

MPC WEEKLY FRIDAY REPORT

DATE: JANUARY 24, 2020
 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	+ \$.0325	\$1.9950	WEEKLY CHANGE	-\$.0200	\$1.8600	WEEK ENDING 01/18	
Barrels	+ \$.0475	\$1.6100	WEEKLY AVERAGE	-\$.0309	\$1.8681	NAT'L PLANTS	\$1.2427 25,038,765
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 01/11	
Blocks	+ \$.0853	\$1.9913	DAIRY MARKET NEWS	W/E 01/24/20	\$.3562	NAT'L PLANTS	\$1.2334 17,937,466
Barrels	+ \$.1011	\$1.6156	NATIONAL PLANTS	W/E 01/18/19	\$.3342		

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 24 EST	\$20.61 - \$21.11	\$17.13	\$17.04	\$16.71
LAST WEEK	\$20.61 - \$21.11	\$17.14	\$17.01	\$16.77



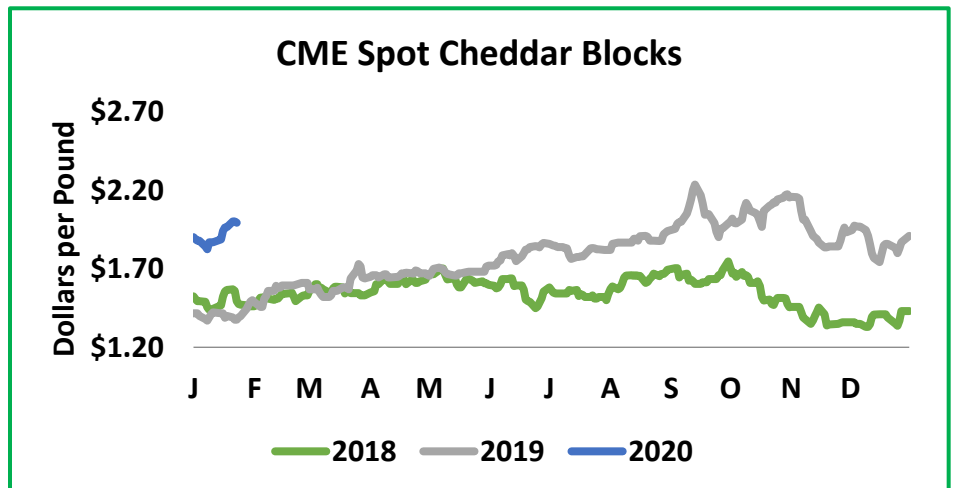
Milk, Dairy and Grain Market Commentary

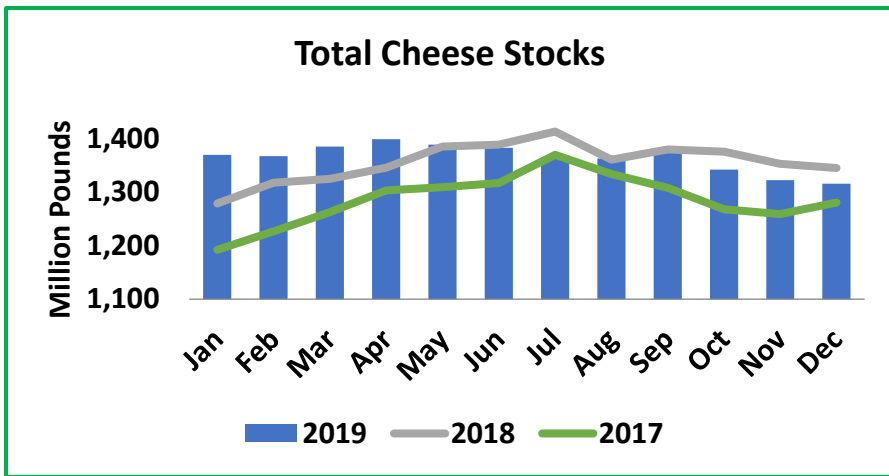
By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

The bulls frolicked on LaSalle Street this week. Their revels were exuberant, enhanced by a palpable sense of relief. It seems that the steep December selloff was a necessary correction after the cheese market went too high, too fast. It was not – as many feared – the start of a sustained downtrend. With the exception of butter, dairy demand is outpacing supply and supporting dairy product prices.

