

# The Milkweed

Dairy's best information and insights

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“Float like a butterfly,  
sting like a bee.”

— Muhammad Ali

## Butter Prices Soaring: You “Ain’t Seen Nothin’ Yet!”

by Pete Hardin

*News item: On June 1, television’s popular “Dr. Oz” conducted his own celebration of June Dairy Month with a segment extolling the healthfulness of consuming butter and whole-fat beverage milk. A few good words from “Dr. Oz” on the merits of butter and whole milk are worth more than the chintzy, \$1 million annual budget currently allocated by U.S. dairy farmer promotion groups to promote butter.*

If some of the tales we’re hearing from the dairy trade about future butter price movements prove close to the mark, dairy farmers should hug every high fat-producing animal they own – and then buy and breed more of them!

Despite U.S. butter inventories that still look like a bit much to some, strong domestic demand and strong global demand for butter will propel butter prices higher in the United States during the second half of 2017 ... and beyond ... in the analysis of *The Milkweed*. Butter prices are surging at the Chicago Mercantile Exchange (CME) – despite overly abundant farm milk supplies across much of the nation as the “spring flush” goes through its final throes.

On Friday, June 9, prices for Grade AA butter

closed at \$2.4750 per pound. That’s a gain of \$.37/lb. in just the past six weeks.

Global butter prices – particularly in Western Europe – are even stronger. According to May 26, 2017 issue of USDA’s Dairy Market News, the price range for 82% milk fat butter in Western Europe was \$2.6769 to \$2.8017 per lb. (Note: European butter is 82% milk fat, U.S. butter is commonly 80% milk fat.

So, converting European butter prices to U.S. prices requires an approximate 2.5% price adjustment, due to our lower milkfat content.)

Meanwhile, in New Zealand, Dairy Market News’ June 9, 2017 issue reported the butter price range was \$2.2799 to \$2.7223. New Zealand butter is also 82-score (i.e., 82% butterfat). So that same 2.5% downwards price adjustment is needed to most accurately compare U.S. and New Zealand butter prices.

### Comparing Red Hot 2017 Butter Price Trends Western Europe, Oceania & CME (US\$/lb.)

	Western Europe*	Oceania*	CME
Jan. 6	\$2.0190-\$2.1098	\$1.90510-\$2.0304	\$2.2200
Feb. 3	\$1.9056-\$2.0531	\$1.9850-\$2.0304	\$2.1575
March 3	\$1.9283-\$2.0644	\$2.0417-\$2.2005	\$2.1625
March 31	\$2.0985-\$2.1438	\$2.2459-\$2.4841	\$2.1075
April 28	\$2.1778-\$2.2345	\$2.2232-\$2.4270	\$2.1050
June 10	\$2.6769-\$2.8017	\$2.4501-\$2.7223	\$2.4750

\*Source: USDA’s Dairy Market News’ International Reports.  
Note: Western European & Oceania’s butter prices are for 82-score butter.  
U.S. prices are for 80-score butter – 2.5% less butterfat.

Dairy Market News’ May 26 issue noted that butter prices had surged about 11% in electronic trading at the Global Dairy Trade platform on May 18.

Fast-gaining U.S. butter prices are mostly keeping pace with Oceania prices, but Western Europe’s prices keep galloping upwards. The spread between higher EU prices for butter, and still-lower valued U.S. butter prices, means that export opportunities for U.S. butter persist. In fact, there are tales among butter traders that extremely high-priced exports are being lined up by U.S. marketers that will continue well into late 2017 and early 2018.

Export markets are a significant, but small portion of total demand for U.S.-produced milk fat. Sales of whole milk continue climbing in the United States. And domestic butter demand is strong. As mentioned at the head of this story, publicity such as that generated by Dr. Oz Show is just about the best elixir that U.S. dairy farmers can ask for. When credible media personalities such as Dr. Oz champion drinking whole milk and consuming butter ... such endorsements are worth their weight in gold.

Stay tuned. Stronger butter-pricing events are merely the beginning of longer-term consumer demand trends in the U.S. dairy industry ... if we play our cards wisely.

## April 2017 Data: No “Tidal Wave” of Wisconsin Milk

by Pete Hardin

Why is Wisconsin’s monthly milk production growth slowing to a trickle?

