

MPC WEEKLY FRIDAY REPORT

DATE: JANUARY 17, 2020
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 6

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE			CHICAGO AA BUTTER			NON-FAT DRY MILK	
Blocks	+ \$.0925	\$1.9625	WEEKLY CHANGE	-\$.0400	\$1.8800	WEEK ENDING 01/11	
Barrels	+ \$.0400	\$1.5625	WEEKLY AVERAGE	+\$.0035	\$1.8990	NAT'L PLANTS	\$1.2334 17,937,466
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 01/04	
Blocks	+\$.0465	\$1.9060	DAIRY MARKET NEWS	W/E 01/17/20	\$.3512	NAT'L PLANTS	\$1.2355 10,730,305
Barrels	-\$.0665	\$1.5145	NATIONAL PLANTS	W/E 01/11/19	\$.3260		

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
JAN 17 EST	\$20.61 - \$21.11	\$17.14	\$17.01	\$16.77
LAST WEEK	\$20.61 - \$21.11	\$17.26	\$17.03	\$16.77

DECEMBER 2019 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

DEC '19 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$20.93 (TULARE) \$21.43 (L.A.)	\$16.81	\$19.37	\$16.70	\$17.10 (TULARE) \$17.60 (L.A.)	\$16.775 (TULARE) \$17.275 (L.A.)
PERCENT POOLED MILK	24.3%	7.5%	3.1%	65.1%	100% (1.87 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.325/CWT. AS OF SEPTEMBER 2019 MILK

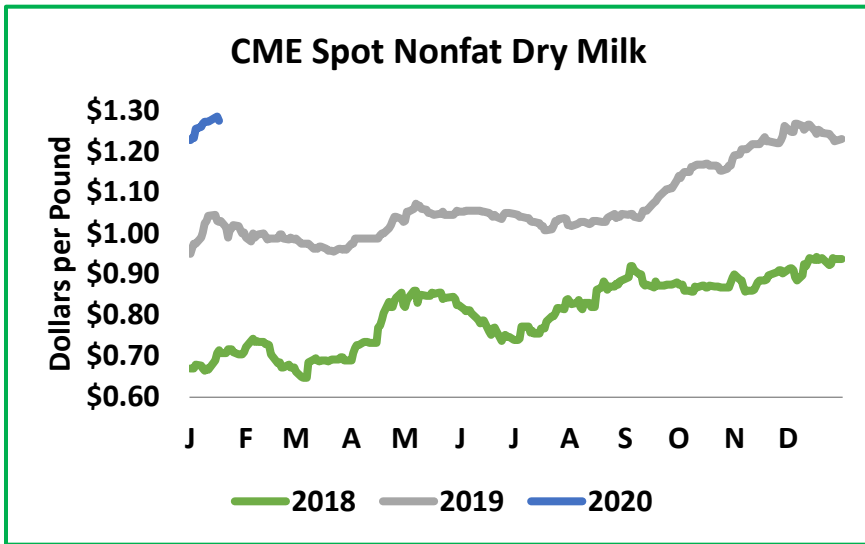


Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

The cheese and Class III markets got off to a weak start, but they sprinted to a strong finish. On Tuesday, CME spot Cheddar barrels dropped to a 10-month low at \$1.4675 per pound. That was more than low enough. Barrels came roaring back and finished today at \$1.56, nearly a dime higher

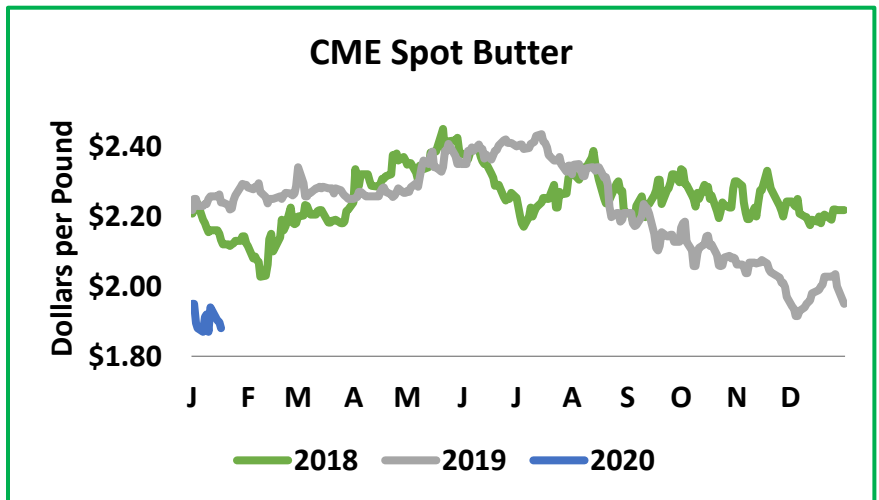


than the Tuesday trade and up 4¢ from last Friday. Blocks climbed 9.25¢ to \$1.9625. The powder markets firmed as well. Spot nonfat dry milk (NDM) rallied to a fresh five-year high at \$1.285 and closed today at \$1.275, up a quarter-cent from last Friday. Whey powder climbed 2¢ to 36.75¢, matching a nearly four-month high.

