

# MPC WEEKLY FRIDAY REPORT

**DATE:** MAY 24, 2019  
**TO:** DIRECTORS & MEMBERS  
**FROM:** KEVIN ABERNATHY, GENERAL MANAGER  
**PAGES:** 8



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## MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE			CHICAGO AA BUTTER			NON-FAT DRY MILK		
Blocks	+ \$.0100	\$1.6825	WEEKLY CHANGE	+.0475	\$2.3875	WEEK ENDING 05/18/19		
Barrels	-.0450	\$1.5800	WEEKLY AVERAGE	-.0050	\$2.3565	NAT'L PLANTS	\$1.0253	20,815,194
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 05/11/19		
Blocks	+ \$.0170	\$1.6800	DAIRY MARKET NEWS	W/E 05/24/19	\$.3600	NAT'L PLANTS	\$1.0088	22,319,876
Barrels	-.0125	\$1.6050	NATIONAL PLANTS	W/E 05/18/19	\$.3837			

## CALIFORNIA FEDERAL MILK MARKETING ORDER PRICE PROJECTIONS

PRICE PROJECTIONS	CLASS I ACTUAL (RANGE BASED ON LOCATION)	CLASS II PROJECTED	CLASS III PROJECTED	CLASS IV PROJECTED
MAY 24 EST	\$18.02 - \$18.52	\$16.47	\$16.38	\$16.26
MAY 17 EST	\$18.02 - \$18.52	\$16.48	\$16.30	\$16.28



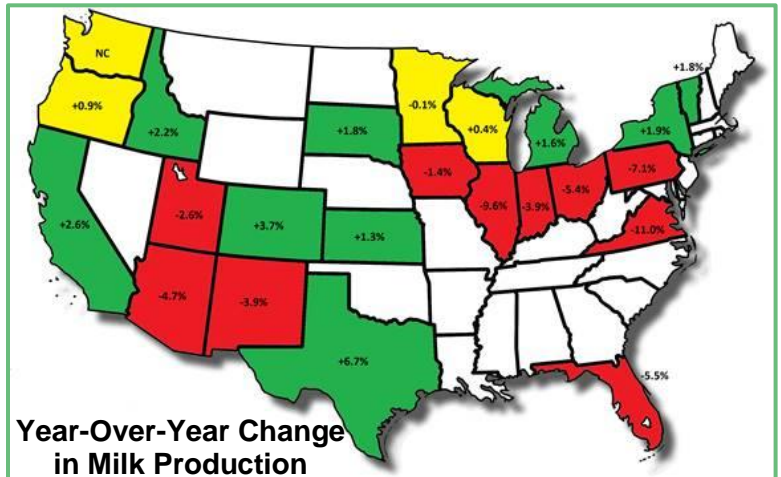
## Milk, Dairy and Grain Market Commentary

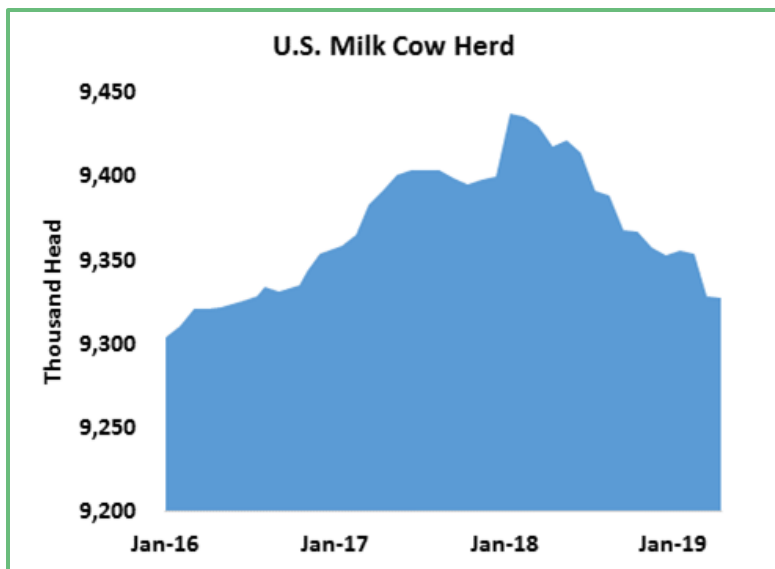
By Sarina Sharp, Daily Dairy Report  
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

### Milk & Dairy Markets

Global milk output continues to drop. That is not to say that it is down everywhere. Compared to the prior year, milk production is sharply higher in several key milk sheds, including Texas and Ireland, and it is on the mend in Germany. Despite a continued decline in its dairy herd, California boosted April milk output by 2.6% year-over-year, an increase of 89 million pounds. But those gains are more than offset by slumps in other regions, such as Pennsylvania, the Netherlands, New Zealand, and Australia.

