

# Daily Dairy

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REPORT

## Are Market Signals Starting to Slow Output?

The day started with the Global Dairy Trade (GDT) auction declining 3.9% to \$2,969/metric ton (MT). Cheddar cheese suffered the largest declines. Lower milk powder and butterfat results likely turned futures markets red in early morning trading. Anhydrous milkfat (AMF) suffered a 6.7% decline, the likes of which has not been seen since March 15, 2016, when prices fell 6.5%. Skim milk powder (SMP) set the low for 2017 today at \$1,675/MT. The last time the GDT SMP was that low was in May 2016.

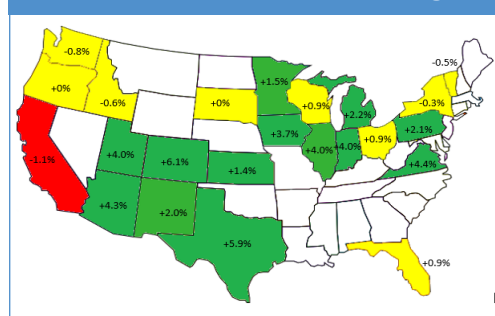
GDT Auction Results Dec. 19			
	Price USD/MT	Price USD/lb.	Chg. Vs. Last Event
AMF (99% butterfat)	\$6,392	\$2.90	-6.7%
Butter (80% butterfat)	\$4,474	\$1.98	-2.3%
Buttermilk	\$0	\$0.00	NA
Cheddar Cheese	\$3,389	\$1.54	-7.9%
Rennet Casein	\$4,506	\$2.04	-6.3%
SMP (35% protein NDM eq.)	\$1,675	\$0.81	-4.8%
WMP	\$2,755	\$1.25	-2.5%

moving into the down 1% to up 1% range. Currently, nine states fall into that category, with most of them from either the East or West Coast. California losses persist with output down 1.1% compared to last year. At the other end of the spectrum, Texas produced considerably more milk than in November 2016, up 54 million pounds or 5.9% more than a year ago. But with first-quarter CME Class III 2018 futures falling to the \$13/cwt. level today, dairy producers' appetite for growth could stall.

USDA released November's milk production estimate at 17.3 billion pounds this afternoon. That puts U.S. milk output 1.0% higher than a year ago and seasonally up 0.4% vs. October on a daily average basis. While year-over-year gaps remain, the spread is starting to close. The U.S. milking herd was unchanged at 9.4 million head, suggesting that 47% of last month's output increases came from production per cow and 53% from new cows.

As of last month, output in more states is

### U.S. Milk Production YOY Chg.



### CME Spot Prices

CME Spot Prices (\$/lb.)	Close	Chg. ¢	Trades
Butter	\$2.2100	+1.00	9
Cheddar Block	\$1.4500	-4.00	1
Cheddar Barrel	\$1.4800	-10.00	17
NDM Grade A	\$0.6475	-0.25	2
Corn Futures (MAR)	\$3.4750	+0.50	NA
Soybean Futures (JAN)	\$9.5600	-5.50	NA
Soybean Meal Futures (JAN)	\$315.20	-3.30	NA
Live Cattle Futures (FEB)	\$120.45	-15.00	NA

### December 19 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	15.44	-6	13.60	NC	165.60	-0.20	29.53	NC	223.75	-0.50	72.70	-0.25	2,850	1,720	6,735	4,605	1,433	4,294	571
JAN 18	13.93	-12	13.18	-12	152.30	-1.10	24.78	-0.25	222.55	+0.03	68.98	-0.63	2,990	1,715	6,350	4,800	1,390	4,221	583
FEB	13.64	-20	13.26	-5	150.70	-1.60	23.00	-0.43	223.50	-0.53	68.85	-0.28	3,010	1,705	6,150	4,775	1,390	4,175	582
MAR	13.78	-20	13.45	-12	152.60	-1.50	22.75	-0.50	224.73	-0.70	70.00	-0.08	2,990	1,700	5,940	4,750	1,403	4,100	583
APR	14.11	-20	13.71	-7	155.00	-2.20	23.15	-0.60	226.75	-0.28	71.83	-0.23	2,970	1,740	5,850	4,700	1,491	4,019	557
MAY	14.42	-25	13.99	-7	157.70	-2.80	24.00	-0.25	228.53	-1.48	73.63	-0.38	2,960	1,740	5,865	4,700	1,500	3,975	557
JUN	14.79	-20	14.24	-9	161.20	-1.90	24.00	-0.50	231.00	-1.00	75.83	-0.18	2,950	1,800	5,700	4,720	1,500	3,875	559
JUL	15.18	-8	14.44	-7	165.20	-0.90	24.50	-0.75	232.70	-1.40	77.55	-0.13	2,930	1,800	5,750	4,780	1,500	4,100	582
AUG	15.40	-10	14.71	-3	167.30	-0.70	24.98	-0.53	234.48	-0.55	79.33	-0.05	2,900	1,860	5,800	4,800	1,420	4,125	587
SEP	15.52	-10	14.90	NC	168.60	-0.70	25.00	-0.50	235.68	-0.48	81.00	-0.43	2,940	1,875	5,850	4,810	1,425	4,100	594
OCT	15.60	-8	15.10	NC	169.30	-0.80	25.00	-0.50	236.55	-0.45	83.18	-0.60	2,940	1,860	5,900	4,830	1,430	4,100	635
NOV	15.59	-4	15.19	NC	169.00	-0.50	25.50	NC	235.98	-0.03	85.25	-0.15	2,940	1,840	5,825	4,850	1,435	4,100	633

Nov. 2017 milk prices (with chg. vs. prior month): Class III \$16.88 (+\$0.19); Class IV \$13.99 (-\$.19); California 4a \$13.62 (-\$.09); 4b \$15.52 (-\$.06)

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