And what motivated Grassland Dairy Products to drop several dozen Wisconsin dairy producers at the end of April?

For April 2017, USDA reports that milk production in “America’s Dairyland” grew by only 0.3%, compared to April 2016’s total. Only 0.3% growth??? That’s peanuts. (Note: Compared to March 2017’s gain of 1.5%, April’s eroding growth of only 0.3% hints that subsequent months could see lower gains ... or even negative numbers ... compared to year-ago milk volumes.)

That April 2017 milk production data for Wisconsin continues what’s becoming a months-long trend. Here are the monthly rates of milk production gains for Wisconsin, dating back to December 2016:

Month	% Gain vs. Year-ago
December 2016	+1.7%
January 2017	+1.0%
February 2017	+1.35%*
March 2017	+1.5%
April 2017	+0.3%

(\* Note: 2016 was a Leap Year, with February counting an extra day. The February 2017 milk production growth is calculated adjusting that month’s figure for a daily average basis. On the whole, the “Leap Year” phenomenon is a pain in the Keister to statistically qualify. However, one less, or one more day’s worth of milk production in comparing various Februarys’ data also includes one more day of consumer dairy product consumption.)

### 2016’s spectacular crops, but where’s the milk?

What’s somewhat stunning is the fact that Wisconsin’s down-trending milk production growth in 2017 follows 2016’s spectacular volume and quality of harvested crops – forages, corn and soybeans. 2016 must go down in history as one of Wisconsin’s absolutely finest crop years. That year, the weather conditions cooperated almost perfectly to yield bin-

busting row crops, long-rows of plastic-wrapped forages ... and low prices for sellers of corn, soybeans and hay.

Heading into 2017, presumptions were generally that the quality and abundance of 2016’s crops in Wisconsin would provide cheap feed to fuel more milk production growth in 2017. That’s particularly the case, given relatively low prices paid for cull cows and bull calves. Logical dairy farmer economics seemed to indicate feeding 2016’s stunning crops through milk cows that would have otherwise been culled (if cull prices were better) ... even though 2017’s projected farm milk prices were nothing to get too excited about.

In early 2017, Wisconsin dairy farmers were also facing depleted revenue from the beef complex. Eroded prices for cull cows, Holstein steers and bull calves sharply depleted income from those animals in early 2017. That eroded beef-animal income posed all the more reason for Wisconsin dairy farmers to rely more heavily on milk income to sustain their cash-flows.

So ... back-sliding milk production growth in Wisconsin in early 2017 is a puzzle, sort of.

### Is reduced Posilac use a factor???

In late spring/early summer 2016, Wisconsin’s single largest dairy processor – Grassland Dairy Products (Greenwood, Wisconsin) – informed its several hundred dairy producers that they could not inject their milk cows with Posilac® after December 1, 2017. Posilac® is a veterinary drug marketed by Elanco – a controversial, synthetic, biotech hormone known as recombinant bovine growth hormone (rbGH), or recombinant bovine somatotropin (rbST). (*The Milkweed* prefers the original moniker, rbGH.) Posilac® is injected into dairy cows every two weeks (or sooner), and boosts milk production perhaps 5 to 10 percent. Posilac® use is legal in the United States, but not allowed in many nations around the world. Grassland Dairy Products’ officials have stated that efforts to market certain dairy products and

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# March/April Milk Dumpage in FMMO's 1 & 33 - HUGE Increase Over 2016

by Nate Wilson

Boy, things are off to an ugly start in the Northeast and Mid-East markets, as far as 2017's milk dumpage is concerned. Data from those regional Federal Milk Marketing Orders, #1 (Northeast) and #33 (Mid-East) show even bigger problems handling surplus milk than occurred in 2016.

So far, only March and April 2017 numbers are available, for comparing year-to-date with 2016. But if these early months' milk dumpage numbers are any indication of what's ahead, Katy bar the door! To the right is the break-down for March and April, year-over-year. Total dumpage for Orders 1&33 during March/April 2017 was 82.4 million lbs. of milk. Shocking!

Currently in FMMO# 1, potential milk dumpage was originally authorized by the Market Administrator to start on March 1, 2017 and extend through May 31. But now, that authorization has been extended through August 31.