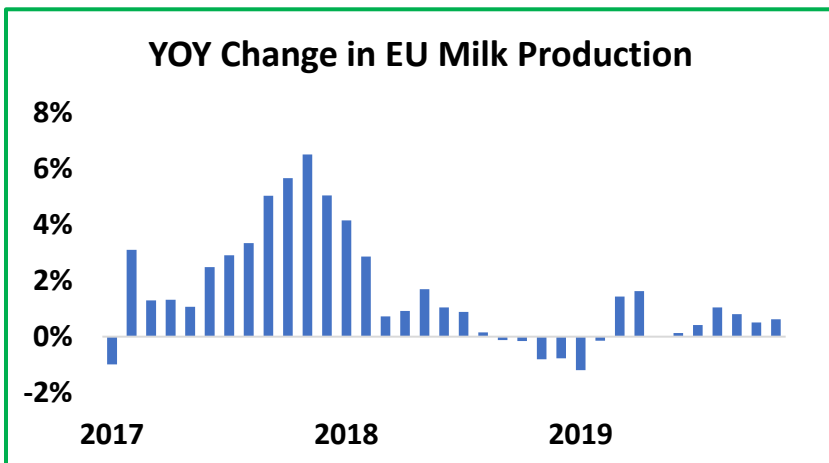
The butter market retreated 4¢ to \$1.88. Fat is cheap and abundant. *Dairy Market News* reports that butter makers “are taking advantage of the current cream accessibility to store for

the spring holiday uptick in ordering.” There was already plenty of butter in storage, which suggests prices won’t be able to rally much in the near future.

Despite the selloff in butter, Class IV futures moved upward. Most contracts settled 10¢ to 20¢ higher than last week. Class III futures gained ground too, and the February contract jumped more than 40¢. Aside from January Class IV, which stands at \$16.77, all 2020 Class III and IV futures contracts are at least \$17 per cwt., and May through December Class IV futures are \$18 or better.



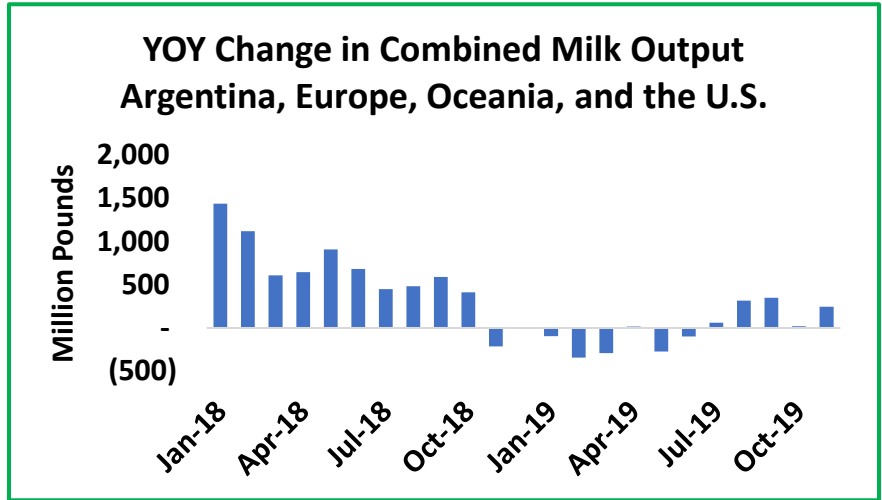
After falling short in October, New Zealand milk collections exceeded the prior year in November. Fluid milk output topped 3 million metric tons, up 0.3% from November 2018. Milk solids output was 0.4% higher than last year. For the season to date, New Zealand’s milk collections are 0.4% lower than at this point in the 2018-19 season on both a fluid and milk solids basis. Strained finances, sweltering temperatures, and raging wildfires continue to devastate Australian milk output. Combined, milk output in Oceania has lagged the prior year in every month since February.



