., organic milk production is also growing. Germany for example grew its organic milk supply by a third in January 2018 compared to January 2017. Prices in Europe however may be a good reason behind the increase, as they remain significantly higher than the U.S. USDA reports in the Netherlands a large processor of organic milk announced a price decline in April, but this brought the price to \$58.96/cwt, hardly a place to complain compared to where U.S. prices stand. This is for milk with a fat content of 4.4%.

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WEEKLY UPDATE DELIVERY OPTIONS

Send change of address or request for Update delivery to WUD by phone or fax, or email to info@westernuniteddairymen.com

LIKE US ON FACEBOOK!

Western United Dairymen has a Facebook page. "Like us" today and join in on the conversation about California dairy families.

GET INVOLVED

For more information on how to get involved in WUD's political machine, visit WUD's website www.westernuniteddairymen.com Or californiaagaction.com to see how you can be part of the action.

MEMBER PORTAL

As a member of WUD, you have access to exclusive pricing and labor information in the Member Portal on the WUD website. If you need your information to access the member portal, please contact your field rep.

What's up and what's not? Your weekly market update

By Annie AcMoody, director of economic analysis

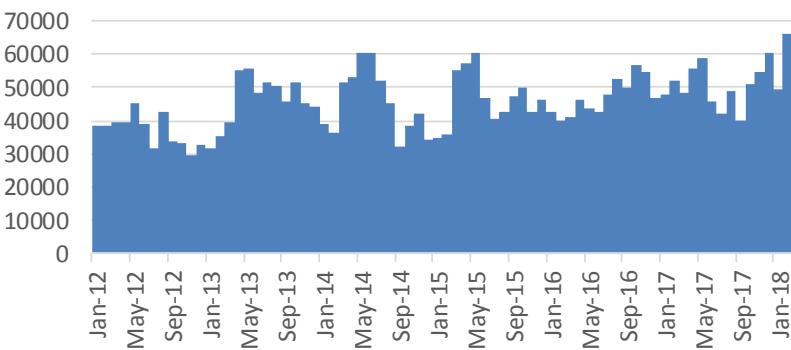
The CME butter price has been climbing faster than excitement surrounding the upcoming Royal wedding this week. Tea parties include butter in many cute pastries, so we can only hope the obsession for the British event translates in tea parties around the country. I just googled "crumpet" and the recipe came back including butter AND milk, so I'm all in. While I may be getting carried away and Prince Harry's nuptials likely won't turn into the Superbowl for butter, there are plenty of other market fundamentals to be thankful for in the butter sphere. The price now stands at \$2.385/lb—the highest since October 2017.

Global markets remain strong, with the latest butter price averaging \$2.62/lb at the latest auction, up 6 cents from the previous one. That international pricing strength has translated into significant export improvement for U.S. butterfat. In March, butterfat exports were up 148% year-over-year. Imports were still up (+25% year-over-year), but not by enough to surpass exports. This resulted in the first positive trade balance since November 2017 for butterfat trade.

Dry whey is as cool as a milk tank these days, chilling comfortably at the current price level, moving very slowly. But unlike the temperature on the milk gauge, the price is actually going up. The gain this week was 0.25 cent, bringing the price to \$0.2975/lb. Even better news is that if the price makes the leap above 30 cents, it would place the price in the next bracket of the dry whey formula, boosting the Class 4b price by 13.5 cents/cwt. Dairy Market News continues to report upbeat market information: "demand in the domestic and international markets are firm. Overall, dry whey inventories are tight and continue to decrease. Some processors report having to cancel some of their contracts and are unable to fulfill spot requests because of limited spot availability."

