

Daily Dairy

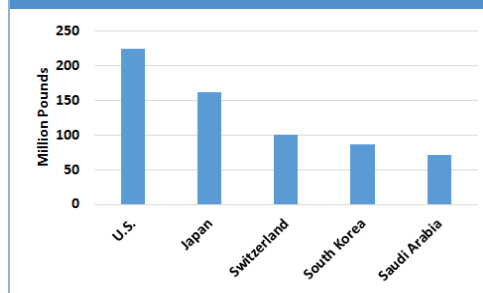
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REPORT

Europe and Japan Reach Historic Trade Agreement

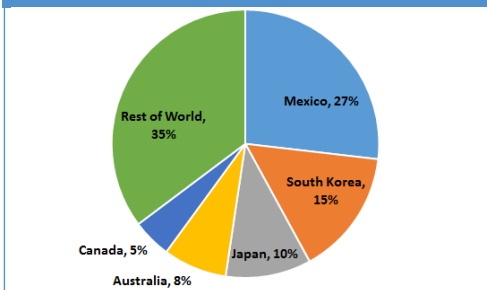
Leaders in Japan and the European Union have shaken hands on a broad trade pact, bringing about freer trade for nearly 30% of the global economy. Lawmakers in Tokyo and Brussels are expected to sign off on the deal next summer, which will then go into effect in March 2019. The deal reveals the weakness of the once-powerful Japanese farm lobby, which has historically protected Japan's agricultural industries from outside competition through stiff trade

EU Cheese Exports: Jan-Sep



wind down to zero. Despite the border tax, Japan is currently Europe's second-largest market for cheese, behind the United States. For the first nine months of this year, Japan is Europe's seventh-largest market for butter, down from a fifth-place ranking in 2016. Europe's competitive advantage is likely to adversely impact U.S. dairy product exports. Japan accounts for about 10% of U.S. cheese exports and is the third-largest buyer of U.S. cheese behind Mexico and South Korea. **Continued on page 2...**

Share of U.S. Cheese Exports



barriers. Japan's aging rural population makes the farm vote less crucial to political success, allowing trade negotiators to construct gates in the walls around Japan's agricultural industries.

In exchange for greater access to Europe's automobile market, Japan agreed to lower tariffs on some farm products, most notably cheese. Japan currently charges a 30% tariff on European cheese imports; under the trade pact, that tariff will gradually

CME Spot Prices

CME Spot Prices (\$/lb.)	Close	Chg. ¢	Trades
Butter	\$2.2200	-1.75	9
Cheddar Block	\$1.4750	+0.50	3
Cheddar Barrel	\$1.6700	+6.00	15
NDM Grade A	\$0.6825	-1.50	2
Corn Futures (MAR)	\$3.5275	+1.25	NA
Soybean Futures (JAN)	\$9.8975	-2.25	NA
Soybean Meal Futures (JAN)	\$331.70	-3.50	NA
Live Cattle Futures (FEB)	\$118.300	-37.50	NA

December 8 Trading Activity

	CME Futures (United States)												NZX Futures (New Zealand)				EEX Futures (Europe)		
	Class III \$/cwt.	chg. ¢	Class IV \$/cwt.	chg. ¢	Cheese ¢/lb.	chg. ¢	Whey ¢/lb.	chg. ¢	Butter ¢/lb.	chg. ¢	NDM ¢/lb.	chg. ¢	WMP \$/MT	SMP \$/MT	AMF \$/MT	Butter \$/MT	SMP €/MT	Butter €/MT	Whey €/MT
DEC17	15.60	+9	13.59	NC	165.30	+0.80	32.00	NC	223.75	-0.25	73.00	-0.50	2,845	1,720	6,725	4,620	1,450	4,250	588
JAN 18	14.38	-1	13.41	NC	155.70	+0.10	26.98	-0.03	222.28	-1.73	70.13	-1.30	2,935	1,725	6,350	4,800	1,413	4,050	584
FEB	14.32	-4	13.54	-9	156.10	-0.60	25.00	+0.25	224.53	-0.98	71.00	-0.63	2,940	1,705	6,125	4,775	1,417	3,900	585
MAR	14.51	-4	13.65	-11	158.20	NC	24.50	NC	226.08	-0.95	71.75	-0.85	2,940	1,700	5,950	4,750	1,425	3,900	575
APR	14.78	-3	13.85	-18	160.10	-0.40	24.75	NC	228.23	-2.80	73.25	-0.73	2,950	1,740	5,900	4,725	1,402	3,895	570
MAY	15.05	-4	14.19	-6	162.90	-0.20	25.75	NC	231.78	-1.25	75.10	-0.40	2,935	1,740	5,890	4,700	1,403	3,850	568
JUN	15.30	-4	14.35	-10	165.50	-0.20	25.73	-0.05	234.00	-0.80	77.00	-0.50	2,900	1,800	5,800	4,720	1,400	3,875	576
JUL	15.50	-12	14.64	NC	167.80	-0.60	26.18	NC	235.95	-0.53	78.85	-0.20	2,900	1,800	5,750	4,740	1,425	3,900	635
AUG	15.63	-8	14.82	NC	169.50	-0.50	26.23	NC	237.00	NC	80.50	-0.25	2,900	1,860	5,800	4,760	1,450	3,925	645
SEP	15.67	-13	14.99	NC	170.00	-1.00	26.50	NC	237.50	NC	81.75	-0.75	2,940	1,875	5,850	4,780	1,475	3,925	650
OCT	15.77	-6	15.11	NC	170.50	-0.70	26.50	NC	237.00	NC	83.85	NC	2,940	1,860	5,900	4,800	1,500	3,900	645
NOV	15.70	-3	15.19	NC	169.60	-0.10	26.03	NC	236.00	NC	85.00	-0.50	2,940	1,840	5,825	4,820	1,525	4,050	645

