



"In Unity There Is Strength"

WEEKLY UPDATE

CA FMMO Hearing Begins - September 25, 2015

California FMMO Hearing Underway

by Annie AcMoody, Director of Economic Analysis

The California FMMO hearing kicked off in front of an experienced administrative law judge on Tuesday with a room packed with USDA folks, media, producers, attorneys and economists. Attendance dropped faster than VW's reputation on Wednesday, with less than half of the crowd remaining. Still, just under 50 people were all ears to listen to the information presented for the rest of the week.

FMMO lingo and attorney questions at the hearing were trendier than a Taylor Swift album in a high school class. The daily order of things went as follows: USDA's witness #1 presented a technical testimony, followed by questions by attorneys present. USDA's witness #2 presented a technical testimony, followed by more questions. And so on... for four straight days. In total, six USDA witnesses took the stand to present information. It was quite impressive to see the amount of questions attorneys can come up with. The process was slow, but certainly enlightening to many attendees. FMMO discussions include many particular provisions that are different to California's, and attorneys present ensured the record would be clear on definitions. Opening statements were made Friday afternoon and the coops got to start their testimony.

In addition to the extensive testimony presented, Dana Coale, Deputy Administrator of the Agricultural Marketing Service Dairy Program, brought up the timely topic of government funding. In the event there is a lapse in funding, starting October 1, the hearing will have to be adjourned until further notice. She could not offer much more information, but did specify that the hearing would likely resume 2 business days after funding returns.

What's on the schedule for next week? We will get to hear the coops' representatives testify on why their proposal should be adopted. Your WUD's economist is also eager to testify in support of that proposal. Any producer interested in testifying can do so at any time, but Monday and Tuesday may present a good opportunity as the coops are making the case for why California needs a FMMO.

As a reminder, any interested party can listen to the live audio feed at: tinyurl.com/camilkhearing. Don't have time to sit through entire days of deliberations? "Like" Western United Dairymen on Facebook or follow us on twitter (@wudnews) for daily progress updates.

Listen to the live audio feed at: tinyurl.com/camilkhearing



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#WUDCAFMMO



Join us for the
Western United Dairymen
Golf Tournament Fundraiser



Monday, October 12th
Kings River Country Club
3100 Avenue 400, Kingsburg, CA (559) 897-5661
11AM-11:45AM *Registration*
12 Noon *Shotgun*
5:30PM *19th Hole Social (no-host bar)*
Four Person Scramble - \$150 per player
Includes: Green fee, cart, practice balls and lunch

For more information or to register email:
info@westernuniteddairymen.com

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NOTE: The WUD website is currently under construction. Check back soon for a new and improved site!

What's Up and What's Not — Your Weekly Market Update

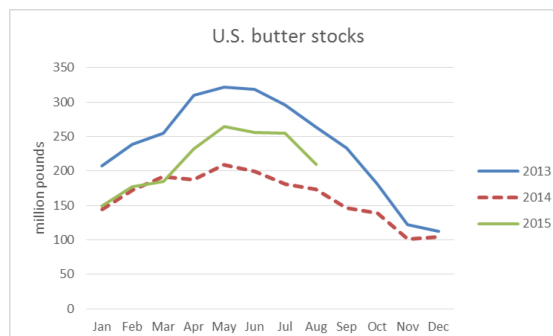
by Annie AcMoody, Director of Economic Analysis

It's a toss-up as to what caused more hype this week between butter markets and the start of the California FMMO hearing. While the hearing adopted a slow pace appropriate for the marathon it is likely to be, the CME butter price seems to have a harder time holding back. In just one week, the butter price climbed an impressive 41.75 cents to \$3.1350/lb, racing past last year's price record of \$3.06/lb. While the current price behavior may give a feeling of déjà vu, the market fundamentals are much different than what they were last year. "Tight butter stocks" was a commonly agreed culprit for the price increase. This year, butter stocks in August were up 21% year-over-year. That does not quite meet the definition of "tight". Still, stock drawdown from July to August was above the past five-year average, which is a good sign and corroborates reports that despite higher stocks, butter is not that easy to find. International prices are also not providing much of a reason for the recent increase, with the butter price averaging \$1.41/lb at the latest GDT. Holiday demand being right around the corner is certainly one of the biggest justifications for current price increases. Also, butter appears to be quite trendy in the news in general, which doesn't hurt. McDonald's announcement to switch from liquid margarine to butter on their breakfast sandwiches was certainly helpful in creating a feeling for potential butter availability issues in the future.