Powder prices may still be behind where we'd like them to be but they continued the recent positive trend. The gain of 1.77 cents this week marked the fifth consecutive increase for the California price average. The increase brought the price to \$0.7464/lb—the highest since December 2017. The western nonfat dry milk price surveyed by DMN did not act as enthusiastically, losing 0.25 cent. Still, the price remains ahead of California's, averaging \$0.825/lb this week. Outside our borders, powder prices are feeling the same positive vibe. At the latest GDT event this week, skim milk powder climbed another 2 cents, to an average \$0.93/lb. While Oceania prices are higher, European prices continue to lag behind, averaging \$0.79/lb according to DMN's latest survey. Still, those prices are higher and allow U.S. powder to be in a good competitive position in international markets. That was corroborated by trade data showing powder exports for the last two months of data available (February-March) to be among the highest ever. Specifically, March 2018 exports were up 37% from last year and marked a new monthly record at 66,407 tons (February took the record on a daily basis).

Nonfat Dry Milk Exports



The block cheese price was the only California pricing contributor to go the wrong way this past week. Progressive losses ultimately brought the price 8.25 cents lower, to \$1.5825/lb. The lackluster price movement applied to the U.S. but not to the latest GDT, where the average Cheddar price jumped up 8 cents this week, to \$1.91/lb. U.S. cheese exports have fared well amidst higher global prices. In March, export volume was up 9% year-over-year and at the highest level since May 2017. According to U.S. Dairy Export Council, cheese exports represented 6.8% of total cheese

production, up from 6.5% last year. As a whole, U.S. dairy exports represented 17.3% of U.S. production, up from 14% last year and a new record.

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Reminder: MPP sign-up deadline is June 1, 2018

If you are considering signing up for the 2018 calendar year, you must visit your FSA office to participate (even if you signed up last year for 2018). The program will be made retroactive to January 1, 2018. If 25-90% of your production falls within 5 million pounds, there should be some money there for you, so it's worth taking a look. Email annie@westernuniteddairymen.com or call the office if you have any questions.



Q. What are the actual MPP margins announced by FSA and what are the forecasted margins?
A. The table below outlines the actual margins in bold. Forecasted margins are in italics. While April is behind us and that number should be pretty close to what FSA releases, the agency has not yet posted it officially on its website. The third, fourth and fifth columns show the payout at different coverage levels.

	Margin	Revenue if signed up at \$8/cwt	Revenue if signed up at \$7.50/cwt	Revenue if signed up at \$7/cwt
Jan	\$ 8.12	\$ -	\$ -	\$ -
Feb	\$ 6.88	\$ 1.12	\$ 0.62	\$ 0.12
March	\$ 6.77	\$ 1.23	\$ 0.73	\$ 0.23
Apr	\$ 6.70	\$ 1.30	\$ 0.80	\$ 0.30
May	\$ 7.17	\$ 0.83	\$ 0.33	\$ -
June	\$ 7.88	\$ 0.12	\$ -	\$ -
July	\$ 8.15	\$ -	\$ -	\$ -
August	\$ 8.52	\$ -	\$ -	\$ -
September	\$ 8.26	\$ -	\$ -	\$ -
October	\$ 8.55	\$ -	\$ -	\$ -
November	\$ 8.78	\$ -	\$ -	\$ -
December	\$ 8.78	\$ -	\$ -	\$ -

Annual environmental stewardship certification classes coming to Fresno

By California Dairy Quality Assurance Program

The California Dairy Quality Assurance Program (CDQAP) is offering its annual in-person classes on environmental stewardship at the Fresno County Farm Bureau office. This year, all certification classes will be held at: Fresno County Farm Bureau, 1274 W. Hedges Ave, Fresno, CA

AIR QUALITY CORE CLASS: Wednesday, June 20 from 2:00 p.m. to 4:00 p.m.

WATER QUALITY SHORT COURSE: Class One - Thursday, June 21 from 9:00 a.m. to 12 noon. Class Two - Thursday, June 21 from 1:00 p.m. to 4:00 p.m. *To complete the requirement, the same person must attend both classes, unless they already have a class credit.*

Alternately, producers may complete water and air education online to meet the education requirements of CDQAP certification. Producers interested in taking online classes should email cdqap@cdrf.org for more information.