Nov. 2017 milk prices (with chg. vs. prior month): Class III \$16.88 (+\$0.19); Class IV \$13.99 (-\$0.19); California 4a \$13.62 (-\$0.89); 4b \$15.52 (-\$0.65)

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Weekly Feature

Europe Wins Geographic Indications

Japan also conceded Europe's right to geographical indications (GI) on at least 200 products. With that, Europe has won the right to exclusively market some products, such as Camembert, Mozzarella, and Stilton cheeses, with their common names based on their historical origins in Europe. This will likely strengthen Europe's ability to win similar GI privileges elsewhere, forcing exporters in other nations to rename their products. As Europe gains more GI concessions around the globe, other exporters will have to re-educate consumers about the characteristics of familiar products with new names, and they could lose some market share to European brie and Cheddar in the process.

Market Recap

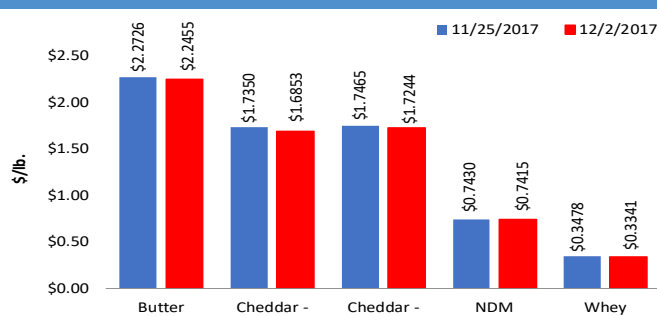
Heavy milk powder inventories in the United States and Europe continue to weigh on the milk powder market. CME spot nonfat dry milk (NDM) slipped 3.75¢ this week to 68.25¢ per pound, the lowest value at the CME spot market in decades. CME spot butter took a step back but still finished up a half-cent from last Friday at \$2.22.

The cheese markets diverged. CME spot Cheddar barrels added a dime in just the past two days, reaching \$1.67, up 13.5¢ this week. They now stand at a nearly 20¢ premium to blocks, which closed at \$1.475, down 8.75¢ for the week.

CME Group Spot Dairy Product Prices (\$/lb.)

	Monday	Tuesday	Wednesday	Thursday	Friday	Weekly Average	Change vs. Prior Week	Weekly Volume
Butter	\$ 2.1900	\$ 2.2000	\$ 2.2250	\$ 2.2375	\$ 2.2200	\$ 2.2145	\$0.0095	60
Cheddar Block	\$ 1.5200	\$ 1.5125	\$ 1.4700	\$ 1.4700	\$ 1.4750	\$ 1.4895	-\$0.0950	34
Cheddar Barrel	\$ 1.5500	\$ 1.5625	\$ 1.5700	\$ 1.6100	\$ 1.6700	\$ 1.5925	\$0.0550	56
Grade A NDM	\$ 0.7100	\$ 0.7125	\$ 0.7125	\$ 0.6975	\$ 0.6825	\$ 0.7030	-\$0.150	3

AMS Weekly NDPSR Prices (\$/lb.)



Futures and Options

Futures	Weekly Volume	Open Interest	Option	Weekly Volume	Open Interest
Class III	29,593	25,046	Class III	106,055	76,492
Class IV	2,009	1,823	Class IV	4,695	4,355
Butter	6,128	4,714	Butter	9,479	8,684
Cheese	28,074	25,452	Cheese	48,228	44,225
Dry Whey	4,099	3,622	Dry Whey	3,524	3,286
NDM	8,234	3,286	NDM	14,687	13,750

Mon. - Thurs. Trading Volume. Open Interest as of 12/7/2017

USDA Dairy Market News Prices (\$/lb.)

	Range	Mostly Range	Mostly Average	Change vs. Prior Week	Market Comments
Buttermilk Central	\$0.7500 to \$0.8875	NA	NA	\$(0.0250)	Market is lower
Buttermilk West	\$0.7100 to \$0.8500	\$0.7300 to \$0.8000	\$0.7650	\$(0.0400)	Market is lower
Dry Whey Central	\$0.2200 to \$0.3450	\$0.2700 to \$0.3000	\$0.2850	\$(0.0425)	Market is lower
Dry Whey West	\$0.2000 to \$0.3675	\$0.2850 to \$0.3100	\$0.2975	\$(0.0150)	Market is lower
Whey Protein Conc.	\$0.6500 to \$0.9400	\$0.6900 to \$0.8250	\$0.7575	\$(0.0100)	Market is lower
Lactose	\$0.1700 to \$0.3500	\$0.1800 to \$0.2600	\$0.2200	\$(0.0150)	Market is lower
NDM Central/East	\$0.6775 to \$0.7750	\$0.7000 to \$0.7500	\$0.7250	\$(0.0050)	Market is lower
NDM West	\$0.6500 to \$0.8050	\$0.7100 to \$0.7600	\$0.7350	\$(0.0050)	Market is lower
Whole Milk Powder	\$1.2900 to \$1.4500	NA	NA	NC	Market is steady