Cheese values were particularly strong. CME spot Cheddar blocks climbed back above \$2.00 per pound for the first time since November, and they finished at





\$1.995, up 3.25¢ from last Friday. Barrels rallied 4.75¢ to \$1.61. There were 1.315 billion pounds of cheese in cold storage warehouses at the end of the year, 2.2% less than the prior year and the smallest month-end stockpile since January 2018. Inventories of American-style cheeses, including Cheddar, have barely budged since October and are down 7.1% from last year. Tighter fresh Cheddar stocks have helped to support cheese and Class III values. Despite a slight

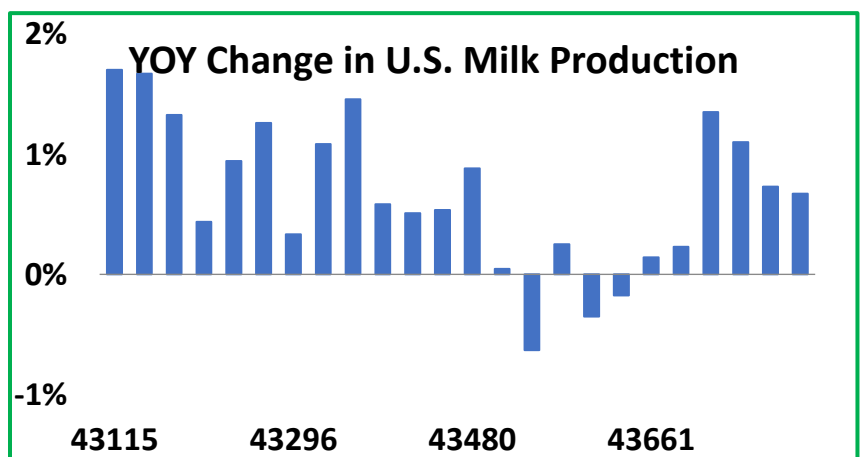
setback in spot whey prices, March through December Class III futures climbed to new life-of-contract highs this week. The March contract was particularly strong. It jumped 63¢ to \$18.25 per cwt.

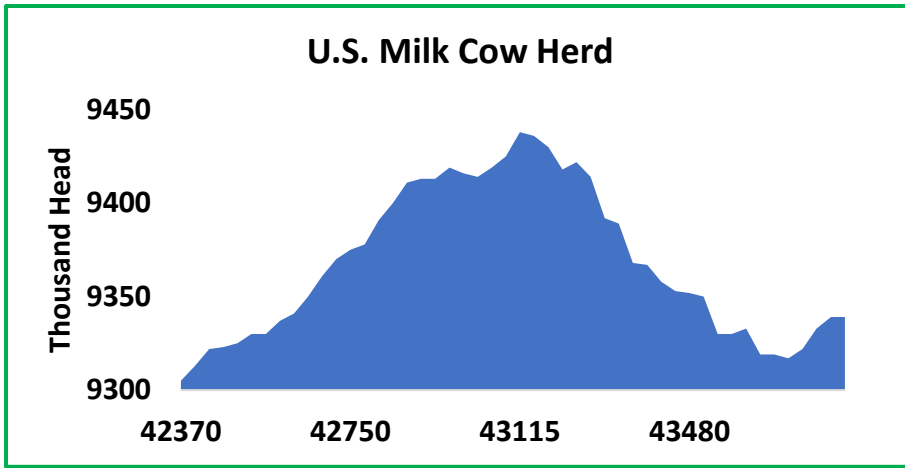
The milk powder market continues to gain ground around the world. CME spot nonfat dry milk (NDM) climbed 1.25¢ to a new five-year high and closed at \$1.2875 per pound. At the Global Dairy Trade (GDT) auction on Tuesday, the average winning price for skim milk powder (SMP) improved 0.7% to the equivalent of NDM at \$1.47. However, the overall performance was mixed. Buyers bid up SMP for March and April delivery, but the other contracts periods moved lower. Whole milk powder (WMP) values topped the previous auction by 2.4%. Most other dairy products also moved higher at the GDT, and the index rallied 1.7%. Cheddar added 0.6% and butter jumped 5.5%. However, anhydrous milkfat slumped 2.6% to a one-year low.