Certification requirements:

- Attend environmental stewardship classes (6 hours of water quality and 2 hours of air quality),
- Create and implement on-farm management plans consistent with requirements of respective Regional Water Quality Control Board (and the San Joaquin Valley Air Pollution Control District for producers in the Central Valley), and
- Successfully complete an on-farm third-party evaluation of the dairy to assure compliance with all environmental regulations. Water quality classes must be completed PRIOR to evaluation.

PAST ATTENDANCE HOURS: If you have attended previous CDQAP water quality classes and want to check on your status, please call (530) 574-0524.

Benefits of certification:

- Third-party verification from a non-regulatory, environmental expert
- 50% reduction in annual water quality permit fees (State Water Resources Control Board)
- "Environmentally Certified" facility roadside sign

Latest commodity prices

Average (\$/lb)	AA Butter	NFDM	40# Blocks	Barrels	Dry Whey
April	\$2.2843	\$0.7012	\$1.5914	\$1.4724	\$0.2625
May	\$2.3536	\$0.7313	\$1.6483	\$1.5877	\$0.2881
May 17	\$2.3850	\$0.7464	\$1.5825	\$1.5350	\$0.2975
From last week	+4.5 cents	+1.77 cents	-8.25 cents	-11.5 cents	+0.25 cent

Latest class prices

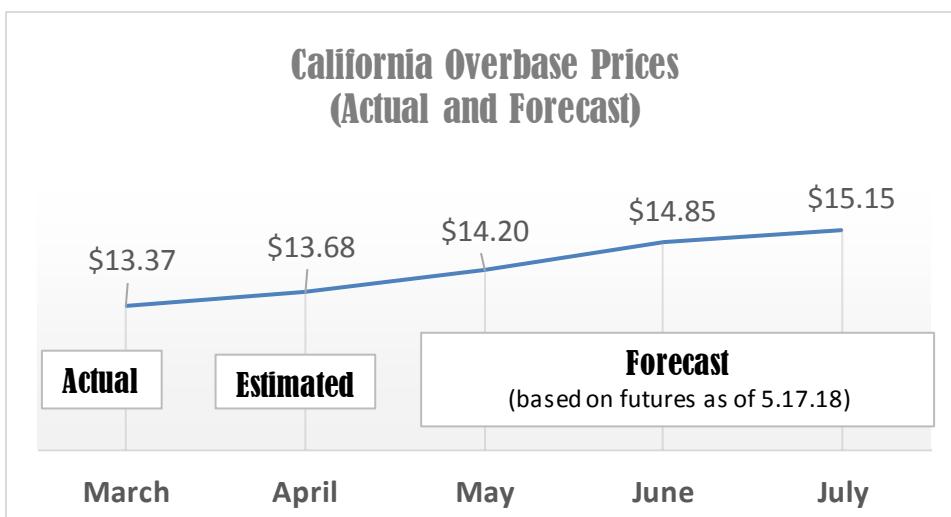
Price (\$/cwt)	Class 1	4a	4b	Overbase	Quota
March	\$15.34	\$13.01	\$13.96	\$13.37	\$15.07
April	\$16.11	\$13.29	\$14.27	\$13.68	\$15.38
May	\$16.23	\$13.83	\$14.98	\$14.20	\$15.90

Prices in italics are estimates

Federal Order Class Prices

Month	Class I base	Class II	Class III	Class IV	Mar all-milk price*
April	\$14.10	\$14.03	\$14.47	\$13.48	\$15.60

*The all-milk price is the price used in the MPP formula to calculate the milk price side of the equation. It is not a number that can be compared to the California overbase price.



Ask WUD—Based on feedback received from members, we will add a questions corner in the Friday Update. Please send us your questions you would like to see answered in the Update to annie@westernuniteddairymen.com. Questions can be pertaining to pricing, policy, regulatory matters, environmental issues. WUD's experts are ready to answer what matters to you!

