

CALIFORNIA DAIRY CAMPAIGN

Dairymen working for Dairymen



August 4, 2017



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*****ACTION ALERT *****

U.S. House Agriculture Committee “The Next Farm bill, Conversations from the Field”

Farm Bill Listening Session:

Modesto Junior College West Campus, ACE Ag Pavilion

Saturday, August 5, 2017

9am-12pm

Dairy producers are encouraged to sign up to speak at the listening session.

All in attendance will have the opportunity to speak for 2 minutes.

California Dairy Campaign (CDC) President Joe Augusto is planning to testify during the field hearing on Saturday to speak about the importance of dairy inventory management in the next farm bill. An incentives based inventory management program in the next farm bill is especially important considering the Dairy Margin Protection Program (DMPP) proposals that have been put forward so far which would dramatically lower premiums for certain dairy operations potentially leading to increased milk production and causing even more extensive periods of depressed dairy producer prices.

CDC opposed the DMPP during the last farm bill debate because it was an untested insurance scheme. The test results are in and are not good for California. Just one California dairy signed up at any coverage level above the \$4.00 catastrophic coverage level in 2017. The debate in Congress is now focused on lowering premiums for dairy operations below 5 million lbs. of milk production per year or approximately 223 cows. The average herd size in California according to the latest CDFA statistics totals 1249 cows. Under the proposed changes passed by the Senate Agriculture Appropriations Committee, the premium rates for any production above 5 million lbs. or operations above 223 cows would be approximately 10 times higher. Not only would this create an inequitable system for larger dairy operations in California, it would also insulate smaller dairies from any market signals and increase milk supplies in the future regardless of market conditions depressing milk prices.

Talking Points for Dairy Producers:

Since time is limited it is important for dairy producers planning to testify to begin by briefly describing their dairy operation including its location and other key details and speak about issues that affect their dairy operation.

Dairy Title of the Farm Bill talking points: Remind members of the committee that the last farm bill debate included extensive debate of dairy inventory management and it is critical that the next farm bill include an incentives based inventory management program to balance milk supply with market demand. Voluntary dairy inventory management programs and refundable assessments were in effect beginning in the 1980's to generate revenue, decrease government costs and manage milk inventories to match market demand.

The DMPP has failed in California with just one dairy signed up at any coverage level above the \$4.00 cwt catastrophic margin level in 2017. California dairy producers lack any confidence in the program because it fails to provide an effective safety net when milk prices decline because it does not account for actual dairy margins. Proposed changes to the DMPP to lower premiums for smaller dairies would further disadvantage California dairy producers who are already paid some of the lowest prices in the country and incur some of the highest production costs including regulatory costs. Under the proposed changes to the failing DMPP, California dairies would be at a further disadvantage and required to pay premiums that are 10 times higher on production over 5 million lbs.

Changes to the DMPP will not improve the outlook for California dairies. Comprehensive dairy policy reforms including an incentives based inventory management program will ensure dairy farmer are paid a fair price.

