

MPC WEEKLY FRIDAY REPORT

DATE: MARCH 22, 2019
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 5



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE			CHICAGO AA BUTTER			NON-FAT DRY MILK		
Blocks	+ \$.0100	\$1.5700	WEEKLY CHANGE	-\$.0150	\$2.2650	WEEK ENDING 03/16/19		
Barrels	+ \$.0725	\$1.5650	WEEKLY AVERAGE	-\$.0005	\$2.2780	NAT'L PLANTS	\$0.9554	23,827,414
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 03/09/19		
Blocks	+ \$.0375	\$1.5755	DAIRY MARKET NEWS	W/E 03/22/19	\$.3837	NAT'L PLANTS	\$0.9616	26,129,216
Barrels	+ \$.1005	\$1.5355	NATIONAL PLANTS	W/E 03/16/19	\$.4150			

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
MARCH 22 EST	\$17.58 - \$18.08	\$16.62	\$15.03	\$15.79
MARCH 15 EST	\$17.58 - \$18.08	\$16.61	\$14.94	\$15.79



Milk, Dairy and Grain Market Commentary

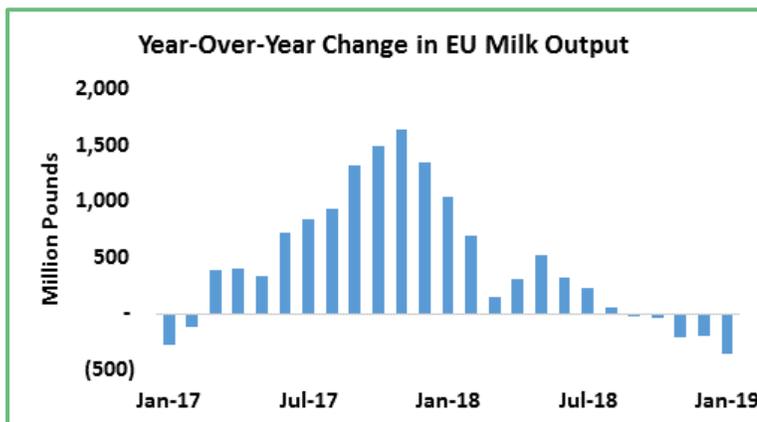
By Sarina Sharp, Daily Dairy Report

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Milk & Dairy Markets

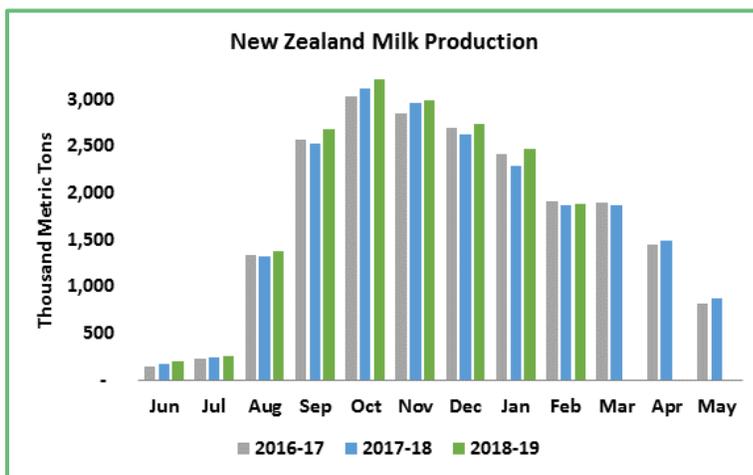
After dragging their feet for months, the Class III markets finally have a little spring in their step. Barrels are downright peppy. This week CME spot Cheddar barrels jumped 7.25¢ to a fresh six-month high at \$1.565 per pound. Blocks added a penny and reached \$1.57. The whey powder market seems to have arrested its decline. It climbed 1¢ this week to 33¢. Nearby Class III futures were sharply higher, erasing much of the losses they have suffered since the turn of the year. March Class III added 9¢ and moved back over the \$15.00 mark. The April contract finished at \$15.29, more than 40¢ higher than last Friday. Deferred contracts were little changed.

