

# PREMIER PRESS

SEPTEMBER 2016

## Margin Protection Program (MPP)

The enrollment period for the MPP program is slated to end on September 30, 2016. In previous years, USDA extended the sign up period to November 30. Don't know if they will this year or not. You can visit your local FSA office or go to [www.futurefordairy.com](http://www.futurefordairy.com) for more information.

## World Market Prices

World prices for dairy products have increased enough now that world skim milk powder and cheese prices are higher than the current US market prices. This should help our exports of these cheese and skim milk powder. World butter prices have jumped tremendously also in the last two months. The world butter price is high enough where it is not advantageous to no longer import butter. On the back side of the newsletter, world market prices for dairy products are listed with the US prices. You can see the comparison. This should help keep milk prices from bottoming out in 2017 like they did in 2016. Below are the results from the latest GDT Auction results showing greatly improved world prices for dairy products.

### GDT Auction Results September 20

	Price USD/MT	Price USD/lb.	Chg. Vs. Last Event
AMF (99% butterfat)	\$4,998	\$2.27	4.6%
Butter (80% butterfat)	\$3,892	\$1.72	3.6%
Buttermilk	\$2,276	\$1.03	7.0%
Cheddar Cheese	\$3,518	\$1.60	2.2%
Rennet Casein	\$6,893	\$3.13	2.0%
SMP (35% protein NDM eq.)	\$2,293	\$1.11	3.0%
WMP	\$2,782	\$1.26	-0.2%



## U.S. Dairy Herd Continues to Grow

U.S. dairy producers are milking more cows than they have in any month in nearly 20 years. In the most recent Milk Production report, USDA estimated the milk cow herd at 9.36 million head in August, up 45,000 head from a year ago.

The agency revised its estimate of the July milking herd upward by 12,000 head and reported a further month-to-month increase of 16,000 head driven by a 12,000 head jump in the Texas dairy herd.

Dairy margins have been slim this year. Why have producers continued to expand? Floundering beef prices are largely to blame. Last week, lean beef prices averaged \$2.07/lb., a 25% drop from a year ago, which reduces the value of dairy cull cows and bull calves. The cost of replacement heifers has not fallen at the same rate, and so the net cost to cull and replace older cows has climbed significantly. The disparity has incentivized dairy producers to keep cull rates low. In July, dairy producers

culled just 2.3% of the milk cow herd, the smallest share since June 2014.

When beef prices were high, some dairy producers bred a share of their herds to beef bulls and sold the calves and less desirable heifers to feedlots. Sales to feedlots are happening with less frequency, leaving more heifers available to dairy producers. Because bull calves and other cattle destined for the slaughterhouse are less valuable, producers are likely to use more sexed semen and sexed embryos. This will augment dairy heifer numbers for years to come, and heifer supplies are already large.

USDA estimated that when the year began, there were more than 3.1 million dairy heifers expected to calve this year—by far the largest figure since USDA began reporting the statistic in 2001. As heifer supplies continue to grow, U.S. milk output is likely to expand, and dairy cow values will probably decline.

The lack of processing capacity could be the only factor to limit milk output in some of the fastest-growing regions. The United States will need to improve exports to prevent dairy product stockpiles from growing even larger. Fortunately, output among other major dairy exporters is likely to recede in the near-term.

*(Daily Dairy Report)*

## Important Contact Info

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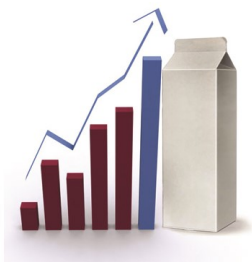
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# Premier Milk MARKET MINUTE

