

CALIFORNIA DAIRY CAMPAIGN

Dairymen working for Dairymen



March 24, 2017



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U.S. House Agriculture Committee Hearing on the Dairy Title of the Next Farm Bill: This week the United States House of Representatives held a hearing to consider dairy policy in the next farm bill. Just two witnesses were invited to testify including Jim Mulhern CEO of the National Milk Producers Federation (NMPF), representing dairy cooperatives, and Michael D. Dykes, President and CEO of the International Dairy Foods Association, representing dairy processors. At the opening of the committee hearing, the Chair Michael Conaway, R-Texas, stated that the Dairy Margin Protection Program (DMPP) provided “virtually no assistance” to dairy farmers nationwide. Ranking Member Colin Peterson, D-Minn., agreed the program was not working and indicated that it is most important to provide margin protection for the “small guys” meaning dairies with less than 4 million lbs. of milk production per year and indicated that the “big guys” are only interested in catastrophic (*\$4 cwt margin*) coverage. Mulhern acknowledged that the DMPP is not working and is not an effective safety net. He recommended steps to improve the program including: adjust the feed cost formula; adjust premiums lower especially to dairies with 4 million pounds (170 to 180 cows) or less; change the two month margin calculation to one month; change sign-up to the end of prior year and make changes to the livestock gross margin program. NMPF is recommending changes to the corn factor (*prices paid by dairy farmers for corn*), soybean meal (*average price at different points in the country*) and alfalfa (*capture higher cost alfalfa*). The IDFA witness repeatedly called for the extension of the dairy federal forward contracting program and inclusion of Class I milk sales. *CDC has joined with dairy farmers around the country in the National Farmers Union Dairy Emergency Committee to call for fundamental dairy policy reforms in the farm bill to provide incentives to manage milk inventories and take into account actual milk production costs in any dairy safety net. California dairy producers were asked to support the DMPP in the 2014 farm bill because it would make more milk eligible for margin coverage, but according to the discussion at this week’s hearing, only catastrophic \$4 cwt margin coverage would be affordable for dairies with more than 200 cows. CDC has long opposed forward contracting because it shifts more risk to dairy producers.*

CDFA Meeting on California FMMO April 4, 2017 in Modesto: The California Department of Food and Agriculture (CDFA) has invited the California dairy industry to a meeting to discuss how the state quota program would be constructed under the proposed California federal milk marketing order. The dairy industry meeting will be held at **9:00 am on Tuesday, April 4, 2017 at the Stanislaus County Ag Center 3800 Cornucopia Way, Suite B, Modesto, CA 95358.** CDFA is looking for direction on the following questions:

1. Should all Grade A milk be subject to a quota assessment or only pooled milk?
2. What is the best mechanism to gather the requisite data from handlers to calculate the necessary deduction as this will not be provided for under the FMMO?
3. What is the process by which CDFA shall collect, distribute and enforce quota payments?

The full text of the letter can be found on the CDFA web site at: <https://www.cdfa.ca.gov/dairy/pdf/meetings/DairyIndustryInviteLetter.pdf>

Latest CDFA Cost of Production & Prices – This week, the California Department of Food and Agriculture (CDFA) published its “Statewide Cost Comparison Summary” for the 4th quarter of 2016. CDFA estimated that the average statewide cost of production totaled \$17.78 per cwt, a 41 cent decrease from the third quarter of 2016. The average income totaled \$17.25 per cwt which was an increase of \$1.05 per cwt from the third quarter average. The report indicated that total costs decreased by 9.9% in the fourth quarter compared to the same time period in 2015.

NFU Urges Administration to Keep COOL as a Priority for Trade Agenda (WASHINGTON - March, 22, 2017) – The Trump Administration this week released a list of 24 trade practices, including Country-of-Origin Labeling (COOL), that trade negotiators should prioritize in future negotiations. National Farmers Union (NFU) is urging the administration to keep COOL on the list, and to ensure a reinstatement of COOL would be allowable under any renegotiation of the North American Free Trade Agreement (NAFTA).