In the Mid-East region (FMMO# 33) dumpage has been authorized May 1 through July 31, 2017. Important to note that prior to May, the Order 33 market administrator had not authorized pooling of dumped milk for 2017.

## Dumpage in FMMOs 1 & 33

March & April of 2016 & 2017 (Millions of lbs.) & (Butter Fat Content\*)

\*Butterfat content of dumped milk not reported by Order #33.

	2016	2017	Percent of Change +/-
<b>Northeast • (Order 1)</b>			
March	5,915,425 (1.77% BF)	16,670,897 (1.54% BF)	<b>+182%</b>
April	22,566,880 (0.67% BF)	38,796,873 (0.72% BF)	<b>+72%</b>
<b>Mid-East • (Order 33)</b>			
March	2,585,478 (BF n.a.)	11,791,950 (BF n.a.)	<b>+356%</b>
April	14,199,746 (BF n.a.)	15,121,023 (BF n.a.)	<b>+6%</b>

Industry sources report that Michigan milk marketers, such as Michigan Milk Producers Assn., erroneously imagined that they'd solved their surplus spring milk problems by low-balling milk sales to out-of-state manufacturing plants through this

spring. Wrong! The tidal wave of milk in Michigan still has overwhelmed the best low-balling efforts of in-state marketers. And now dairy marketers in Order 33 have sought the dispensation to pool "dumped" milk.

## DFA/DMS Threatens "Independents" in Mid-East, Hiking Deducts in Northeast

by Pete Hardin

**At this point in history, the true stripes of Dairy Farmers of America (DFA) and its joint venture, Dairy Marketing Services, LLC (DMS), are clearly showing. DFA/DMS are acting like a triple-cross between Al Capone, a virulent cancer mass, and a skunk.**

In the Northeast, where DFA has coerced untold hundreds of former "independent" producers into co-op membership, word is that DFA is adding *even more* marketing deductions to the milk checks of many producers. DFA seems to stand for "Deducts for \_\_\_\_\_."

Former "independent" producers in the Northeast (Federal Milk Order #1), who were strong-armed into DFA membership earlier this year, had a nasty surprise in their first milk checks as supposedly full-fledged DFA members: Special deductions of around \$2.00/cwt. — on top of all other co-op membership and marketing costs. The implication of coerced membership, earlier this year, seemed to be that if independents whose milk was marketed by DFA joined the co-op, the threatened assessments would be less than if they chose to remain as members and abide by

a termination notice effective in fall 2017.

Meanwhile, *The Milkweed* is hearing that DFA has notified a number of smaller dairy cooperatives that market their milk through DMS that the marketing assessments will be raised *again*. Just a month ago (or so), DFA raised the deducts from around \$.25/cwt. to \$.50/cwt. And now there are more "market adjustment" deducts coming.

These dirty tricks in the Northeast should not sit comfortably with dairy producers in the Mid-East (Order #33) marketing region. Word is that DFA has notified 200-plus "independent" producers in Order 33 who have been shipping their milk through DMS that they must join DFA or else have their markets terminated by DMS some time in fall 2017. (That's the same horse manure that DFA pulled on the Northeast independents earlier this year.)

Both the Northeast and Mid-East are awash in too much milk. Heavy dumping of farm milk has taken place in both orders. Both milk orders feature heavy deducts taken from co-op members' milk checks to cover marketing losses. Major dairy marketing co-ops in Orders #1 and #33 are being presided over by a bunch of d— fools who are

unable to signal dairy farmers to ratchet back milk production. Those regions' milk dumpings will total many tens of millions of pounds of milk before mid- or late summer ease production and boost demand. Or maybe the co-op leaders are hoping that enough dairy farmers go bust, as a result of all those deducts from their milk checks, so that bigger dairy farmers (receiving volume premiums) will survive.

In the case of DFA, that co-op's Northeast directors appear to be gobbling handfuls of "dumb pills" supplied by management. Rather than take responsibility for events in the region, DFA's Northeast directors just chirp that management is making the decisions.

Meanwhile, Michigan Milk Producers Assn. continues swiping huge chunks of members' monthly milk checks as unexplained PPDs (Producer Price Differentials) a dollar and a half, or more, below prevailing federal milk order PPDs. MMPA continues paying volume premiums to members, despite massive losses related to too much milk. MMPA's board president, Ken Nobis, remains resolutely stubborn in his insistence that the co-op should not signal members to limit milk flow.