The Class IV markets took a small step back this week. Butter and milk powder prices are deeply entrenched in their trading ranges. CME spot butter slipped 1.5¢ to \$2.265. Nonfat dry milk (NDM) closed a penny lower, at 95.75¢. Whole milk powder (WMP) prices rallied once again at the Global Dairy Trade auction, but skim milk powder (SMP) Class IV futures were generally steady to a few cents than last Friday.



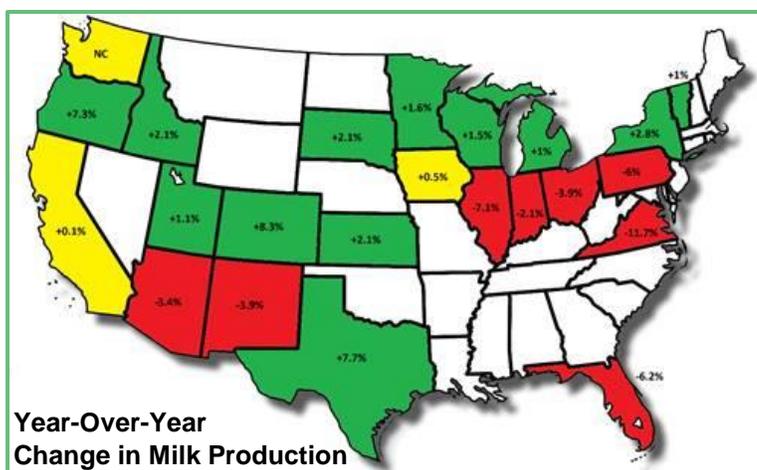
Worldwide milk output is slowing. Years of inadequate prices and recent bouts of bad weather are taking a toll. In Europe, January collections totaled 28.4 billion pounds, 1.2% less than the prior year. That's a deficit of 356 million pounds, greater than Indiana's January milk production. After big gains in January, New Zealand's milk output fell flat last month. February collections totaled 4.1 billion pounds. On a milk solids basis, production was 0.1% shy of the prior year, bringing season-to-date output up 4.9% from

the 2017-18 season, a far cry from the 5% to 6% growth that prevailed from August to January. Going forward, dry pastures and the seasonal drop-off in milk production signal that the world won't have to absorb much excess milk from New Zealand anytime soon. Meanwhile, the drought in Australia continues to devastate milk production Down Under.



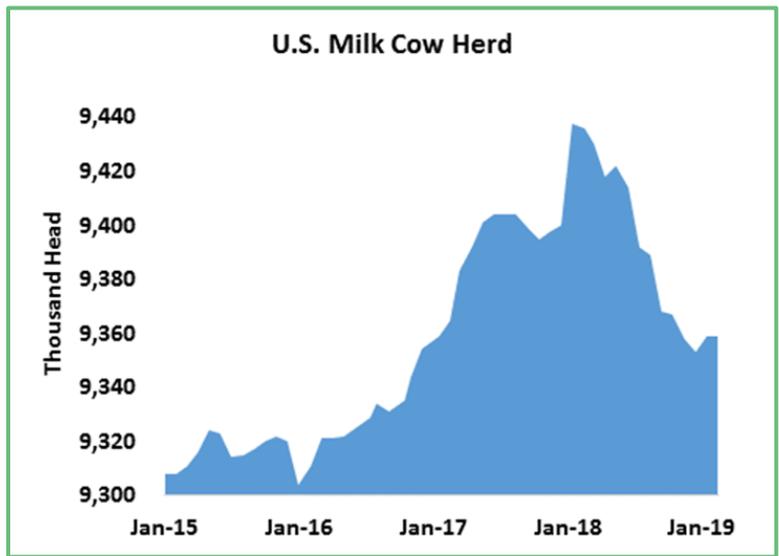
Closer to home, growth in milk output has slowed to a crawl. U.S. milk production totaled 17 billion pounds in February, up just 0.2% from the prior year. That is the smallest year-over-year gain in output since January 2016. The increase is due entirely to a 1% improvement in production per cow. At 9.359 million cows, the dairy herd is 77,000 head smaller than it was a year ago.