The block cheese price couldn't handle the excitement in butter markets and succumbed to reports of ample cheese availability. Indeed, the USDA's latest *Cold Storage* report pointed to increased American cheese stocks in August compared to last year (+9%). Total cheese stocks climbed even faster (+12%). *Dairy Market News* (DMN) reports industry contacts suggest inventories for commodity cheese may be longer than usual for the end of Q3. This ample cheese availability feeling certainly weighed on the price. The price first dropped 5 cents on Monday, then 4.75 cents on Tuesday. Half a cent was lost Wednesday before the price stabilized at \$1.59/lb for the rest of the week.

The Western dry whey price continued to disappoint, losing half a cent to \$0.21/lb this week. This represents the lowest since April 2009. DMN reports "the top end of both the range and mostly for West whey prices moved lower in a weak market. Production remains active. Industry contacts suggest buyers are becoming a little more engaged as the baking industry ramps up for Q4. Inventories are above what is needed to meet market demands."

The California nonfat dry milk price managed to gain some value and the extra 5.87 cents added this week was welcomed, bringing the price back over \$0.80/lb for the first time since the end of July. While the resulting \$0.8475/lb may not seem like a huge win, it is at least moving in the right direction. DMN's latest western state price average moved in the same direction, up 5.5 cents to \$0.90/lb. That price average has been on the rise for the last six weeks.



USDA released its *Milk Production* report this week, pointing to a slowdown in milk production growth. August U.S. milk production was still up from last year (+0.8%), but it was the lowest year-over-year change observed since December 2013. Striking differences in regional production trends remain, with California's milk production down 3.4% from last year and Wisconsin production up 4.8% from last year. The number three dairy states, Idaho, fell right on the national average at 0.8%.

Commodity Markets: CME - California Plants

Average	AA Butter	NFDM	40# Blocks	Barrels	Dry Whey
July	\$1.9004	\$0.8594	\$1.6525	\$1.6159	\$0.4000
August	\$2.0720	\$0.7816	\$1.7119	\$1.6826	\$0.3219
September	\$2.5939	\$0.7910	\$1.6699	\$1.6176	\$0.2270
Sept. 25	\$3.1350	\$0.8475	\$1.5900	\$1.5425	\$0.2100
Week to date	↑ 41.75 cents	↑ 5.87 cents	↓ 10.25 cents	↑ 0.75 cent	↓ 0.5 cent

Estimated* producer CWT prices

Month	Class 1	4a	4b	Overbase	Quota
July	\$18.57	\$13.03	\$14.98	\$14.32	\$16.02
August	\$17.81	\$13.08	\$15.74	\$14.63	\$16.33
September	\$18.23	\$15.35	\$14.94	\$14.97	\$16.67

*Actual announced prices are in BOLD, estimates are in *Italics*

WUD Welcomes New Employee to the Team



Western United Dairymen is excited to announce the addition of Normalee Castillo. Norma will assume the role of Executive Secretary to the Board of Directors and our new role of Membership Services Manager.

Norma comes to WUD from the Madera County Farm Bureau, where she worked coordinating the roles and responsibilities of the Board and maintained strong member relations for eight years.

One of Norma's critical responsibilities will be to collect our valued member's feedback through the reviving of our statewide district resolution process. She will also work to ensure that Board meetings are ran efficiently and smoothly.

A native of Washington state, Norma's family has a strong agricultural background. Her husband, Roy is part of their family owned tree-shredding service that works side-by-side with farmers throughout the central valley. Norma and Roy have a handsome five month old baby boy named RJ.

Norma will strengthen our WUD voice and is a welcomed addition to the team.

State Water Board Fees

by Paul Sousa, Director of Environmental Services

On September 16 the State Water Resources Control Board (SWRCB) voted to adopt a resolution setting water quality fees for the State's 2015-2016 fiscal year. For a change, the funding level was not in need of an increase, except for the fact that last year the Board had voted not to include fees on dairies with waivers for one year. So the staff proposed and the Board adopted a resolution to keep fees the same for dairies under Waste Discharge Requirements (the permits that most dairies have), but to include dairies covered under waivers (most dairies on the north coast are regulated by permits referred to as 'waivers'). Because many dairies on the north coast are smaller they also broke down the current category of 0 to 300 mature cows into three subcategories, with dairies with 0 to 49 mature cows paying no annual fees, 50 to 149 paying \$497, and 150 to 299 paying \$994 per year. This change to the fee schedule applies statewide.

There was also a discussion on the California Dairy Quality Assurance Program (CDQAP) and what value certification provides to the water boards, so part of the resolution directed staff to look into what value the CDQAP provides and prepare a report for the board.