U.S. milk output was close to prior-year levels in April. Production totaled 18.4 billion pounds, up 0.1% from April 2018. The gain is particularly slight coming on the heels of relatively small growth in 2018, when the weather hampered milk yields. USDA revised

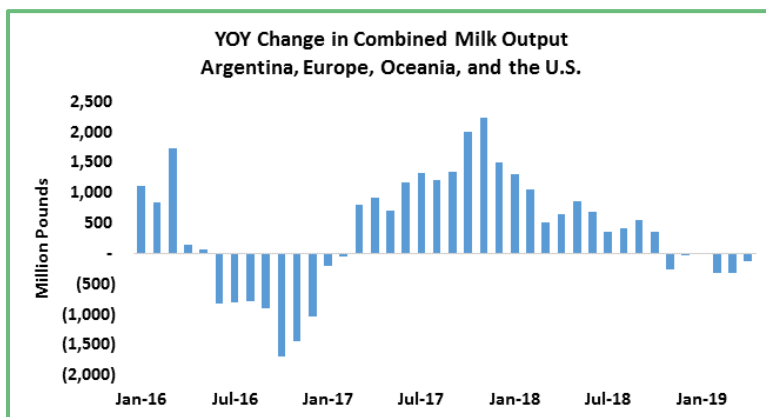




its estimate of March milk output downward, pushing the year-over-year deficit from an initial 0.4% drop to a more sizeable 0.6% decline. U.S. milk output grew just 0.1% in the first quarter. Regional trends persist, with lower production in the Southeast, Midwest, and now in parts of the Southwest countering growth in Texas, California, Idaho, and New York.

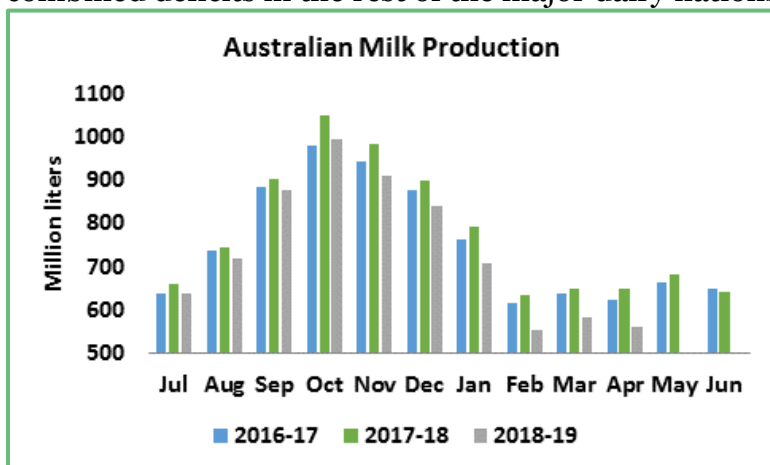
USDA revised downward its estimate of the dairy herd in March by 15,000 head, and reported a further 1,000-head decline in April. Dairy producers culled 268,400 cows in April, the highest figure for the month since the 1986 cow-kill program; it's likely USDA

will have to lower its April estimate as well. For now, the agency puts the milk cow herd at 9.328 million head, down 90,000 from April 2018. Lower milk cow numbers in the United States will set the stage for several months of contraction and much slower growth in milk output in the years to come.



Across the pond, milk production is starting to bounce back. Assuming continued growth in Poland, European milk collections were in the neighborhood of 30.6 billion pounds in March. When all the data is available, Europe is likely to report year-over-year growth between 1.3% and 1.5%. That represents a significant boost to the global milk supply, with Europe providing at least 400 million pounds more milk than it did in March 2018. However, the combined deficits in the rest of the major dairy nations are greater than the European increase.