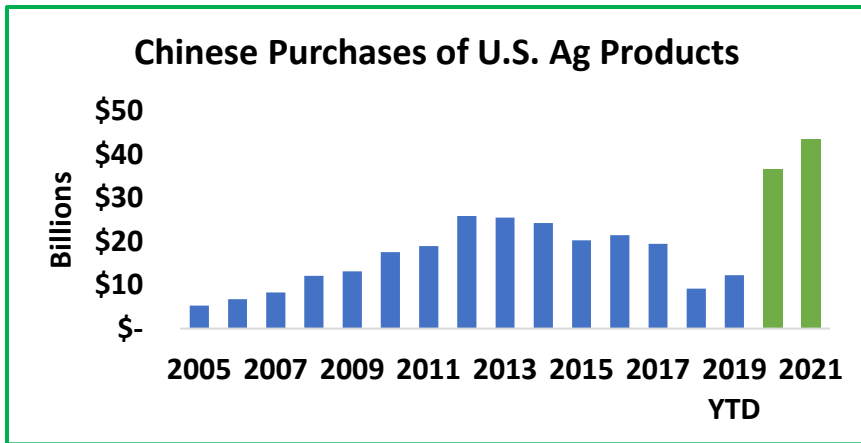
In contrast, European milk collections have bested last year in every month since June. Compared to 2018, European milk output grew just 0.8% in September, 0.5% in October, and 0.6% in November. Milk output was at a deficit in the final months of 2018, so this represents a rather unimpressive increase relative to 2017.

The U.S. and Argentina have managed to step up milk output on a year-over-year

basis since July, but growth is similarly tepid. By a slim margin, milk output among these five major exporters expanded in the second half of 2019. Demand grew at a much faster clip, which has helped to trim global dairy product inventories, especially for milk powder. Through November, European skim milk powder (SMP) exports are up 22% from the first eleven months of 2018. But they slumped in November, perhaps signaling that the cupboards are getting bare. USDA's *Dairy Market News* reports that if European milk output falters or cheese production climbs, SMP production would likely retreat. If so, it could "possibly reduce SMP exports, because internal EU demand is likely to be the priority."



A shrinking European SMP stockpile, a milk production deficit in Oceania, and strong Chinese demand for whole milk powder should add up to even more opportunities for U.S. milk powder exports. And the overall trade outlook got rosier this week. The Senate passed the U.S.-Mexico-Canada Agreement, and the U.S. and China signed their Phase One trade agreement. Neither the U.S. nor China will lower tariffs as part of the Phase One deal, which leaves many U.S. farm products at a disadvantage. However, Beijing has issued waivers and exemptions for formerly punitive tariffs on a number of U.S. dairy products, including dry whey, infant formula, and some cheese varieties. Chinese tariffs on U.S. milk



powder remain in place for now. China committed to purchasing far more U.S. agricultural goods than they ever have before, although they made it clear that purchases will be dictated by market conditions, and not by goodwill.

Perhaps of greater consequence in the long run, Beijing promised to make important structural changes that will remove non-tariff barriers that have historically kept out many U.S. exports. China will accept the U.S. dairy-safety

system, forgoing the need for Chinese inspections in U.S. facilities looking to export. China will also open its market to imports of human-grade permeate, ultra-filtered milk, fortified milk, extended shelf life milk, and infant formula. Although many naysayers and skeptics were quick to question China's ability to meet its promised purchase targets, the deal brings clarity and offers many important policy changes that will surely boost U.S. farm exports at the margins.

Grain Markets

The feed markets initially expressed their disappointment with the details of the trade deal, which dashed hopes that Chinese importers would be "encouraged" to purchase U.S. crops even while South American supplies are cheaper. Feed futures finished deep in the red on Thursday.

But after a chance to sleep on it, the grain trade seemed mollified and even cheered by the pact. There is much to like. China has promised to reallocate unused tariff rate quotas (TRQs) for wheat, corn, and rice. TRQs are intended to allow importers to purchase a set annual volume of foreign grain at a lower tariff rate, but Beijing often rendered TRQs ineffective by giving them to state-owned entities who had no intention of importing foreign crops. In this way, China dodged WTO trade rules on outright import bans and effectively shielded the domestic grain industry from competition.

The trade deal will also streamline the approval process for biotechnologies and strains of genetically modified crops. Until now, China has dragged its feet on such approvals in order to protect its fledgling industrial grains sector. The changes will crack open the door for more Chinese imports of U.S. corn, wheat, rice, sorghum, dried distillers' grains, and ethanol. Although China may not boost imports of U.S. grains and oilseeds immediately, these structural changes are likely to tighten global feed supplies over time.

Despite a volatile week, corn futures were barely changed. The March contract settled at \$3.8925 per bushel, up 3.5¢ from last Friday. March soybeans closed at \$9.2975, down 16.25¢.

Letter From the Chairman:
You're Invited to CVDRMP's Annual Membership Meeting
By Justin Gioletti, Chairman, Central Valley Dairy Representative Monitoring Program

The Central Valley Dairy Representative Monitoring Program (CVDRMP) will hold its annual membership meeting at **1 p.m. Wednesday, January 22, 2020** at Fresno County Farm Bureau, 1274 W. Hedges Avenue, Fresno. All owner/operators who are CVDRMP members – dairies, cattle feedlots, heifer and calf ranches – are invited. Doors are also open to professional dairy or cattle consultants who assist their clients with water quality compliance issues.

