DATE: June 6, 2014
TO: Directors & Members
FROM: Rob Vandenheuvel, General Manager

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**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</td>
<td>Weekly Change</td>
<td>Week Ending 5/31 &amp; 5/31</td>
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<tr>
<td>+$.0900</td>
<td>-.0775</td>
<td>Calif. Plants: $1.9057, 8,383,800</td>
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<tr>
<td>Barrels</td>
<td>Weekly Average</td>
<td>Nat’l Plants: $1.8901, 21,704,687</td>
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<tr>
<td>+$.0350</td>
<td>-.0325</td>
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<tr>
<td>Weekly Average, Cheddar Cheese</td>
<td>Dairy Market News</td>
<td>Prior Week Ending 5/23 &amp; 5/24</td>
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<tr>
<td>Blocks</td>
<td>w/e 06/06/14</td>
<td>Calif. Plants: $1.7723, 23,754,750</td>
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<td>+$.0285</td>
<td>$.6600</td>
<td>Nat’l Plants: $1.8143, 36,265,429</td>
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<tr>
<td>Barrels</td>
<td>National Plants</td>
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<tr>
<td>-$.0080</td>
<td>w/e 05/31/14</td>
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<td>$.6724</td>
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**FRED DOUMA’S PRICE PROJECTIONS…**

June 6 Est: Quota cwt. $22.90 Overbase cwt. $21.21 Cls. 4a cwt. $23.33 Cls. 4b cwt. $19.20
Last Week: Quota cwt. $22.41 Overbase cwt. $20.71 Cls. 4a cwt. $22.77 Cls. 4b cwt. $18.54

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

*Milk & Dairy Markets*

The butter market could not hold at the ten-year highs reached last Friday. CME spot butter slipped to a still lofty $2.2225/lb., down 7.75¢ this week. Trading activity was brisk, with 29 loads changing hands. Cheddar blocks pushed back over the $2 mark, settling at $2.05. This is 9¢ higher than last Friday’s close. Barrels were quieter, gaining 3.5¢ and rising to $1.9675. Grade A nonfat dry milk (NDM) reached $1.86/lb. on Wednesday, marking the highest spot price since mid-April. A mild set-back on Friday pushed NDM to $1.8575, up 1.25¢ from last week.

June Class III futures settled 41¢ higher than last Friday, while the July contract was 24¢ lower. Deferred contracts were steady to a little higher. USDA announced the May Class III price at $22.57, which was $1.74 lower than April but still $4.05 higher than the May 2013 price. The California 4b price was $19.34, down $2.39 from April. The gap between California 4b and Class III milk prices has not been this wide since December 2011.

June Class IV futures were steady and the July contract gained 8¢. However, most later contracts posted double digit losses. USDA announced the May Class IV price at $22.65. This is 69¢ lower than April but $3.76 greater than the May 2013 price. The Class IV price exceeded Class III in May. At $22.57, the California 4a price was 74¢ lower than the April price.

For the eighth time in a row, dairy product prices dropped at the Global Dairy Trade (GDT) auction. The GDT Index fell
4.2%, the steepest descent since early April. Individual products put in a widely varied performance. Butter prices were slightly lower than at the previous auction, although the decline was too small to warrant a change in percentage terms. Cheddar prices climbed 8%. Skim milk powder (SMP) prices rallied 2.1%, but that gain was dwarfed by an 8.5% decline in the price of whole milk powder (WMP). At $3,594/metric ton (MT) or $1.63/lb., WMP prices fell to their lowest level since February 2013.

U.S. cheese production in April was the highest for any April since USDA began tracking output in 1919. Output totaled 950 million lbs., up 2.2% from April 2013 and 1.9% higher than March on a daily average basis. Given such strong production and the likelihood that Midwest milk production improved in May, it is truly impressive to see spot cheese prices firming. The dairy product markets have proven resilient. While growing global production has fostered bearish sentiments, lower prices are perpetually a prospect for two or three months hence. Today, milk checks are large and dairy product prices are high, implying that demand is very strong.

U.S. cheese exports remain robust. April shipments totaled 33,759 MT or 74.4 million lbs. This was shy of the record highs set in March but 32% greater than April 2013. Sales to South Korea reached an all-time high of 15.1 million lbs., helped by a burgeoning appetite for pizza that is boosting cheese consumption in Southeast Asia. Current prices suggest that U.S. cheese exports could fade later this year. Today’s sales were booked months ago, when the U.S. was more competitive relative to the European market. Indeed, there are reports that Europe has begun shipping cheese to Mexico, a market typically dominated by product from the U.S.