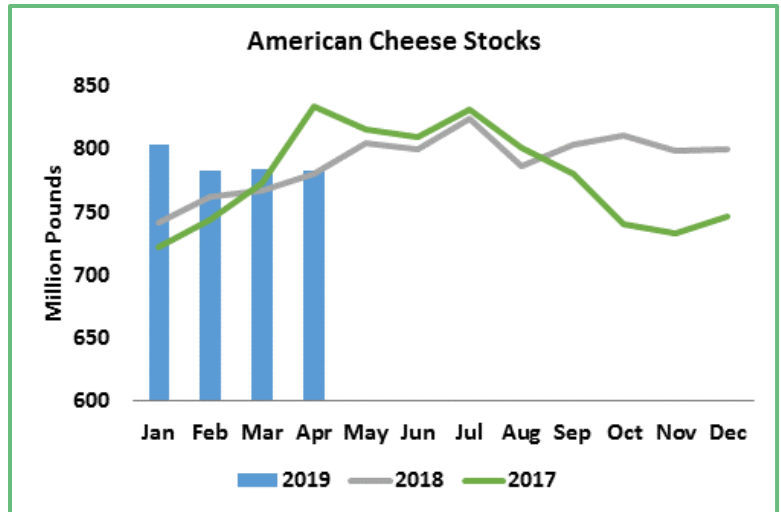
Dry pastures in New Zealand have made for a disappointing close to an otherwise strong season. Kiwi milk solids collections fell 7.7% from the prior year in April. With one month to go, season-to-date collections are 2.6% higher than the 2017-18 season. Compared to a year ago, milk output in New Zealand fell 340 million pounds in March and another 276 million pounds in April. Across the Tasman Sea, Australia's dairy sector has been devastated by a multi-year drought. Milk production fell 13.7% in April, dragging



season-to-date collections down 7.3%. Aussie milk output dropped 150 million pounds from a year ago in March and plummeted more than 200 million pounds year-over-year in April.

Meanwhile, demand continues to grow. Firm demand and lower milk production is translating into waning Cheddar stocks in the United States. Inventories of American-style cheese shrank 2.1 million

pounds from March to April, a decline of 0.3%. While the decline was modest, the direction was monumental. Cheese stocks typically grow in the spring. This year marks the first time that American cheese stocks have waned in April since 1993. While inventories of other cheese varieties grew, the overall increase was the smallest in eight years. Total cheese stocks grew 1.1% from March to April, to 1.4 billion pounds. Inventories are still 4% greater than they were a year ago.



There were 290.8 million pounds of butter in cold storage warehouses on April 30, 5.4% less than the prior year. Inventories increased 21.1 million pounds from March to April, a smaller than typical stock build. However, in years when Easter falls late in April, as it did this year, butter stocks typically grow by above-average margins in March and then grow more slowly in April. On its own, the Cold Storage report does not necessarily signal robust demand for butter. But anecdotal reports suggest that Americans’ appetite for butter remains hearty. According to USDA’s Dairy Market News, “Butter demand remains at or slightly above expectations.” Furthermore, “Buyers who are seeking additional bulk butter find availability limited.”

The dairy markets have come a long way in the past few months. But while lower milk output and firm demand are clearly underpinning prices, the bulls must be fed with fresh news every day. In the absence of additional fodder, the rally will quickly lose steam. This week the bulls exhibited bursts of energy but a lack of stamina. Prices were mixed at the Global Dairy Trade (GDT) auction, and the index suffered its first decline since November. The butterfat products moved lower, with whole milk powder down 2.1% from the previous event. Skim milk powder (SMP) eked out a 0.5% increase, rising to the equivalent of nonfat dry milk (NDM) at \$1.22 per pound. CME spot NDM rallied on the heels of the GDT, but the strength didn’t last. Today it faded back to \$1.045, down 0.25¢ for the week.