USDA's assessment of recent changes in the milk cow herd was, once again, perplexing. The agency revised upward its estimate of the January herd by 4,000 head, putting it 6,000 head higher than it was in December. USDA reports that milk cow numbers held steady from January to February. Dairy cow slaughter reached a 32-year high in January and has only accelerated since. Excluding the cow-kill program of 1986 and the weeks immediately before and after Christmas and New Year's, when the holidays augment slaughter volumes, weekly dairy cow slaughter had never topped 70,000 head. But it did so each week of February, and it hasn't stopped. In the week ending March 9, slaughter was 72,654 head, the highest non-holiday tally since 1986 and the highest volume for any week since 1993.

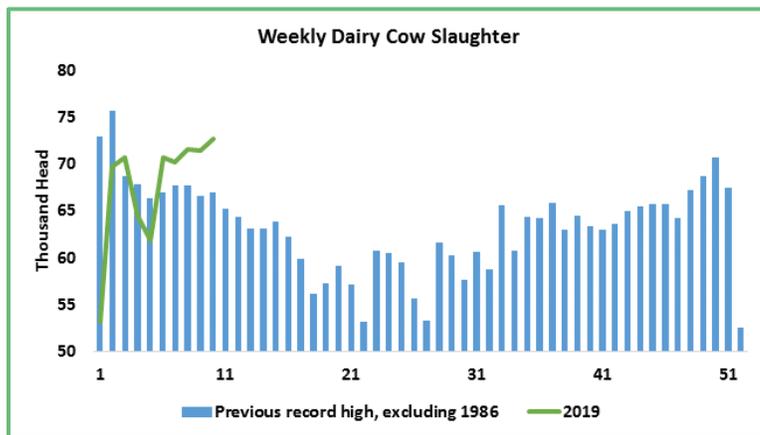


The U.S. dairy herd is shrinking quickly, but strong milk yields may be masking the magnitude of the contraction at the moment. Once the spring flush has passed, the milk market will be better able to assess the size of the dairy cow deficit.

Even now, when fluid milk consumption is depressed by spring break and the flush continues to build, some balancing plants in the Eastern half of the nation are running below capacity, a marked shift from the past three years. Tighter milk supplies are also trimming barrel output. There is not as much discounted milk looking for a home. Cheesemakers are not trying to maximize throughput to the same extent they were at this time last year. They have more flexibility in the product mix and will shift some milk away from Cheddar barrels into cheeses with higher profit margins. That's likely contributed to the recent turnaround in the fresh cheese market, and it was reflected in this afternoon's Cold Storage report.



Cheese inventories barely grew from January to February, and inventories of American-style cheeses – including Cheddar – fell by 18 million pounds in February.



That's the largest January-to-February decline in 25 years. Still, there's no shortage of cheese; inventories of American cheese were 3% greater than the prior year, and stocks of all cheese varieties topped last February by 4%.

Butter stocks remain below year-ago levels. Manufacturers added 31 million pounds to the butter stockpile in February, a build that lags the historic average. There were 242.5 million pounds of butter in cold storage on February 28, some 8.7% less than at the same point in 2018. Given abundant cream and large

volumes of imported butterfat, the modest increase signals continued strength in butter demand.

Firm demand, slowing global milk output, and tightening stocks suggest that the worst of the dairy downturn is finally in the rear-view mirror. Near-term milk prices are far from exciting, but they are much better than where they were. Given the depth of the pain the industry has suffered over the past four years, the upcoming rally is likely to have considerable staying power. Dairy producers simply lack the appetite and the equity to significantly expand as milk prices recover.