The annual meeting is an important opportunity for our members to learn how their dues are invested, and about the return on investment from those funds, both in cost savings compared to individual monitoring and in developing the most cost-effective ways to comply with groundwater quality rules.

As the agenda on the next page notes, we will also review the highlights of CVDRMP's April 2019 "Summary Representative Monitoring Report," which contains CVDRMP's recommendations for improving groundwater quality. This report, which was part of our regulatory obligation, has important implications for all Central Valley dairies and other cattle operations.

We'll also cover key changes in our program that will improve CVDRMP's ability to assist our members in maintaining compliance with evolving water quality regulations. These include:

- **Conversion of all remaining members still on monthly milk check deduction to an annual invoice for dues.** This change is intended to streamline bookkeeping and keep costs down, so we can continue to hold down our fees. CVDRMP's directors are pleased that we have not needed to raise fees since our inception in 2010, and we continue to have a strong focus on controlling costs, even as regulatory requirements and responsibilities for CVDRMP continue to evolve and grow.
- **We will discuss CVDRMP's decision to offer representative monitoring services to non-dairy cattle operators in the Central Valley,** that is, those facilities regulated under the so-called "Bovine Order." This not only helps cattle ranchers

with cost-effective monitoring compliance but will achieve overall efficiencies that benefit our existing dairy members.

- Most importantly, we will discuss new efforts by CVDRMP to assist dairy and other cattle operators **understand and take advantage of recent regulatory reforms**, and what operators need to know to prepare for a future that will be very different from today.

Yes, 2020 will be an extremely important year for CVDRMP and its members. I look forward to seeing you all at our annual meeting. If you are unable to attend, please keep informed by reading the remainder of this newsletter, calling our office at (916) 594-9450, and watching for bulletins on our websites, www.cvdrmp.org and www.bovinermp.org.

Thanks, and a Happy New Year to all.

Justin Gioletti, *Chairman*
Central Valley Dairy Representative Monitoring Program

California Dairy Sustainability Summit Registration Fee for Dairy Farmers Increases After January 31

Courtesy of Dairy Cares

The dairy community will host the second California Dairy Sustainability Summit on March 25-26, 2020, at Cal Expo in Sacramento. If you're planning to attend the California Dairy Sustainability Summit, now is the time to register. Dairy farmer registration is just \$50 and will increase after January 31. For more information, visit the Summit website [here](#).



California Dairy Sustainability Summit explores new ways for dairy farmers to:

- Promote environmental sustainability
- Develop new business opportunities
- Improve operational efficiency
- Reduce emissions and conserve water
- Set high standards for animal health
- Reduce on-farm costs



Conservation Management Practice (CMP) Plans Workshop Schedule Finalized

By Kevin Abernathy, MPC General Manager



Last week, MPC provided [details](#) about the Conservation Management Practices (CMP) plan workshops hosted by the San Joaquin Valley Air Pollution Control District. Since then, the schedule has been finalized. See below for the finalized workshop dates.

Fresno County

January 23, 2020 | 9 a.m. – 12 p.m.

Fresno County Farm Bureau, 1274 W. Hedges Ave., Fresno

January 23, 2020 | 1:30 p.m. – 4:30 p.m.

Location: Fresno County Farm Bureau, 1274 W. Hedges Ave., Fresno

Tulare County

February 25, 2020 | 9 a.m. – 12 p.m.

Tulare County Ag Commissioner's Hall, 4437 S. Laspina Street, Tulare

Kings County

February 25, 2020 | 1:30 p.m. – 4:30 p.m.

Kings County Fair Grounds, 801 S. 10th Ave, Hanford

San Joaquin County

March 18, 2020 | 10 a.m. – 1 p.m.

San Joaquin County Farm Bureau, 3290 Ad Art Road, Stockton

Stanislaus County

March 11, 2020 | 9 a.m. – 12 p.m.

Stanislaus County Ag Center
3800 Cornucopia Way, Modesto

Madera County

March 5, 2020 | 9 a.m. – 12 p.m.

Madera County Farm Bureau, 1102 S. Pine Street, Madera

Merced County

March 4, 2020 | 9 a.m. – 12 p.m.

Merced County Farm Bureau, 646 CA-59, Merced

Kern County

January 28, 2020 | 10 a.m. – 1 p.m.

Shafter Ford Theater, 1101 E. Lerdo Hwy, Shafter

February 7, 2020 | 9 a.m. – 12 p.m.

UCCE Kern County, 1031 South Mount Vernon Ave, Bakersfield