Cheddar surged at the GDT, jumping 15.2% to the highest price since February 2014. The GDT is hardly a benchmark for global cheese pricing, and volume was light, so the astounding increase should be interpreted with caution. In Chicago, markets were not nearly so exuberant. CME spot Cheddar blocks climbed a penny to \$1.6825. Barrels dropped 4.5¢ to \$1.58. Spot whey powder added 2¢ reaching 36¢. That wasn’t enough to stem the red ink in Class III futures. Most contracts ended 15¢ to 30¢ in the red.

The U.S. butter market remains immune to weakness from abroad. CME spot butter climbed 4.75¢ to a fresh 2019 high at \$2.3875. That helped most Class IV contracts gain ground this week, although the May and July contracts slipped a little. Class III contracts are all comfortably above \$16 per cwt., and most Class IV contracts stand at \$17 or better.

### Grain Markets

The nation’s corn planters are stranded in the shed, while farmers mumble a ceaseless rendition of “Rain, Rain, Go Away.” Planting progress was already the lowest in decades when the wet week began. It has since come to a standstill. Those who were able to get their crops planted are cheering the rally but cursing the rain. Shallow-rooted crops will not fare well if it turns hot and dry this summer. Corn acreage is likely to fall well short of intentions, and potential yields are dropping as well. There may be a stretch of drier – but not completely dry – days next week, but it’s going to be difficult to maneuver

heavy equipment through muddy fields. Initially the market assumed that farmers would shift corn acreage into soybeans, but the weather may not cooperate. Farmers are likely to collect prevented planting insurance and let millions of acres lay fallow. The grains are sharply higher, and soybeans are following somewhat reluctantly. July corn settled today at \$4.0425 per bushel, up 21¢ from last Friday. July soybeans climbed to \$8.2975, up 8¢ this week.



## **“STOP QIP” Petition Falls Short of Required Signatures**

*By Geoff Vanden Heuvel, Director of Regulatory & Economic Affairs*  
[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)

Earlier this week, the California Department of Food and Agriculture (CDFA) released a notice it had performed a review of the signatures submitted with a petition requesting a referendum to terminate the Quota Implementation Program (QIP). It found that the threshold number of signatures – 25% of the market milk producers in California – was not met. Therefore, the petition will not be referred to the Producer Review Board (PRB). You can read the CDFA notice [here](#).

There is some interesting data in the CDFA notice. It identified that there are 992 market milk producers in California eligible to vote in a referendum. There were 283 signatures submitted with the “STOP QIP” petition on March 29, 2019. CDFA could validate 243 of those signatures. The rules require that multiple dairies with common ownership be combined to be considered one market milk producer. When the 243 signatures were merged based on the common ownership rule, the number of market milk producers signing the petition dropped from 243 to 197. A minimum 248 market milk producer signatures were needed for the petition to force the issue to be sent to the PRB for consideration.

So where do we go from here? Clearly there are a significant number of California producers who are interested in re-evaluating the current QIP program. Over the past several months, this issue has generated a lot of conversation and concern across the industry. And while the STOP QIP group was not successful in this round of forcing the issue onto the official CDFA agenda, they have been very successful in bringing to light that the status quo is not acceptable to them and therefore not sustainable for the long term.

A process is needed that will enable the California producer community to evaluate its options for the future with regards to quota. The existence of the STOP QIP movement has spawned the creation of another group of producers who organized specifically to focus on the quota issue. That group is named the “United Dairy Families of California.” This group is committed to a process that seeks to find an equitable resolution to the quota issue. The existing cooperatives and trade associations have been understandably reluctant to get involved in this debate because it splits their membership. It would be in the best interest of the industry if a process emerged that would facilitate a long term resolution of this issue. Ultimately this is a producer issue and for many producers a very personal one.



## **MPC Submits Comments to U.S. House Members Seeking Increase in Trade Assistance for Dairy Families**

*By Kevin Abernathy, General Manager*  
[Kevin@MilkProducers.org](mailto:Kevin@MilkProducers.org)

On Tuesday, May 21, MPC sent letters to 13 U.S. House of Representatives Members, seeking their support for an increase of trade mitigation payments to dairy families.



You can read the complete letter below, which was sent to Representatives Devin Nunes (R-Tulare), Doug LaMalfa (R-Richvale), Jerry McNerney (D-Stockton), Jim Costa (D-Fresno), Jimmy Panetta (D-Carmel Valley), John Garamendi (D-Walnut Grove), Josh Harder (D-Turlock), Ken Calvert (R-Corona), Kevin McCarthy (R-Bakersfield), Norma Torres (D-Pomona), Rodney Davis (R-Taylorville, IL), TJ Cox (D-Fresno) and Tom McClintock (R-Roseville).



