DATE: May 30, 2014  PAGES: 3
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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE
<table>
<thead>
<tr>
<th>Blocks</th>
<th>Weekly Average, Cheddar Cheese</th>
<th>Barrels</th>
</tr>
</thead>
<tbody>
<tr>
<td>- .0600</td>
<td>Daily Market News w/e 05/30/14</td>
<td>- .0875</td>
</tr>
<tr>
<td>1.9600</td>
<td>Calif. Plants $1.7723</td>
<td>1.9325</td>
</tr>
</tbody>
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CHICAGO AA BUTTER
| Weekly Average, Cheddar Cheese | Dairy Market News w/e 05/30/14 | National Plants w/e 05/24/14 |
| Weekly Change | $1.84 | $1.6808 |
| week Ending 5/23 & 5/24 | $1.84 | $1.6808 |

NON-FAT DRY MILK

Dry Whey

FRED DOUMA’S PRICE PROJECTIONS…

June ’14 Est: Quota cwt. $22.41  Overbase cwt. $20.71  Cls. 4a cwt. $22.77  Cls. 4b cwt. $18.54

May ’14 Final: Quota cwt. $22.78  Overbase cwt. $21.08  Cls. 4a cwt. $22.52  Cls. 4b cwt. $19.34

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

Milk & Dairy Markets

CME spot butter ended the month at $2.30/lb. This is a dozen cents higher than last Friday’s settlement and it represents the highest spot price in more than a decade. Grade A nonfat dry milk (NDM) climbed every day this week. NDM gained 4.75ȼ from last Friday, rising to a one-month high of $1.84. Nonetheless, Class IV futures posted a dispirited performance. Most contracts lost 10 to 20ȼ.

Cheddar blocks and barrels both retreated, falling back below the $2 mark. Blocks settled at $1.96, down 6ȼ. Barrels shed 8.75ȼ, dropping to $1.9325. The Class III futures trade whip-sawed during this holiday-shortened week. Big gains on Tuesday were followed by limit-down trade in the June and July contracts on Wednesday. But despite the falling spot market, most Class III futures settled a little higher than they did last Friday.

U.S. cheese stocks are notably lower than the burdensome levels of last year, and domestic demand is comfortably brisk. Dairy Market News reports that manufacturers are able to clear inventories at a healthy pace. But fluid milk demand has slowed due to Memorial Day closures and the end of the school year. There is no shortage of milk available for manufacturers, and milk flows are slowly rising in the Midwest and Northeast.

![Global Cheese Prices](image)

![CME Spot Prices](image)
Overseas milk output has been very strong for months, and the prices of all dairy products are sliding. Since peaking in late March, Oceania Cheddar prices have fallen 13% and German Edam has shed 14% of its value. U.S. cheese prices outran the markets overseas and had further to fall. Since late March, the weekly average Cheddar block price has fallen 18%. Still, European cheese is generally cheaper than U.S. product, and U.S. export sales are waning. If European cheese prices continue to slide, or if there is a notable uptick in Midwest milk output, U.S. cheese prices will likely come under further pressure.

Churn rates increased over the holiday weekend. But butter makers remain uncomfortable with historically low stocks during a time when they typically build inventories. Rising prices have helped to dampen sales somewhat, but demand remains better than expected and ice cream manufacturers are pulling on cream supplies. Overseas markets offer a discount to U.S. butter, but for now concerns about domestic supplies have muted the impact that this might have on U.S. butter prices.

Milk powder prices continued to slide at the GDT last week, and European markets have been steady or lower. Dairy Market News, the National Dairy Product Sales Report (NDPSR) and the California Weighted Average Price (CWAP) series have all signaled a steady drop in the NDM market. Lower prices have encouraged higher sales volumes. CWAP sales volume was greater than in any week since March 2012. The NDPSR also reported very heavy sales.

USDA reported the May All-Milk price at $24.70/cwt. This was 60¢ lower than the April All-Milk price but it is $6/cwt. greater than last year’s price. The California All-Milk price fell from $23.41 in April to $22.30 this month. With milk prices holding near historic highs, dairy producers are enjoying excellent margins.