April butter production totaled 158 million lbs., down 4.9% from the previous year and 1% lower than March on a daily average basis. Butter exports slowed to their lowest level in ten months in April. They were 29% lower than March but more than twice as large as April 2013 shipments.

U.S. NDM output slipped to 158.2 million lbs. in April. This is 1.2% lower than April 2013 and 2.7% below March volumes. The decline in NDM output was more than offset by an increase in SMP production. Combined production of NDM and SMP exceeded April 2013 production by 3.6% and bested March output by 4.2%.

Manufacturer’s stocks of NDM reached all-time record highs in April. Inventories totaled 239 million lbs., up 15% from April 2013 and 12% from March. These stock levels are not typically commensurate with prices approaching $1.90/lb. U.S. exports of NDM rose to an eleven-month high of 117 million lbs. This was 6.4% greater than March but 3.7% lower than April 2013.

U.S. NDM exports to Mexico were 16% lower than last year and 5.2% lower than in March. Lower prices in May probably spurred an uptick in sales to Mexico. The California Weighted Average Price of NDM (CWAP) showed a sizeable increase in sales during the first three weeks of last month, and some of
that volume likely headed south of the border. However, this week the CWAP rose to $1.9057/lb., up more than 13¢ from the previous week. Sales volume dropped by nearly two thirds.

Dairy producers continue to restrict their cull rates. Weekly dairy cow slaughter totaled 48,356 head, down 14.8% from the same week last year. Over the past five weeks, dairy producers have culled almost 40,000 fewer cows than in the same period last year.

**Grain and Hay Markets**
Corn futures spent much of the week continuing the recent down-trend. But on Friday they rebounded, and settled just a nickel lower than last week. The crop is off to a great start and many of the early season risks have been laid to rest. But demand remains strong and there are already concerns about the possibility of hot, dry conditions later this month.

Soybean futures plunged this week, losing nearly 40¢. There is talk that more Brazilian soybean cargoes will be making their way to the U.S. We will need every one of them.

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**MPC MOURNS THE LOSS OF TWO LONG-TIME MPC MEMBERS & INDUSTRY LEADERS:** (By Rob Vandenheuvel) This week, MPC mourned the loss of two long-time members who went to be with the Lord, Patricia (Patty) Van Dam and Henry (Hank) Vander Poel.

**Patty Van Dam**
Southern-California dairywoman Patty Van Dam, married to husband Bert Van Dam, passed away last Saturday (May 31st). Her memorial service was held today. Many of California’s dairy families would recognize Patty, as she devoted significant time over the years to serving on industry boards and committees, such as the San Bernardino Farm Bureau, the California Milk Advisory Board and the Farm Service Agency’s County Committee. Patty, who was 59 years old, is survived by her husband Bert, their two children (Renae and BJ), their spouses and numerous grandchildren. We would ask that you keep Bert, the immediate family and the rest of their extended family in your thoughts and prayers in this difficult time.

The family has asked that in lieu of flowers, any donations be made to Salem Christian Homes, 6921 Edison Ave., Chino, CA 91710 or at www.salemchristianhomes.org.

**Hank Vander Poel**
Bakersfield-area dairyman and long-time MPC Director Hank Vander Poel, married to wife Agnes (Schouten), passed away this past Wednesday. Over the years, many of our California dairy families interacted with Hank in one way or another, as he was an active and committed leader on behalf of dairy farmers. In addition to his multi-decade tenure as an MPC Director, Hank devoted countless time and effort into serving the industry on the California Milk Advisory Board for many years. MPC and our industry owes Hank a debt of gratitude and we mourn his passing. We ask that you keep his wife Agnes, their children (Agnes de Jong, Brian, Bob, Hank Jr., John, and Susan Regli), their grandchildren and all of their extended family in your thoughts and prayers.

For those of you that wish to attend, the **funeral service to honor Hank’s life has been scheduled for 11:00 am on Tuesday, June 10th at the St. Francis Church in Bakersfield (900 H St, Bakersfield, CA 93304). Additionally, a rosary has been scheduled for 6:30 pm on Monday, June 9th, also at the St. Francis Church.**