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*Serving the Dairy Industry for More Than 60 Years*

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May 21, 2019

## **RE: Support for increase of USDA Market Facilitation Payments to dairy families**

Dear Representative Costa,

Milk Producers Council (MPC) is a dairy farmer trade association, representing dairy families across California since 1949. We respectfully submit these comments working in collaboration with the Western States Dairy Producers Association, which collectively represents the largest percentage of the U.S. milk supply.

MPC is very concerned about the ongoing impacts from the continued trade dispute with China, which have negatively affected our dairy farm families, their employees and the allied support industries that depend on a healthy dairy economy. The latest news regarding stalled trade talks between the U.S. and China indicates that further trade actions are imminent and the impact on milk prices will definitely be negative.

We understand that the United States Department of Agriculture (USDA) is currently working on another round of Trade Mitigation Assistance Payments. Based on economist estimates, the first round of payments last year came up significantly short of the actual impact those trade actions cost dairy farmers.

U.S. dairy farmers continue to struggle with low on-farm milk prices due to the retaliatory tariffs put in place in 2018. Last year's Trade Mitigation Assistance Payments fell well short of the mark and it is critical that this round of payments more closely reflect the economic losses incurred by dairy producers.

Retaliatory tariffs by China cut a huge swath in our export markets. Compared to the same period of the prior year, U.S. cheese sales to China are down 43 percent since the tariffs were put in place late last year. These retaliatory tariffs by China only serve to offer our competitors a clear, unobstructed path to that developing dairy market.

Moreover, our dairy producers, through their promotion and research check-off programs, have invested their own dollars in developing markets in countries like Mexico and China. Those markets are now being eroded by a trade dispute that has nothing to do with the quality or safety of our dairy products.

This next round of Market Facilitation Payments should better account for the challenges dairy producers have faced from the retaliatory tariffs. We strongly urge you to call USDA Deputy Secretary Steve Censky to seek an increase in the level of dairy assistance for this next round of payments.

Sincerely,

Kevin Abernathy, MPC General Manager

## USDA Announces Support for Farmers Impacted by Unjustified Retaliation and Trade Disruption

*USDA Press Release*

**(Washington, D.C., May 23, 2019)** – U.S. Secretary of Agriculture Sonny Perdue today announced that the U.S. Department of Agriculture (USDA) will take several actions to assist farmers in response to trade damage from unjustified retaliation and trade disruption. President Trump directed Secretary Perdue to craft a relief strategy to support American agricultural producers while the Administration continues to work on free, fair, and reciprocal trade deals to open more markets in the long run to help American farmers compete globally. Specifically, the President has authorized USDA to provide up to \$16 billion in programs, which is in line with the estimated impacts of unjustified retaliatory tariffs on U.S. agricultural goods and other trade disruptions. These programs will assist agricultural producers while President Trump works to address long-standing market access barriers.

“China hasn’t played by the rules for a long time and President Trump is standing up to them, sending the clear message that the United States will no longer tolerate their unfair trade practices, which include non-tariff trade barriers and the theft of intellectual property. President Trump has great affection for America’s farmers and ranchers, and he knows they are bearing the brunt of these trade disputes. In fact, I’ve never known of a president that has been more concerned or interested in farmer wellbeing and long-term profitability than President Trump,” said Secretary Perdue. “The plan we are announcing today ensures farmers do not bear the brunt of unfair retaliatory tariffs imposed by China and other trading partners. Our team at USDA reflected on what worked well and gathered feedback on last year’s program to make this one even stronger and more effective for farmers. Our farmers work hard, are the most productive in the world, and we aim to match their enthusiasm and patriotism as we support them.”