Grain Markets

The grain markets continued to rally this week. May corn settled at \$3.7825 per bushel, up 6¢ from last Friday. Wheat futures also added 6¢. However, soybeans retreated. The May contract closed at \$9.0375, down 23.5¢ for the week. President Trump and Chinese negotiators seemed to back away from recent reconciliation regarding trade policy, which weighed on the soybean market. On the other hand, China purchased some U.S. corn, a market from which they have been largely absent for years. Bulls in the corn market are salivating at the idea that China could become a major importer; however, China has a large domestic stockpile to use up as well.

It's wet in the Corn Belt, sparking concerns about planting this year. Nebraska and western Iowa have been hammered with rain and snow. The spring thaw is producing historic floods which have damaged

some grain in storage and will slow preparatory fieldwork. That suggests that some fields intended for corn may be seeded with soybeans instead. However, it's called the Corn Belt for a reason. If the weather allows, corn acreage is likely to increase this year.

2019 Agricultural Tractor and Mobile Equipment Survey Closing Soon

Courtesy of the California Air Resources Board

If you are a farmer or agricultural operator, or first processor, and you have not taken the 2019 agricultural equipment survey, the California Air Resources Board (CARB) may not be accurately representing agricultural equipment from your region of the state. The previous survey helped determine allocations of hundreds of millions of dollars in equipment turnover programs across California, from federal and air district incentive programs.

CARB, with the support of the California agricultural community, requests your participation in a 2019 agricultural equipment survey. Please take just a few minutes to participate and represent your region.

You have 8 days left to complete this survey, which ends on March 30, 2019.

CARB contracted with Cal Poly, San Luis Obispo to handle and completely anonymize all survey data, which includes removal of all identifying information. Cal Poly is administering a web-based [survey](#) that can be completed on a computer or phone in just a few minutes.

The 2019 agricultural survey, similar to one from 2008, covers all mobile agricultural equipment, including tractors, combines, balers, agricultural use ATVs and forklifts, and many more. The survey is intended for the agricultural sector, including producers in the field, custom operators, and first processing facilities, and covers equipment using any type of fuel or electricity, of any horsepower.

Survey



MPC Member Spotlight

Verwey Family Named DFA Members of Distinction

By Kevin Abernathy, General Manager

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Congratulations are in order for the Verwey family, who were recently named Members of Distinction by Dairy Farmers of America. Philip Verwey and his family's visionary leadership has led to numerous innovative ideas, resulting in positive benefits for his farm, the environment and public health. MPC has had the pleasure of supporting these projects, working closely with Philip to help bring them to fruition. Congratulations to the entire Verwey family!

Press release from Dairy Farmers of America, courtesy of [Morning Ag Clips](#)

The Verwey family, owners of Philip Verwey Farms 2 and 3 in Hanford, Calif., has been named among the 2019 Members of Distinction by Dairy Farmers of America (DFA).

The Members of Distinction program recognizes dairy farmers who excel on their operations, in their communities and in the industry. Honorees inspire others through their actions, leadership and involvement. They represent the best of the dairy industry.

DFA comprises nearly 14,000 farmer-owners across the United States. Each year, one notable member farm from each of DFA's seven regional Areas is selected to receive this honor. Philip Verwey Farms 2 and 3 represents the Cooperative's Western Area.

For Philip, Shelley and their son, Brent of Philip Verwey Farms 2 and 3, green practices make good business sense as well as environmental sense.

"We feel that's what our consumer wants," says Philip. "They want us to be green, and they want us to be good to our animals."



By converting the farm's traditional diesel-fueled feed mixing system to an electric-driven feeding system, the Verweys eliminated the emission of 20 tons of nitrogen oxides each year.

"It's important to me that we implement sustainable practices on our farms because it makes good business sense, but it's also good for the environment and the land," says Shelley. "For example, we drink the water that comes from the ground, so we understand that what we put into the ground is important."



As a family farm, sustainable practices are not the Verwey's only focus. They also value their employees, their cows and the industry as a whole.

"We really believe that if people are happy and they're doing a good job, then our cows are going to be happy," says Shelley. "If you have happy cows, they give more milk and are healthier all around."