## April 2017 Data: No "Tidal Wave" of Wisconsin Milk, con't

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ingredients for export was impaired by the use of Posilac by its farmers/suppliers.

Grassland's "no rbGH" dictate extended far beyond its 600 (or so) independent dairy producers. Grassland also informed firms from which it was buying cream and whey that their producers fell under the "no Posilac" dictate.

Posilac® use in the United States was originally sanctioned in early 1994. Consumer uproar over the rbGH controversy remains the largest human food safety issue ever confronting the federal Food and Drug Administration. Properly so, consumers feared further use of synthetic hormones in their food supply. Those fears harken back to the Diethylstilbestrol (DES) debacles of the 1960-1980s. (In the early 1980s, after FDA banned further use of DES as a livestock/poultry growth supplement in the United States, manufacturers dumped DES inventories on unsuspecting farmers in lesser countries. In Puerto Rico, an epidemic of premature sexual development hit thousands of infants and young children, who showed complete sexual development. That epidemic was traced back to DES residues contained in meat products produced in Puerto Rico.)

Numerous dairy plants have required their producers to sign affidavits pledging not to use Posilac®. But truthfully, some dairy farmers have violated those pledges and used the biotech drug. The State of Wisconsin rang up two such dairy farmer/violators in fall 2016.

Have those "No Posilac®" dictates succeeded? In early December 2016, DeForest area dairy farmers Jim Koch and Jan Shepel took a trailer load of cull dairy cows to the Milwaukee Stockyards buying sta-

tion at Reeseville, Wisconsin. As they approached the facility, they saw the longest line of cattle trucks and trailers waiting to offload that they'd ever seen in many years of hauling culls to that site. When they finally got to the head of the line and off-loaded, Jim asked the intake employee why so many culls were going to market. That fellow's response was that dairy farmers must be getting rid of their Posilac-injected cows, prior to the pending "No Posilac" dictates.

### Out-of-state milk displacing WI milk ...

By any measure, Wisconsin cheese plants have been operating at relatively full capacity this late winter and spring. Milk is cheaply available. USDA's Dairy Market News reports that spot prices for farm milk have ranged from \$2.00 to \$6.00 per hundredweight below USDA's monthly "Class III" (i.e., cheese milk) price in the Upper Midwest.

With relatively little milk production gains in

Wisconsin, the culprits for these deteriorated raw milk marketing conditions logically lie outside the state's boundaries. Out-of-state milk is flooding into Wisconsin. Michigan is a primary culprit. As noted last month in *The Milkweed*, Michigan's milk volume grew from February 2013 to February 2017 by nearly 22%. Meanwhile, that state registered little overall growth in dairy processing capacity. Thus, Michigan's undisciplined farm milk output is being exported at dirt-cheap prices to other states and ... since May 1, 2017, being dumped into manure pits. (Note: There are now two major construction projects announced for the Coopersville, Michigan area.)

Great noise has been made, blaming the changed Canadian dairy policies for disrupting U.S. dairy processing operations. The real problem is not Canadian dairy policy changes, but rather, undisciplined farm milk production in certain states and regions of the country, in the analysis of *The Milkweed*.

## Dean Foods' Amish Producers in KY Dumping Sunday Milk

by Pete Hardin

Dictates from their milk buyer — Dean Foods — are causing Amish dairy farmers in western Kentucky to observe the Sabbath by dumping their milk.

Rather than go along with Dean Foods' procurement officials' dictates that those producers have milk trucks pick up milk at their farms on Sundays, the producers are dumping that milk. Allowing their milk to be picked up on Sunday is a violation of the Sabbath, according to precepts of the Amish producers in that area.

Local sources inform *The Milkweed* that Ronnie Rider — Dean Foods' official in charge of milk

procurement in that area — is dictating Sunday pick-ups. Previously, local milk haulers had worked out arrangements with their Amish patrons that allowed avoidance of Sunday milk pick-ups. But Rider is adamantly insisting that milk must be picked up on Sunday. Sources say that Rider offered termination notices to local producers if they didn't like the new rules he was dictating. (Note: Threat of losing milk markets is a significant worry, here in 2017.)

Dean Foods is the nation's largest fluid milk processor ... maybe too big for its britches, in some instances.