## MPC FRIDAY MARKET UPDATE

### CHICAGO CHEDDAR CHEESE

<table>
<thead>
<tr>
<th>Type</th>
<th>Change</th>
<th>Market Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blocks</td>
<td>-$0.0300</td>
<td>$2.0000</td>
</tr>
<tr>
<td>Barrels</td>
<td>+$0.0425</td>
<td>$2.0100</td>
</tr>
</tbody>
</table>

**Weekly Average, Cheddar Cheese**

<table>
<thead>
<tr>
<th>Type</th>
<th>Change</th>
<th>Market Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blocks</td>
<td>-$0.0220</td>
<td>$2.0200</td>
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<tr>
<td>Barrels</td>
<td>+$0.0280</td>
<td>$1.9930</td>
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### CHICAGO AA BUTTER

<table>
<thead>
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<th>Weekly Change</th>
<th>Market Rate</th>
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</thead>
<tbody>
<tr>
<td>+$0.0500</td>
<td>$2.2350</td>
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<td>+$0.0255</td>
<td>$2.2205</td>
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</table>

**Weekly Average**

<table>
<thead>
<tr>
<th>Market Rate</th>
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<tbody>
<tr>
<td>$2.2350</td>
</tr>
</tbody>
</table>

### NON-FAT DRY MILK

**Week Ending 6/13 & 6/14**

- Calif. Plants: $1.8407, 11,242,282
- Nat’l Plants: $1.8624, 22,837,013

**Prior Week Ending 6/6 & 6/7**

- Calif. Plants: $1.8454, 10,162,093
- Nat’l Plants: $1.8435, 22,318,229

### DRY WHEY

**Dairy Market News w/e 06/20/14**

- Calif. Plants: $1.8454
- Nat’l Plants: $1.8435

### FRED DOUMA’S PRICE PROJECTIONS…

- **June 20 Est:** Quota cwt. $22.81, Overbase cwt. $21.12, Cls. 4a cwt. $23.27, Cls. 4b cwt. $19.04
- **Last Week:** Quota cwt. $22.83, Overbase cwt. $21.13, Cls. 4a cwt. $23.23, Cls. 4b cwt. $19.10

### MARKET COMMENTARY:

**Milk & Dairy Markets**

CME spot butter added a nickel this week, closing at $2.235/lb. Trading was active, with 30 loads changing hands. A number of butter contracts enjoyed limit up days on Monday and Wednesday (and last Friday) as the futures worked to close the gap with the spot market. Ice cream makers continue to lap up cream and butter churning rates are relatively low. Butter buyers remain concerned about the possibility of much tighter supplies later this year.

Silence prevailed in the spot nonfat dry milk (NDM) market this week. NDM futures climbed. Class IV futures followed suit, posting strong gains for all 2013 contracts. Dairy Market News reports that NDM production is strong and demand is moderate. European driers are operating near capacity as milk production there remains robust.

The spot Cheddar market was mixed. Blocks lost 3ȼ, closing at $2.00/lb. Barrels added 4.25ȼ and surpassed the block market, ending the week at $2.01. There is no shortage of milk for cheese vats, but for now prices seem impervious to concerns about growing inventories. Most Class III futures gained around 65ȼ this week and several contracts reached new highs.

After eight consecutive Global Dairy Trade (GDT) auctions with lower results, prices stabilized at the GDT on Tuesday. The GDT index was 0.9% higher than at the previous event. All products reported higher average prices except anydrous milkfat (down 3.8%) and skim milk powder (down 0.2%). Cheddar and whole milk powder (WMP) prices rose 2.4% and butter was 1.8% higher. The increase in WMP prices came on significantly lower volume than was offered at previous auctions.
U.S. milk production totaled 18.055 billion lbs. in May. This was 1.4% larger than May 2013, marking the largest year-over-year increase in milk production since August. Output is booming in the Southwest and finally starting to pick up in the Midwest. Production remains lower than last spring in the Northeast, but the comparison is somewhat skewed by very strong output at this time last year.

According to USDA, there were 9.25 million cows in the milking herd in May, the highest number in two years. USDA increased its estimate of April cow numbers by 11,000 head. All told, dairy producers added 21,000 cows in April and another 10,000 in May. Given the very low slaughter numbers that have prevailed since late April, USDA may have to make another sizeable revision on the next Milk Production report.

In any case, dairy producers are clearly adding cows. The milking herd has grown by 54,000 head since November and the pace of expansion began to accelerate in April. However, this has yet to translate into a significant increase in milk production. Average daily output in May was just 0.1% higher than April. As fresh alfalfa enters feed rations in the Midwest, the region could see a noted increase in production per cow once adjusted for seasonal tendencies. With cow numbers still rising, there could be huge volumes of milk later this year. For now, milk prices remain high and the market appears to be taking a wait and see approach regarding the potential for greater U.S. milk output.