Butterfat values continued to languish in Chicago as well. CME spot butter dropped 2¢ to \$1.86, the lowest value since November 2016. There were 190 million pounds of butter in storage at the end of the year, the highest December 31 total since 1993. Cream is cheap and churns are running hard, which suggests that warehouses will be well stocked for months to come. Prices are likely to remain under pressure. Butter values weighed on nearby Class IV futures this week, while deferred contracts inched higher.

U.S. milk output totaled 18.3 billion pounds in December, up 0.7% from a year ago. That was the smallest year-over-year gain since August. Milk yields improved just 0.8% from a year ago, the smallest increase since June. Although milk remains plentiful in the Pacific Northwest and mountain states, production per cow could not keep pace with the stellar yields of the prior year in those states in December. Milk yields also fell short of last year in Wisconsin, as dairy producers in America's Dairyland struggle with lower-quality forage. The same issue likely plagued some dairy producers in Michigan and South Dakota, where milk yields were no better than a year ago.

USDA revised its estimate of the November milk-cow herd upward by 8,000 head, but reported no change from November to December. Dairy producers are now milking 9.331 million head, just 14,000 fewer than they were in December 2018. But the dairy herd is

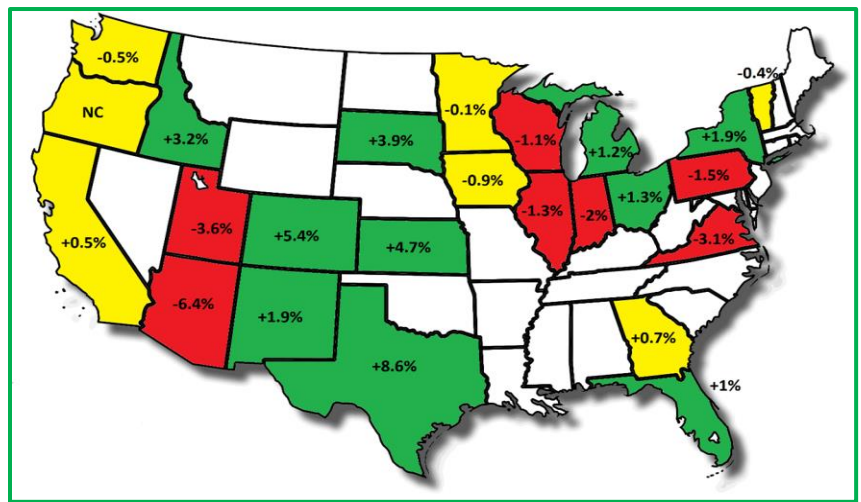




still much smaller than it was throughout 2017 and 2018, when the industry was devastated by oversupply. Given still-high slaughter volumes, the industry is not likely to return to those days of painful excess anytime soon. U.S. dairy producers sent 3.15 million milk cows to slaughter in 2018, the highest total since 1986, the year of the cow kill program. Last year, with a noticeably smaller herd, they sent 3.22 million head, an astounding

34.5% of the milk cow herd. That's a higher cull rate than 1986 or any other year on record. Slaughter volumes in the first few weeks of 2020 confirm that slaughter hasn't slowed yet.

Last year, U.S. milk production topped that of 2018 by just 0.3%, the smallest annual gain since 2009. Modest growth in the U.S. and Europe and a milk production deficit in Oceania have helped to turn the dairy markets around after a rough four years. The shortfall in Oceania is likely to continue. It's hot and dry in Australia and turning dry in parts of New Zealand. Kiwi milk collections fell short of last year on a fluid basis in December, although milk solids output improved by 0.2%. Troubles Down Under have sparked rumors that Australia will be importing large volumes of cheese from New Zealand. If correct, this could tighten the global cheese market, echoing the milk powder situation. The dairy markets in general, and the cheese and milk powder markets in particular, are likely to remain well supported.



Grain Markets

It was a rather quiet week in the grain pits. March corn slipped 2¢ to \$3.8725 per bushel. March soybean futures dropped 27.75¢ to \$9.02. Soybean meal futures retreated roughly \$2 per ton. The soybean markets have been disheartened by the lack of immediate follow-through after the Phase One trade deal. China can buy soybeans much cheaper in Brazil than in the United States, and they are not inclined to pay extra just to foster goodwill. China likely won't be shopping for U.S. soybeans until closer to harvest in the Northern Hemisphere, and we have plenty to spare.

