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**DATE:** October 4, 2013 **PAGES:** 3
**TO:** Directors & Members **FROM:** Rob Vandenheuvel, General Manager

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### MPC FRIDAY MARKET UPDATE

#### CHICAGO CHEDDAR CHEESE

<table>
<thead>
<tr>
<th>Blocks</th>
<th>Weekly Change</th>
<th>Weekly Average</th>
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</thead>
<tbody>
<tr>
<td>+$.0150</td>
<td>+$.0050</td>
<td>$1.6150</td>
</tr>
<tr>
<td>+$.0300</td>
<td>+$.0030</td>
<td>$1.6110</td>
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</table>

#### CHICAGO AA BUTTER

<table>
<thead>
<tr>
<th>Dairy Market News w/e 10/04/13</th>
<th>National Plants w/e 09/28/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calif. Plants $1.7866 7,545,322</td>
<td>Calif. Plants $1.7933 8,230,406</td>
</tr>
<tr>
<td>Nat’l Plants $1.8196 N/A*</td>
<td>Nat’l Plants $1.8149 16,354,336</td>
</tr>
</tbody>
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#### NON-FAT DRY MILK

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</thead>
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#### DRY WHEY

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*Due to the shutdown of the Federal Government, these figures are not calculated by USDA.

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### FRED DOUMA’S PRICE PROJECTIONS...

**Oct 4 Est:**
- Quota cwt. $19.63
- Overbase cwt. $17.93
- Cls. 4a cwt. $20.05
- Cls. 4b cwt. $16.42

**Sept ’13 Final:**
- Quota cwt. $19.44
- Overbase cwt. $17.74
- Cls. 4a cwt. $19.47
- Cls. 4b cwt. $16.65

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### MARKET COMMENTARY:

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

**Milk & Dairy Markets**

The bulls exuded quiet strength this week, and dairy product prices settled in the green nearly across the board. Class III futures logged gains ranging from 6 to 22¢ per cwt. Class IV futures posted even greater increases. At the CME spot trade, butter closed at $1.615/lb., up a half cent. Grade A nonfat dry milk (NDM) rose 1 ½¢ to $1.845. Cheddar blocks and barrels added 1 ½ and 3¢, respectively. Spot cheese remains comfortably entrenched in the $1.70 to $1.80 range. Fresh cheese is readily available but holiday demand is just around the corner.

For the first time in eight weeks, the California Weighted Average Price (CWAP) for NDM lost ground. It averaged $1.7866, down 0.67¢ from the previous week. Despite the retreat, CWAP NDM remains quite lofty. The past couple weeks represent the two highest averages since December 2007.

Congress has not been able to come to terms on a budget, and so, without funds set aside to keep the lights on and the doors open, much of USDA was shuttered. Most USDA employees were told to stay home, including many at the Agricultural Marketing Service (AMS). AMS did not survey dairy product prices for Dairy Market News or the National Dairy Product Sales Report (NDPSR) this week, and the missed surveys will not be completed once funding is restored.

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![CWAP NDM Price and Sales Volume](image-url)
In the absence of AMS, Federal Milk Marketing Order administrators estimated NDPSR equivalent prices. These estimates, along with the weekly surveys from earlier in the month, were used to determine September class and component prices. The September milk price and any future milk prices that must be based on estimates will not be revised. Market administrators announced the September Class III milk price at $18.14, up 23¢ from August but 86¢ lower than September 2012. September Class IV milk settled at $19.43, up 36¢ from August and $2.02 higher than September 2012.

The September California 4a milk price was $19.47, incrementally better than the federal Class IV price and 77¢ higher than the August 4a settlement. California 4b milk fell far short of Class III; it settled at $16.65, 35¢ higher than the August 4b price. California Class 1 and 4b prices are based in part on Dairy Market News dry whey prices, which are currently unavailable. Whey futures were notably strong in the latter half of this week.

By all accounts, global milk production is rebounding. The weather is cooperating and record- or nearly record-high payouts in Europe and Oceania are having the desired effect. But amidst firm demand, the significant milk production deficits from the first half of the year are still propping up dairy product prices in general and milk powder prices in particular. The average winning price at the Global Dairy Trade auction advanced 2.4% to a new high for the index. Only milk protein concentrate and casein prices lost ground. Whole and skim milk powder prices added 3.9% and 2.3%, respectively. California-based Dairy America sold SMP at a 34¢ premium to the CWAP NDM price.

This week the dollar fell to eight-month lows against the euro and a basket of currencies before rebounding Friday. The New Zealand dollar rose to its highest mark against the dollar in five months. U.S. dairy product prices remain at an absolute discount to prices offered by competitors in the export market and the currency market has only furthered the price discrepancy. U.S. dairy product exports likely remained strong in September.

**Grain and Hay Markets**

Soybean prices led the way lower this week. November futures lost 25¢ due to heavy losses Monday in the wake of USDA’s quarterly Grain Stocks report. USDA surprised a market that was already leaning bearishly with news that the 2012-13 soybean crop was larger than previously reported. USDA revised its estimate of 2012 harvested area upward by 60,000 acres. It also increased its yield estimate slightly. In total, these changes added 18.6 million bushels to the department’s previous estimate, resulting in September 1 ending stocks of 141 million bushels. This fell on the high end of pre-report expectations.

Reports from the field suggest that the soybean crop is better than feared. But demand for U.S. soybean and soybean meal exports remains strong as farmers in Argentina and Brazil are holding on to a large portion of the crop. Logistical bottlenecks in Brazil are also slowing the flow of soybeans to market. Many buyers have been forced to turn to the U.S., and export commitments through the end of the year will take up a sizeable portion of the domestic harvest.

Good rains are expected in South America late next week, which should help to jump-start soybean planting.
Weeks of dry weather may have encouraged farmers to switch even more acreage than they intended from corn to soybeans.

December corn futures closed 12¢ lower this week. Corn scored fresh multi-year lows on Tuesday before a tepid bounce late in the week. Yield reports continue to impress, and the U.S. is competing against a number of ready sellers for global corn sales.

USDA’s estimate of corn stocks held off farms fell to nine-year lows. But the minimal stocks figure was widely anticipated. In fact, USDA’s estimate of total corn stocks on September 1 was much larger than expected. This may be the result of early new crop corn supplies being counted in old crop stocks, or it could imply that livestock producers substituted more wheat in their feed rations, reducing corn demand. The latter explanation seems likely, as wheat stocks were smaller than expected. Given the low futures price and falling basis, livestock producers are poised to feed cheap corn in the months to come.

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MPC MOURNS THE LOSS OF WALTER SCOTT BINNS III: (By Rob Vandenheuvel) It is with great sadness that we must report that Scott Binns, husband of MPC’s Central Valley Representative Betsy Hunter-Binns and father to their 1½-year old daughter Josette, passed away suddenly last Friday. We ask that you keep Betsy, Josette and all the friends and family of Binns in your prayers at this difficult time. A memorial service for Scott is being planned for the week of October 14th, and further details will be provided when they become available.

Some friends of Betsy’s have set up a savings account fund to help Betsy and Josette get thru this very difficult time. According to a Facebook message sent out, these funds will initially be used to help pay funeral costs, and the hope is to raise enough money to be able to pay Betsy/Josette’s rent for a year to help ease their financial burdens. Any funds left over will be deposited in Josette’s college fund. If you would like to donate, please make checks payable to: “Laurie Haagsma” and reference the account number 511195575. The checks can be mailed to: Laurie Haagsma, 1900 Morning Rose Dr., Bakersfield, CA 93312.