According to USDA’s Livestock Slaughter report, dairy producers culled just 209,300 dairy cows in May. This was 15.5% lower than in May 2013 and represents the lowest monthly slaughter since November 2009. Slaughter rates have remained depressed since. In the week ending June 7, dairy producers sent 48,493 to beef processors. This was 12% lower than last year. So far this year, slaughter is 10.6% lower than last year and beef prices are once again approaching record highs.

**Grain Markets**

July corn futures rallied 6.25¢ this week to $4.5325/bushel. Aside from a few areas that are uncomfortably soggy, the crop looks great. After a wet weekend, next week looks clearer. Washouts will be an issue for individual farmers, but the market consensus is that “rain makes grain.” But the market could shoot quickly higher at the first hint of adverse weather.

With corn prices holding near four month lows, demand is increasing. Export sales are solid and ethanol production is vigorous. For the week ending June 13, ethanol production was record large, averaging 972K barrels per day.

July soybean futures dropped a dime this week, falling to $14.1575. Soybean meal futures have fallen roughly $50 per ton since peaking late last month. The U.S. soybean balance sheet remains untenable. But while U.S. soybean and soybean meal prices remain high by historical standards, the cash market does not indicate that physical supplies are as tight as they appear to be on paper. Private analysts believe that USDA underestimated last year’s soybean crop. Perhaps we’ll get some insight from the June 30th Grain Stocks report.
At today’s prices, the U.S. is no longer booking soybean imports. Indeed, this week USDA announced the sale of U.S. soybean exports for August delivery. It is likely that this sale will be delayed until newly harvested supplies are available. Nonetheless, the sale demonstrates the disparity between U.S. and global prices even amidst very tight domestic soybean inventories.

CALIFORNIA DAIRIES, INC. ASKS CDFA TO RAISE THE MAKE ALLOWANCE FOR BUTTER AND NFDM: (By Rob Vandenheuvel) This week, California Dairies, Inc. (CDI) submitted a petition to CDFA, requesting that Secretary Karen Ross consider raising the “make allowance” on butter and nonfat dry milk (nfdm). Specifically, the request was to raise make allowance on butter to $.1688 (an increase of $.0053/lb) and on nfdm to $.1999 (an increase of $.0236/lb). The practical result from this proposal – if it were accepted – would be a reduction in the Class 4a price of about $.23 per hundredweight. And with Class 4a making up about 35% of the California Overbase price, this proposal would ultimately reduce the Overbase price by approximately $.08 per hundredweight.

The issue of make allowances and their proper levels has been a point of controversy for many years. Make allowances and the regulated formulas are really a zero-sum game. What I mean by that is an increase to the make allowance lowers the monthly-announced minimum price of milk, which is bad for the dairy farmer but good for the milk buyer. Alternatively, a decrease in the make allowance (has that ever happened?) raises the regulated price of milk, which is good for the dairy farmer but bad for the milk buyer. And then there are many dairy farmers that supplement their main investment in their dairy with a partial interest in manufacturing plants through their cooperative. All of this results in countless hours in the past decades arguing in CDFA hearings about the proper levels of these make allowances, pitting producers vs. processors. Secretary of Agriculture Karen Ross has 15 days from the receipt of the petition (June 16th) to decide whether to schedule another one of these hearings or deny the request. So stay tuned…

JULY WORKSHOPS PROVIDE CENTRAL VALLEY DAIRIES HELPFUL DROUGHT ASSISTANCE INFORMATION: (by California Dairy Quality Assurance Program) The California Dairy Quality Assurance Program (CDQAP) is offering free drought assistance workshops in July to dairy producers in Modesto and Tulare (see right).

California is in the midst of one of the driest years since record keeping began in the 1800s. With short water supplies, dairy producers and farmers are faced with tough planning decisions regarding which crops to grow and the impacts the drought will have on crop yield and quality.

Expert presenters at this free workshop (agenda below) will provide helpful information for managing dairy crops, with a focus on maximizing forage quantity and quality under drought conditions.

Drought Assistance Workshop Agenda

- **Deficit Irrigation of Corn and Sorghum**  
  Dr. Jeff Dahlberg, UCCE Director of Kearney Ag Research & Extension Center

- **Extending Limited Feed Resources**  
  Dr. Peter Robinson, UCCE Dairy Nutrition Specialist

- **Implementing Nutrient Management in Drought Conditions**  
  Dr. Deanne Meyer, UCCE Livestock Waste Management Specialist

- **Using Flowmeters and VFDs for Improving Water and Energy Efficiency**  
  Bill Green, Fresno State University Center for Irrigation Technology

Workshops are offered on a first-come, first-served basis. A printer-friendly flyer with all this information can be found at: [http://www.milkproducerscouncil.org/072014droughtassist.pdf](http://www.milkproducerscouncil.org/072014droughtassist.pdf)