USDA’s Ag Prices report and a standard ration, stand well below the painfully high levels of the past two or three years. This index is important because it serves as the basis for payments from federal margin protection programs. However, national average margins hardly reflect individual circumstances. Grain prices are indeed lower than last year, and they continued to slide this week. But soybean meal futures are hovering near record highs around $500 per ton. Delivered prices are even higher. Forage prices are stubbornly high, particularly in the West. Amidst severe drought, California dairy producers are scrambling to secure quality hay supplies well north of $300 per ton. The cost of milk production in the West is near record highs. Feed costs are likely to remain lofty at least until forage becomes more plentiful and protein feeds are not restricted by vigorous export

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sales and transportation bottlenecks. Nearly record high milk prices are enough to overcome these feed issues for now, but as milk prices slide, so will profits.

Dairy producers continue to cull at very low rates, and the milking herd is likely growing. For the week ending May 17, dairy producers culled 47,921 head. Over the past four weeks, dairy cow slaughter has been lower than in any four week period since July 2011. Year-to-date slaughter is 10.3% lower than last year at this time.

Grain and Hay Markets
July corn futures shed 12.25₵ this week and July soybeans dropped 22.25₵. USDA reports that as of May 25, 88% of the corn crop and 59% of soybeans had been planted. Crops are emerging into excellent growing conditions in most areas. Soils are warming and the forecast is nearly ideal. Regular rains are expected the dry parts of the Northern Plains and northwest Corn Belt over the next ten days. Showers will also fall in the central and eastern Corn Belt, but totals will be lighter and there will be some opportunity for fieldwork in the areas that are still finishing up. The Southern Plains enjoyed their first good soaker in far too long, but more is needed there.

There is a lot of potentially harmful weather awaiting the crop between now and harvest. But the threat of a late frost has abated and concerns about acreage are minimal. The grain markets will likely remain complacent until the hotter days of summer can reinvigorate the bulls.

MONTHLY DAIRY CARES COLUMN: CONGRATS TO MPC-MEMBER MADDOX DAIRY FARMS, “OUTSTANDING DAIRY FARM IN SUSTAINABILITY”: (by Rob Vandenheuvel) This month’s Dairy Cares Report (which can be found on MPC’s website at: [http://www.milkproducerscouncil.org/cares.htm](http://www.milkproducerscouncil.org/cares.htm)) focuses on the national recognition received by Maddox Dairy Farms as an “Outstanding Dairy Farm in Sustainability.” This award was given by the Innovation Center for U.S. Dairy to three dairy farms around the country. Below is an excerpt from this month’s Dairy Cares Report:

**Maddox Dairy Farms, Riverdale, California**
“Outstanding Dairy Farm in Sustainability” award winner

Maddox Dairy Farms has long been a leader and early adopter of sustainable dairy farming practices in California. Key to their success has been active participation in on-farm research in the areas of animal well-being and husbandry, nutrient management, air quality and greenhouse gas emissions. This 56-year commitment to research has not only improved the sustainability footprint of their own farm, but has also contributed to the overall sustainability and health of the California and U.S. dairy community.

Maddox Dairy Farms has long embraced innovation, looking for new technologies to help improve the efficiency of their family dairy farm. They were among the first to build a freestall dairy barn with a drive-through center alley more than 25 years ago, a set-up commonly found on today’s modern dairies. The Maddox family also values educating the public about dairy farming and how food makes it way from farm to table. Over the past 30 years, Maddox Dairy Farms has had more than 90,000 visitors tour their farm.

Today, their innovative attitude is alive and well, evidenced by the recent installation of a 1.3 megawatt solar project on their farm. This project meets approximately 87 percent of the electricity needs of the dairy and reduces greenhouse gas emissions by more than 800 tons each year – the equivalent of removing more than 170 cars from the roadway.

Maddox Dairy Farms also employs innovative technology to bring water to their crops, utilizing two dual-fuel engines on irrigation pumps. The engine runs on a mix of diesel and propane, cutting their diesel consumption by half and fuel costs by 25 percent. The investment is also a win for the environment, reducing greenhouse gas emissions and improving air quality.

Congratulations to the Maddox Family for this well-deserved honor.