### **Background:**

American farmers have dealt with unjustified retaliatory tariffs and years of non-tariff trade disruptions, which have curtailed U.S. exports to China. Trade damages from such retaliation and market distortions have impacted a host of U.S. commodities, including crops like soybeans, corn, wheat, cotton, rice, and sorghum; livestock products like milk and pork; and many fruits, nuts, and other crops. High tariffs disrupt normal marketing patterns, raising costs by forcing commodities to find new markets. Additionally, American goods shipped to China have been slowed from reaching market by unusually strict or cumbersome entry procedures, which affect the quality and marketability of perishable crops. These boost marketing costs and unfairly affect our producers. USDA will use the following programs to assist farmers:

- **Market Facilitation Program (MFP)** for 2019, authorized under the Commodity Credit Corporation (CCC) Charter Act and administered by the Farm Service Agency (FSA), will provide \$14.5 billion in direct payments to producers.
  - Producers of alfalfa hay, barley, canola, corn, crambe, dry peas, extra-long staple cotton, flaxseed, lentils, long grain and medium grain rice, mustard seed, dried beans, oats, peanuts, rapeseed, safflower, sesame seed, small and large chickpeas, sorghum, soybeans, sunflower seed, temperate japonica rice, upland cotton, and wheat will receive a payment based on a single county rate multiplied by a farm’s total plantings to those crops in aggregate in 2019. Those per acre payments are not dependent on which of those crops are planted in 2019, and therefore will not distort planting decisions. Moreover, total payment-eligible plantings cannot exceed total 2018 plantings.

- Dairy producers will receive a per hundredweight payment on production history and hog producers will receive a payment based on hog and pig inventory for a later-specified time frame.
  - Tree nut producers, fresh sweet cherry producers, cranberry producers, and fresh grape producers will receive a payment based on 2019 acres of production.
  - These payments will help farmers to absorb some of the additional costs of managing disrupted markets, to deal with surplus commodities, and to expand and develop new markets at home and abroad.
  - Payments will be made in up to three tranches, with the second and third tranches evaluated as market conditions and trade opportunities dictate. The first tranche will begin in late July/early August as soon as practical after Farm Service Agency crop reporting is completed by July 15th. If conditions warrant, the second and third tranches will be made in November and early January.
- Additionally, CCC Charter Act authority will be used to implement a \$1.4 billion **Food Purchase and Distribution Program (FPDP)** through the Agricultural Marketing Service (AMS) to purchase surplus commodities affected by trade retaliation such as fruits, vegetables, some processed foods, beef, pork, lamb, poultry, and milk for distribution by the Food and Nutrition Service (FNS) to food banks, schools, and other outlets serving low-income individuals.
  - Finally, the CCC will use its Charter Act authority for \$100 million to be issued through the **Agricultural Trade Promotion Program (ATP)** administered by the Foreign Agriculture Service (FAS) to assist in developing new export markets on behalf of producers.

Further details regarding eligibility and payment rates will be released at a later date.

## Sustainable Groundwater Management Act Event: Thursday, May 30 in Exeter

*By Geoff Vanden Heuvel, Director of Regulatory & Economic Affairs*

[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)

[WaterWrights](#) will host a “SGMA Survival Toolkit” workshop in Exeter on May 30 from 3-6 p.m. The event is designed to help farmers prepare for a future where groundwater supplies will likely be scarcer under new Sustainable Groundwater Management Act (SGMA) regulations. The event will be held at the Exeter Memorial Building, 324 N. Kaweah Avenue in Exeter.

SGMA, signed into law in 2014, seeks to achieve groundwater sustainability in critically overdrafted basins by 2040. The idea of groundwater sustainability sounds simple: The amount of water pumped out of a basin must equal the amount refilled in that basin over time. In practicality, this is a daunting challenge for most basins in the San Joaquin Valley, with the very real possibility of limits placed on groundwater pumping. To say this would be a major disruption for farmers with little or no access to surface water is an understatement. We encourage you to attend this event and stay up-to-speed on SGMA news coming out of your local groundwater basin and Groundwater Sustainability Agency.





# SGMA Survival Tool Kit

What can you do to prepare?

## Join the conversation!

Farmer preparation for SGMA  
Professional Expertise & Advice  
Roundtable Discussion

Thursday, May 30th

3 - 6 PM

Exeter Memorial Building

324 N Kaweah Ave, Exeter CA 93221

Contact Don Wright for more information at [don@waterwrights.net](mailto:don@waterwrights.net) or 559.355.2389



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