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CDC WEEKLY REPORT

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COMMODITIES	Feb 17	Mar 17	Apr 17	COST OF PRODUCTION		
Calif. AA Butter	2.1153	2.1033	2.0490	North Valley 4th Qrt 2016		
Grade B Butter	2.0638	2.0518	1.9975	COSTS — Released Quarterly		
CME Block	1.6388	1.4358	1.4400	TOTAL FEED	\$	8.68
Calif. 40# Blocks	1.6136	1.4106	1.4148	TOTAL LABOR	\$	1.98
Calif. NFDM	1.0041	0.8487	0.8425	HERD REPLACEMENT	\$	1.86
Dry Whey (Avg west \$/Lb.)	0.4875	0.4925	0.4900	OPERATING COST	\$	3.39
CA Dry Whey (\$/CWT)	1.4850	1.4850	1.4650	TOTAL MARKETING COSTS	\$	0.53
MILK PRICES						
4a - 3.5,8.7 \$/Cwt	15.40	14.00	13.72	Total Costs	\$	16.44
FMMO IV (\$/CWT)	15.58	14.42	14.11	Allowance ROI & ROM	\$	1.41
4b - 3.5,8.7 \$/Cwt	15.81	13.76	13.80	Total Cost and Allowances	\$	17.85
FMMO III (\$/CWT)	17.09	15.97	15.70	INCOME		
3 - 3.5,8.7 \$/Cwt	15.60	15.60	15.07	GROSS MILK PRICE/CWT	\$	17.42
2 - 3.5,8.7 \$/Cwt	15.40	15.75	15.84	MAILBOX PRICE/CWT	\$	17.57
CRP	19.08	17.24	16.64	NET INCOME/CWT	\$	(0.28)
1 - 3.5,8.7 \$/Cwt	18.13	18.60	16.77	DATA		
Q - FAT \$/lb.	2.3595	2.3790	2.3178	MILK COW HAY PRICE \$/T	\$	225.20
Q - SNF \$/lb	1.0257	0.8856	0.8689	CONCENTRATE PRICE \$/T	\$	255.68
Q - 3.5,8.7 \$/Cwt	17.18	16.03	15.67	CONCENTRATE lbs/cow/day		29.31
OB - FAT \$/lb.	2.3595	2.3790	2.3178	MILKERS \$/hr - incl frin&tax	\$	17.87
OB - SNF \$/lb	0.8307	0.6906	0.6739	TOTAL LABOR (\$/hr)	\$	19.13
OB - 3.5,8.7 \$/Cwt	15.49	14.33	13.97	MILK SOLD lbs/C/Day		73.11
BLEND @ (3.5,8.7)	15.87	14.72	14.38	FAT TEST	%	4.09
CA Usage & FO Prices	16.76	15.77	15.41	SNF TEST	%	9.10
O.B. less CA FMMO	(1.27)	(1.44)	(1.44)	Milk Cow Feed Cost: \$/CWT	\$	8.15
CALIFORNIA NFDM						
	Price	Volume	Oceania	Butter	SMP	Cheese
March 17, 2017	\$ 0.8425	18,747,522	3/17/2017	\$2.15	\$0.99	\$1.64
March 10, 2017	\$ 0.8337	16,423,208	3/3/2017	\$2.12	\$1.16	\$1.74
Cold Storage (1,000 Lb.)						
	3/1/2017	3/20/2017	Weekly Chng.	31-Jan-17	28-Feb-17	Monthly Chng.
Butter	20,155	24,483	21%	221,523	282,623	28%
American Cheese	86,899	94,300	9%	752,169	774,070	3%
MARGIN INSURANCE						
	ALL MILK	FEED COST	MARGIN	Insured for	Premium	Return
DAIRY (200,000 cwts/year)						
May/Jun. 2016	\$ 14.65	\$ 8.89	\$ 5.7628	\$ 8.00	\$ 1.1639	\$ (1,358)
Jul/Aug. 2016	\$ 16.60	\$ 8.17	\$ 8.4252	\$ 16.17	\$ 34.917	\$ (34,917)
Sep/Oct. 2016	\$ 16.95	\$ 7.84	\$ 9.1109	\$ 15.84	\$ 34.917	\$ (34,917)
Nov/Dec. 2016	\$ 18.20	\$ 7.66	\$ 10.5425	\$ 15.66	\$ 34.917	\$ (34,917)
Jan. 2017	\$ 18.90	\$ 7.84	\$ 11.0562	\$ 15.84	\$ 34.917	\$ (34,917)
Total						\$ (141,025)
CHICAGO MERCANTILE EXCHANGE CASH TRADING						
PRODUCT	MONDAY March 20	TUESDAY March 21	WEDNESDAY March 22	THURSDAY March 23	FRIDAY March 24	WEEKLY AVERAGE#
CHEESE	\$ 1.3800	\$ 1.3900	\$ 1.4100	\$ 1.4100	\$ 1.3900	\$ 1.3920
BARRELS	(-0.0050)	(+0.0300)	(+0.0200)	(N.C.)	(-0.0200)	(+0.0140)
CHEESE	\$ 1.4025	\$ 1.4300	\$ 1.4500	\$ 1.4400	\$ 1.4400	\$ 1.4325
40# BLOCKS	(+0.0025)	(+0.0275)	(+0.0200)	(-0.0100)	(-0.0100)	(+0.0610)
BUTTER	\$ 2.1300	\$ 2.1200	\$ 2.1200	\$ 2.1000	\$ 2.0975	\$ 2.1135
GRADE AA	(N.C.)	(-0.0100)	(N.C.)	(-0.0200)	(-0.0225)	(-0.0330)