Western United Dairymen worked with SWRCB staff, met with State Water Board members individually, submitted comments, and testified opposing the fee increase along with some of our members. In the end, the State Board members felt that they had given dairies with waivers a one year delay last year and felt compelled to adopt the fee increase this year.

USDA Extends Dairy Margin Protection Program Deadline

Agriculture Secretary Tom Vilsack announced this week that the deadline to enroll for the dairy Margin Protection Program for coverage in 2016 has been extended until **Nov. 20, 2015**. The voluntary program, established by the 2014 Farm Bill, provides financial assistance to participating farmers when the margin – the difference between the price of milk and feed costs – falls below the coverage level selected by the farmer.

Vilsack encouraged producers to use the U.S. Department of Agriculture's Farm Agency Service (FSA) online Web resource at <http://www.fsa.usda.gov/mpptool> to calculate the best levels of coverage for their dairy operation. Producers that were enrolled in 2015 need to make a coverage election for 2016 and pay the \$100 administration fee. Although any unpaid premium balances for 2015 must be paid in full by the enrollment deadline to remain eligible for higher coverage levels in 2016, premiums for 2016 are not due until Sept. 1, 2016. Also, producers can work with milk marketing companies to remit premiums on their behalf.

To enroll in the Margin Protection Program for Dairy, contact your local FSA county office.

Cultivating On-Farm Efficiencies with Drip Irrigation Innovations

By John Cardoza, Program Manager at Sustainable Conservation

Taking Full Advantage of On-Farm Nutrients

With over 1,300 dairy farms, California accounts for more than 20% of the United States milk production, which means there are plenty of cows producing plenty of nutrients in the form of manure. California dairy producers are continuing to look for ways to utilize these on-farm nutrients most effectively.

Dairy producers use water to keep their dairy facilities and their cows clean, resulting in a lot of nutrient-rich water. Applying these nutrients to feed crops as organic fertilizer has been practiced for a long time. The nutrient-rich water needs to be applied agronomically to reduce the risk of nitrate leaching into groundwater, and with California being in its fourth year of drought dairy producers are also looking for ways to improve water efficiency. *(continued on pg. 4)*

(continued from pg. 3)

Piloting an Innovative Manure Drip Irrigation System Improves On-Farm Efficiencies

Drip irrigation is demonstrating promise as one way to improve water efficiency and apply on-farm nutrients to crops at the same time. Sustainable Conservation teamed up with Netafim USA, an irrigation supplies manufacturer, and De Jager Farms to pilot a drip irrigation system within a dairy forage crop rotation utilizing dairy nutrient water. The partnership hosted a bus tour field day August 26th at De Jager Farms to promote the benefits of the system to other dairy producers. The event was well attended with about 65 participants who were curious and asked a lot of great questions.

Water Savings, Fewer Synthetic Fertilizers, & Cleaner Groundwater Equal Wins All Around

The manure drip system irrigated last year's and this year's silage corn crop, which usually takes about 40 inches of water over the course of a growing season. The drip system reduced the farm's water use to 28 inches last year. The yield per acre improved by about 20%, and the time it takes to irrigate a field has been reduced.

The system also allows De Jager Farms to utilize its nutrients more effectively by allowing it to spoon-feed its crops the nutrients they need. The farm is also able to save money normally spent purchasing and applying expensive synthetic fertilizers, which reduces fertilizer leaching into groundwater.

Sustainable Conservation, NetafimUSA and De Jager Farms hope to have the system "bulletproof" by 2016 and ready for adoption by other dairies.

With or without drought conditions, the partnership anticipates that this type of system will continue to be a solution sought after by dairy producers interested in saving water, time and money.



WUD Membership Categories

Dairy Member (Monthly Dues Paying)

Membership Portal Access
E-Publication/Hard Copy Publication
Staff Access
Annual Convention Tickets (Limit 2)

(Dairy Additional under Dairy Membership are only allowed Membership Portal Access and E Publications, NOT other membership services)

Associate Member \$300 Annual Dues

Membership Portal Access
E-Publication/Hard Copy Publication

Allied Business Member (Annual)

GOLD \$5,000

Dairy Member Access & Services
Business Member Support Webpage
Business Member Profile in WUD Publications
Website Logo Co-Branding
Sponsorship at ALL WUD Functions

SILVER \$ 2,500

Dairy Member Access & Services
N/A
N/A
Logo Co-Branding Available Only at WUD Functions/No Website
Sponsorship at all WUD Functions EXCEPT Convention

WUD Functions include Annual Convention, Non-Political Golf Tournament, Safety Trainings, Seminars, and Winter Delegate/Member Meetings; Does not include PAC or Political Functions