

# Daily Dairy

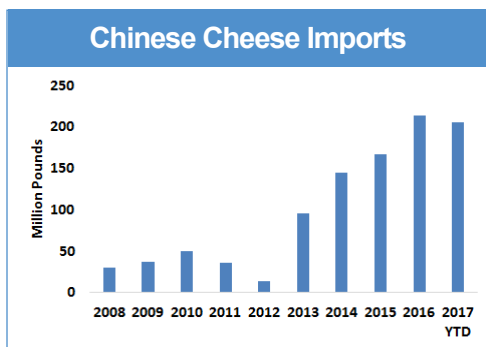
Vol. 6, No. 163 / November 28, 2017

REPORT

## China Slashes Tariffs

On Friday, China will lower the tariff on U.S. cheese imports from the current 12% to 8%. As part of China's efforts to boost the array and affordability of products available to consumers, China will also slash tariffs on two categories of products replete with dairy ingredients. Imports of hydrolyzed protein formula for people with special nutritional needs will become duty free, down from the current 20% tax. The tariff on prepackaged infant foods will drop from 15% to 2%. The changes will immediately improve the U.S. dairy industry's ability to compete for exports in China, particularly for cheese and products containing whey and milk powder.

Chinese demand for imported cheese has grown impressively over the past five years. China's cheese imports have been record-large in each of the past four years. In 2016, cheese imports reached 213.7 million pounds, up 133% from the previous year. China's cheese imports are likely to set a new record again this year; year to date, cheese



imports are 19.3% higher than January through October 2016 volumes. Through October, U.S. cheese exports to China increased 44.8% from the comparable period a year ago. The United States is China's third largest cheese supplier, behind New Zealand and Australia, and the United States accounted for 11% of China's cheese imports so far this year. That's up from a 9.2% share in 2016 but down from 15.4% in 2015 and 17.6% in 2014.

The new tariff structure could help the United States regain some of the market share it has lost to New Zealand and Europe. That's welcome news given the size of the U.S. cheese stockpile and relentlessly robust production. In 2016, the U.S. exported just 5.2% of the cheese it produced and 14.2% of all milk solids. The U.S. Dairy Export Council estimates that to maintain strong and broad growth in the U.S. dairy industry, the United States will need to increase U.S. dairy exports to around 20% of the milk supply by 2020.

### CME Spot Prices

CME Spot Prices (\$/lb.)	Close	Chg. ¢	Trades
Butter	\$2.1850	-2.25	5
Cheddar Block	\$1.6100	+6.00	2
Cheddar Barrel	\$1.5400	-5.00	14
NDM Grade A	\$0.7300	+1.00	6
Corn Futures (MAR)	\$3.4975	-2.00	NA
Soybean Futures (JAN)	\$9.9300	-3.00	NA
Soybean Meal Futures (JAN)	\$325.80	-3.50	NA
Live Cattle Futures (FEB)	\$125.675	-37.50	NA

### November 28 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
NOV17	16.81	+1	14.00	-1	175.80	NC	35.58	NC	228.23	-0.03	75.53	NC	-	-	-	-	-	-	-
DEC	15.25	+4	13.74	NC	161.80	+0.10	31.90	+0.40	223.03	-1.45	74.60	NC	2,820	1,705	6,600	5,020	1,484	4,675	588
JAN18	14.39	-7	13.77	+4	155.50	-0.70	28.05	NC	224.05	-1.43	75.28	+1.28	2,905	1,705	6,350	5,000	1,485	4,225	590
FEB	14.44	-10	13.93	+11	156.90	-0.80	25.73	-0.45	226.50	-1.00	76.28	+2.15	2,925	1,710	6,260	4,975	1,481	4,500	5,593
MAR	14.52	-4	14.04	+4	158.20	-0.20	25.50	-0.18	228.15	-0.85	76.35	+1.73	2,940	1,720	6,250	4,970	1,481	4,182	595
APR	14.74	NC	14.20	+1	160.30	NC	25.65	NC	230.03	-0.55	77.93	+2.18	2,950	1,730	6,115	4,960	1,495	4,282	598
MAY	14.98	-2	14.38	+8	162.60	+0.10	25.50	-0.15	231.75	+0.18	78.73	+1.45	2,950	1,740	6,075	4,940	1,495	4,275	600
JUN	15.27	NC	14.61	+6	165.90	+0.20	25.50	NC	233.40	+0.40	81.90	+2.70	2,950	1,810	6,070	4,910	1,510	4,025	613
JUL	15.55	NC	14.87	NC	168.10	+0.20	26.45	NC	235.50	NC	82.30	+1.50	2,920	1,800	6,010	4,880	1,525	4,100	635
AUG	15.60	NC	15.10	NC	169.30	+0.40	26.30	NC	237.28	NC	84.08	+1.50	2,950	1,870	6,100	5,100	1,560	4,094	645
SEP	15.71	+2	15.23	NC	170.50	+0.90	26.00	NC	238.30	NC	85.35	+1.53	2,950	1,900	6,100	5,100	1,585	4,063	650
OCT	15.75	NC	15.40	NC	170.30	+0.30	26.00	NC	237.50	NC	86.65	+0.90	2,860	1,860	6,000	5,100	1,605	4,100	660

Oct. 2017 milk prices (with chg. vs. prior month): Class III \$16.36 (-\$0.21); Class IV \$15.86 (-\$0.75); California 4a \$15.69 (-\$0.99); 4b \$14.88 (-\$1.38)

The Daily Dairy Report is written by Mary Ledman, Sara Dorland, Sarina Sharp and Karen Endres. To subscribe visit [www.dailydairyreport.com](http://www.dailydairyreport.com).

The Daily Dairy Report is published by Daily Dairy Report, Inc. The information and opinions contained in this document have been compiled or derived from sources believed to be reliable, but no representation or warranty, express or implied, is made as to their accuracy, completeness or correctness. No guarantee of any kind is implied or possible where projections of future conditions are attempted. Futures trading is not suitable for all investors, and involves the risk of loss. Past results are no indication of future performance.

Copyright Daily Dairy Report, Inc. All rights reserved. Reproduction or distribution in any form is prohibited without consent from Editor Mary Ledman, Daily Dairy Report, Inc. 1642 Old Barn Circle, Libertyville, IL 60048. Phone (847) 680 9693. [mary@dailydairyreport.com](mailto:mary@dailydairyreport.com)