www.californiadairycampaign.com

CDC WEEKLY REPORT

August 4, 2017

COMMODITIES	Jun 17	Jul 17	Aug 17	COST OF PRODUCTION		
Calif. AA Butter	2.4751	2.5645	2.6888	North Valley		1st Qrt 2017
Grade B Butter	2.4238	2.5130	2.6173	COSTS — Released Quarterly		
CME Block	1.6430	1.6112	1.7109	TOTAL FEED	\$	8.42
Calif. 40# Blocks	1.6178	1.5860	1.6857	TOTAL LABOR	\$	1.93
Calif. NFDM	0.8895	0.9034	0.8958	HERD REPLACEMENT	\$	1.68
Dry Whey (Avg west \$/Lb.)	0.4470	0.4300	0.4205	OPERATING COST	\$	3.19
CA Dry Whey (\$/CWT)	1.1950	1.1950	1.1950	TOTAL MARKETING COSTS	\$	0.53
MILK PRICES						
4a - FAT \$/lb.	2.7739	2.8812	3.0064	Total Costs		\$ 15.76
4a - SNF \$/lb.	0.7132	0.7271	0.7195	Allowance ROI & ROM		\$ 1.39
4a - 3.5,8.7 \$/Cwt	15.91	16.41	16.78	Total Cost and Allowances		\$ 17.15
4b - FAT \$/lb.	2.7739	2.8812	3.0064	INCOME		
4b - SNF \$/lb.	0.6773	0.5978	0.6637	GROSS MILK PRICE/CWT	\$	17.38
4b - 3.5,8.7 \$/Cwt	15.60	15.29	16.30	MAILBOX PRICE/CWT	\$	17.19
3 - 3.5,8.7 \$/Cwt	14.45	14.45	16.54	NET INCOME/CWT		
2 - 3.5,8.7 \$/Cwt	14.59	14.59	16.68	DATA		
CRP	18.92	18.80	19.18	MILK COW HAY PRICE \$/T	\$	228.60
1 - 3.5,8.7 \$/Cwt	16.95	18.45	18.32	CONCENTRATE PRICE \$/T	\$	256.36
Q - FAT \$/lb.	2.6924	2.8201	3.0031	CONCENTRATE lbs/cow/day		29.45
Q - SNF \$/lb.	0.8782	0.8459	0.8650	MILKERS \$/hr - incl frin&tax	\$	17.33
Q - 3.5,8.7 \$/Cwt	17.06	17.23	18.04	TOTAL LABOR (\$/hr)	\$	18.48
OB - FAT \$/lb.	2.6924	2.8201	3.0031	MILK SOLD lbs/C/Day		74.70
OB - SNF \$/lb.	0.6832	0.6509	0.6700	FAT TEST	%	4.11
OB - 3.5,8.7 \$/Cwt	15.37	15.53	16.34	SNF TEST	%	9.07
BLEND @ (3.5,8.7)	15.76	15.93	16.74	Milk Cow Feed Cost: \$/CWT	\$	7.96
CA Usage & FO Prices	16.40	16.39	16.90	AMS Projection	2017 4th Qrt.	2018 1st Qrt.
O.B. less CA FMMO	(1.04)	(0.86)	(0.56)	All Milk	18.25-18.95	18.05-19.05
FMMO III (\$/CWT)	16.44	15.45	16.24	Class III	15.80-16.50	16.20-17.20
FMMO IV (\$/CWT)	15.89	16.60	16.90	Class IV	16.15-16.95	15.45-16.55

CALIFORNIA NFDM	Price	Volume	Oceania	Butter	SMP	Cheese
July 28, 2017	\$ 0.8958	7,782,206	8/4/2017	\$2.71	\$0.91	\$1.81
July 21, 2017	\$ 0.9053	8,196,328	7/21/2017	\$2.79	\$0.93	\$1.84

Cold Storage (1,000 Lb.)	7/1/2017	7/31/2017	Weekly Chng.	31-May-17	30-Jun-17	Monthly Chng.
Butter	35,826	35,411	-1%	313,599	310,114	-1%
American Cheese	105,944	106,838	1%	836,712	810,275	-3%

MARGIN INSURANCE	ALL MILK	FEED COST	MARGIN	Insured for	Premium	Return
DAIRY (200,000 cwt/year)				\$ 8.00	\$ 1.1639	
Jan/Feb 2017	\$ 18.70	\$ 7.88	\$ 10.8202	\$ 15.88	\$ 34,917	\$ (34,917)
Mar/Apr 2017	\$ 16.90	\$ 7.95	\$ 8.9490	\$ 15.95	\$ 34,917	\$ (17,458)
May/Jun 2017	\$ 17.00	\$ 8.03	\$ 8.9709	\$ 16.03	\$ 34,917	\$ (17,458)
Total						\$ (69,833)

CHICAGO MERCANTILE EXCHANGE CASH TRADING						
PRODUCT	MONDAY July 31	TUESDAY August 1	WEDNESDAY August 2	THURSDAY August 3	FRIDAY August 4	WEEKLY AVERAGE#
CHEESE BARRELS	\$ 1.5450 (-0.0100)	\$ 1.6600 (+0.1150)	\$ 1.5900 (-0.0700)	\$ 1.5400 (-0.0500)	\$ 1.5300 (-0.0100)	\$ 1.5730 (+0.1045)
CHEESE 40# BLOCKS	\$ 1.7550 (N.C.)	\$ 1.7875 (+0.0325)	\$ 1.7400 (-0.0475)	\$ 1.7300 (-0.0100)	\$ 1.6975 (-0.0325)	\$ 1.7420 (+0.0235)
BUTTER GRADE AA	\$ 2.6900 (-0.0300)	\$ 2.6825 (-0.0075)	\$ 2.7100 (+0.0275)	\$ 2.7375 (+0.0275)	\$ 2.7300 (-0.0075)	\$ 2.7100 (+0.0755)