MPC FRIDAY MARKET UPDATE

<table>
<thead>
<tr>
<th>CHICAGO CHEDDAR CHEESE</th>
<th>CHICAGO AA BUTTER</th>
<th>NON-FAT DRY MILK</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blocks - $0.0100</td>
<td>Weekly Change - $0.0375</td>
<td>Week Ending 3/11 &amp; 3/12</td>
</tr>
<tr>
<td>$1.4900</td>
<td>$1.9500</td>
<td>Calif. Plants $0.7885</td>
</tr>
<tr>
<td>Barrels +$0.0300</td>
<td>Weekly Average - $0.0420</td>
<td>Nat’l Plants $0.7623</td>
</tr>
<tr>
<td>$1.5000</td>
<td>$1.9390</td>
<td>$16,867,368</td>
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Weekly Average, Cheddar Cheese  

<table>
<thead>
<tr>
<th>DRY WHEY</th>
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<tbody>
<tr>
<td>Blocks - $0.0240</td>
</tr>
<tr>
<td>$1.4880</td>
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<tr>
<td>Barrels - $0.0215</td>
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<tr>
<td>$1.4445</td>
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FRED DOUMA’S PRICE PROJECTIONS…

Last Week: Quota cwt. $14.71 Overbase cwt. $13.01 Cls. 4a cwt. $12.67 Cls. 4b cwt. $13.29

MARKET COMMENTARY: (By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com)

Milk & Dairy Markets

For much of the week, the dairy product markets beat a quiet retreat. Then on Friday, the CME spot barrel market surged 8ȼ and closed at $1.50/lb., up 3ȼ from last Friday. This is curious because, as *Dairy Market News* reports, “Buyers are already well stocked. Inventories of barrels are long.” Spring has come early in the Midwest and cheese plants are already running near capacity.

The other products managed a tepid bounce on Friday but still closed lower than last week. Cheddar blocks ended down a penny at $1.49. Early in the week, spot butter slipped to $1.925, its lowest value since July. It finished at $1.95, down 3.75ȼ on the week. Grade A nonfat dry milk (NDM) closed at 73ȼ, down 4ȼ from last Friday. The Class III markets jumped Friday, pushing nearby futures into the green for the week, but deferred contracts finished lower. Most Class IV contracts lost between 20ȼ and 40ȼ this week.

It was another disappointing day at the Global Dairy Trade (GDT) auction. The trade-weighted index fell 2.9%, marking its fifth decline out of six events this year. The average winning price for Cheddar sunk 5.6% to $1.11/lb., the lowest GDT Cheddar price ever. Butter fell 2.8% from the previous auction. Skim milk powder (SMP) dropped 2.5% and whole milk powder (WMP) prices fell 0.8% to their lowest level since August. The decline in milk powder prices was particularly unwelcome to dairy producers in New Zealand who are still reeling after Fonterra’s latest downward revision to its pay price. More declines may follow.
Dairy product prices in Europe continue to languish, but dairy producers gained at least the hope of some financial relief this week. The European Commission agreed to allow its member states to pay dairy producers up to €15,000 directly, if the national governments have the inclination and the funds. In light of industry pain, cooperatives and other producer organizations are temporarily permitted to establish voluntary agreements to limit production. The European Commission also doubled the volumes it will accept in its intervention purchase program, bringing the SMP ceiling to 218,000 metric tons and the butter ceiling to 100,000 metric tons.

As of March 13, there were 73,426 metric tons or 162 million pounds of SMP in intervention storage; the program was quickly approaching its initial limit. By doubling the volume, the European Commission has preserved the roughly 80ȼ floor in the milk powder market and also effectively extended the ceiling at the same level. As global production slows and the price of milk powder recovers, the European government will be competing against processors to sell SMP and reduce intervention stocks.

In February, U.S. milk production totaled 16.9 billion pounds, up 1% from 2015 after adjusting for Leap Year. Mild weather in much of the nation boosted output per cow. Output in California totaled 3.3 billion pounds, down 2.9% from the prior year. Texas and New Mexico reported production down 2% and 6%, respectively, from February 2015. Production dropped 1.7% in Florida and 1.4% in Virginia on a daily average basis.

Milk continues to gush in the Midwest and, to a lesser extent, in the Northeast. Production was up 7.8% in Michigan, 5% in Wisconsin, 4.6% in New York, and 4.4% in Indiana. Processing capacity could really become an issue in both regions throughout the spring flush.

There were 9.312 million cows in the dairy herd in February, 2,000 more than in January and 4,000 more than February 2015. The herd remains much smaller than it was late last year, before dairy producers in New Mexico and Texas suffered painful losses in the icy grip of Winter Storm Goliath. There is no shortage of heifers and they are slowly rebuilding those herds.

For the week ending March 5, dairy cow slaughter totaled 59,073 head, down 1.7% from the previous week. For the year to date, the cull rate is basically steady with 2015.
**Grain Markets**

On Wednesday, officials at the Federal Reserve made no change to monetary policy. They also suggested that, despite steady improvements in the domestic economy, an interest rate hike was not imminent. With that, the dollar plunged to its lowest level in nearly five months. The commodity markets – which had already been looking buoyant – soared.

The shift in sentiment and the very real impact of a weakened currency propelled the grain markets upward. The rally prompted some farmers to finally part with a portion of last year’s crop. Soybeans probed four-month-highs but then faded late in the week, and the corn market strength also petered out. Still, May corn futures closed at $3.67 per bushel, up a penny from last Friday. May soybeans settled at $8.975, 9.75¢ higher than last week.

Without a shift in the currency, the grain markets will be in a holding pattern until the forecast dictates a change in direction. Abundant inventories will limit but cannot completely eliminate the volatility that typically accompanies spring weather. The real fireworks – if there are any – will come this summer.

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**STILL NOT CDQAP-CERTIFIED? NEED TO ATTEND THE SHORT COURSE FOR CERTIFICATION? COME TO HANFORD NEXT MONTH!:** (By Kevin Abernathy, Director of Regulatory Affairs) For those California dairies who have not yet gotten certified under the California Dairy Quality Assurance Program (CDQAP), you have a chance next month to attend the required short course in Hanford. CDQAP certification comes with the dual benefit of: (1) proudly acknowledging that your dairy is complying with local and state air/water quality requirements; and (2) receiving a 50% discount in the fees paid annually to the State Water Resources Control Board.

This will be the only class offered this year, so if you’re interested in getting CDQAP-certified in 2016, I’d encourage you to attend this class.

**Water Quality Classes**

- **Wednesday, April 6, 2016**
  - Class 1: 9 a.m. to 12 noon
  - Class 2: 1 to 4 pm
  - Kings County UCCE Office “classroom,” 680 N. Campus Dr., Suite A, Hanford, CA 93230

**Air Quality Class**

- **Thursday, April 7, 2016**
  - 9 a.m. to 12 Noon
  - Kings County UCCE Office “classroom,” 680 N. Campus Dr., Suite A, Hanford, CA 93230

For those interested in attending the class and getting their CDQAP certification, **you will need to attend all of these classes** (unless you have already attend a portion of a previous class and have credit towards completion). You will also have to complete an on-site inspection following the completion of the class in order to be CDQAP-certified and receive the discount on your annual fees to the State Water Board. While many of MPC’s members have already taken advantage of this opportunity, for any who haven’t, please feel free to contact me at kevin@milkproducers.org or (209) 678-0666 if you have any questions.

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