Commodity Prices	Jan	Feb	March	April	May	June	July	August	Current
Cheese - World Market	\$ 1.3920	\$ 1.3551	\$ 1.1869	\$ 1.1680	\$ 1.1737	\$ 1.2814	\$ 1.2839	\$ 1.4146	\$ 1.5935
Cheese - CME Block	\$ 1.4757	\$ 1.4744	\$ 1.4877	\$ 1.4194	\$ 1.3174	\$ 1.5005	\$ 1.6613	\$ 1.7826	\$ 1.5875
Cheese - CME Barrel	\$ 1.4840	\$ 1.4573	\$ 1.4530	\$ 1.4231	\$ 1.3529	\$ 1.5301	\$ 1.7363	\$ 1.8110	\$ 1.4750
Cheese - NASS	\$ 1.5178	\$ 1.5170	\$ 1.5162	\$ 1.5041	\$ 1.4104	\$ 1.4477	\$ 1.6419	\$ 1.8119	\$ 1.7940
Butter - World Market	\$ 1.3750	\$ 1.3582	\$ 1.2272	\$ 1.2020	\$ 1.2105	\$ 1.2757	\$ 1.4019	\$ 1.4784	\$ 1.8427
Butter - CME Cash	\$ 2.1214	\$ 2.0840	\$ 1.9605	\$ 2.0563	\$ 2.0554	\$ 2.2640	\$ 2.2731	\$ 2.1776	\$ 1.9675
Butter - NASS	\$ 2.0759	\$ 2.1350	\$ 1.9905	\$ 2.0192	\$ 2.0580	\$ 2.1623	\$ 2.3155	\$ 2.2254	\$ 2.0982
NFDM - World Market	\$ 0.8207	\$ 0.8094	\$ 0.7872	\$ 0.7853	\$ 0.7910	\$ 0.8562	\$ 0.8803	\$ 0.9058	\$ 1.0179
NFDM - Central A.O.M.	\$ 0.8242	\$ 0.7860	\$ 0.7778	\$ 0.7530	\$ 0.7801	\$ 0.8221	\$ 0.8774	\$ 0.8801	\$ 0.9200
NFDM - NASS	\$ 0.7776	\$ 0.7689	\$ 0.7522	\$ 0.7307	\$ 0.7607	\$ 0.7888	\$ 0.8363	\$ 0.8588	\$ 0.8819
Whey - Central A.O.M.	\$ 0.2251	\$ 0.2393	\$ 0.2333	\$ 0.2371	\$ 0.2339	\$ 0.2450	\$ 0.2546	\$ 0.2798	\$ 0.3050
Whey - NASS	\$ 0.2351	\$ 0.2469	\$ 0.2477	\$ 0.2466	\$ 0.2505	\$ 0.2601	\$ 0.2742	\$ 0.2846	\$ 0.2973
F. O. 6 Class I @ Tampa	\$ 21.44	\$ 19.04	\$ 19.18	\$ 19.14	\$ 19.10	\$ 18.54	\$ 19.10	\$ 20.47	\$ 21.96
Net Cl. I Prem. @ Tampa	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
F.O. 6 Class I Utilization	84.6%	83.4%	84.3%	84.5%	81.1%	83.6%	83.3%	84.1%	
F. O. 6 Blend @ Tampa	\$ 19.34	\$ 18.43	\$ 18.06	\$ 18.32	\$ 18.10	\$ 17.93	\$ 18.71	\$ 19.51	
PMI - Average SCC	344,477	329,557	298,561	283,096	276,070	318,071	362,900	378,474	
PMI - Average SPC	9,092	26,331	14,633	8,091	8,035	18,996	23,758	9,482	
PMI - Average PIC	22,211	22,938	46,843	19,223	21,994	30,805	29,945	21,385	
Premiums Paid - PMI	\$ 0.26	\$ 0.29	\$ 0.39	\$ 0.46	\$ 0.39	\$ 0.23	\$ 0.15	\$ 0.21	

Class III Milk Futures	May	June	July	August	Current
Sep-16	\$ 14.47	\$ 16.39	\$ 16.79	\$ 16.46	\$ 16.34
Oct-16	\$ 14.80	\$ 16.30	\$ 16.72	\$ 16.58	\$ 15.83
Nov-16	\$ 14.88	\$ 16.24	\$ 16.39	\$ 16.31	\$ 16.09
Dec-16	\$ 14.94	\$ 16.00	\$ 16.08	\$ 16.00	\$ 15.95
Jan-17	\$ 15.05	\$ 15.91	\$ 16.00	\$ 15.79	\$ 15.85
Feb-17	\$ 15.26	\$ 15.92	\$ 16.00	\$ 15.85	\$ 15.95
Mar-17	\$ 15.41	\$ 15.95	\$ 16.08	\$ 15.98	\$ 16.05
Apr-17	\$ 15.43	\$ 16.03	\$ 16.24	\$ 16.10	\$ 16.10
May-17		\$ 16.22	\$ 16.39	\$ 16.30	\$ 16.21
Jun-17		\$ 16.30	\$ 16.49	\$ 16.50	\$ 16.38
Jul-17			\$ 16.60	\$ 16.70	\$ 16.62
Aug-17				\$ 16.77	\$ 16.69

Mailbox Price Comparison		
FL	USDA	PMI
Aug-16		\$ 17.99
Jul-16		\$ 17.40
Jun-16	\$ 15.74	\$ 16.58
May-16	\$ 15.30	\$ 16.56
Apr-16	\$ 15.69	\$ 16.39
Mar-16	\$ 15.68	\$ 16.24
Feb-16	\$ 16.49	\$ 17.12
Jan-16	\$ 17.95	\$ 18.25
Dec-15	\$ 19.35	\$ 19.49
Nov-15	\$ 20.42	\$ 20.30
Oct-15	\$ 19.76	\$ 19.57
Sep-15	\$ 20.19	\$ 20.08

Note: Class III milk futures prices are quoted at the close on the last day of the month.