CDQAP Quality Assurance Update – January 2020

Courtesy of the California Dairy Quality Assurance Program



Earlier this month, CDQAP released its January 2020 Quality Assurance Update. Please follow [this link](#) to view the update. Topics included 2019 recaps, upcoming CMP workshops and upcoming events related to the California dairy industry.

California Dairy Sustainability Summit Registration Fee Increases After January 31 – See California’s Dairy Leaders Speak

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 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](#).



With more than 600 registered attendees, including 200 dairy farmers, and 75 expert speakers, the California Dairy Sustainability Summit is a can't miss even for anybody involved in California dairy. Some of the speakers include:



Geoff Vanden Heuvel, Director of Regulatory & Economic Affairs, Milk Producers Council

Geoffrey Vanden Heuvel started his work with Milk Producers Council as the Director of Regulatory and Economic Affairs after retiring from a 39-year career as a dairy farmer in Southern California. His specific responsibilities include being the dairy industry’s eyes, ears and advocate as the various Ground Water Sustainability Agencies begin to implement the Groundwater Sustainability Management Act in California.

Geoffrey developed expertise in groundwater management and California water issues through nearly three decades of experience serving on the boards of the Chino Basin Watermaster, The Chino Basin Water Conservation District as well as the Southern California Water Coalition where he continues to serve on the Executive Committee.



Frank Mitloehner, PhD, Professor and Air Quality Specialist, Department of Animal Science at the University of California, Davis

Frank Mitloehner is a professor and air quality specialist for Cooperative Extension in the Department of Animal Science at the University of California, Davis. Dr. Mitloehner received a Master’s of Science degree in animal science and agricultural engineering from the University of Leipzig, Germany, and a PhD in animal science from Texas Technical University. Dr. Mitloehner is an expert for agricultural air quality, livestock housing and husbandry.

Dr. Mitloehner has served as chairman of a global United Nations Food and Agriculture Organization (FAO) partnership project to benchmark the environmental footprint of livestock production. Dr. Mitloehner serves as the North American scientific lead for the Global Feed LCA Institute. Dr. Mitloehner is workgroup member on the President’s Council of Advisors on Science and Technology (PCAST) and member on the National Academies of Science Institute of Medicine (IOM) committee on “A Framework for Assessing the Health, Environmental, and Social Effects of the Food System”.



Karen Ross, Secretary, California Department of Food and Agriculture

Karen Ross was appointed secretary of the California Department of Food and Agriculture (CDFA) on January 12, 2011, by Governor Edmund G. Brown Jr. Secretary Ross has deep leadership experience in agricultural issues nationally, internationally, and here in California. During Secretary Ross' tenure, the Department has focused on core functions to protect and promote California agriculture in a time of significant budget reductions, and it has emphasized change-management to position the agency to more effectively and efficiently serve its stakeholders in meeting the challenges of the 21st Century.

Secretary Ross has strengthened partnerships across government, academia and the non-profit sector in the drive to maintain and improve environmental stewardship and to develop adaptation strategies for the specific impacts of climate change. She has initiated programs to provide greater opportunities for farmers and ranchers to engage in sustainable environmental stewardship practices through water conservation, energy efficiency, nutrient management and ecosystem services.



Phil Lempert, Founder and Editor, Founder and CEO, The Lempert Report, Retail Dietitians Business Alliance

For more than 25 years, Lempert, an expert analyst on consumer behavior, marketing trends, new products and the changing retail landscape, has identified and explained impending trends to consumers and some of the most prestigious companies worldwide. Known as The Supermarket Guru®, Lempert has served as food trends editor and correspondent for NBC News' Today show, reporting on consumer trends, food safety and moneysaving tips, as well as showcasing new products, with regular appearances on ABC's The View, FOX Business, Dr. Oz, The Oprah Winfrey Show, 20/20, CNN, CNBC, and FOX.

Well-known as an author and speaker, Lempert was one of the pioneers of the new information media, founding SupermarketGuru.com, one of the leading online food and health resources, in 1994. He is the founder and editor of The Lempert Report, the founder and CEO of the Retail Dietitians Business Alliance and develops and manages programs for organizations including the National Restaurant Association, Specialty Foods Association and Food Marketing Institute. He serves on numerous boards including: U.S. Farmers & Ranchers Alliance Honor the Harvest, Sial Innovation Jury, Seminis, Ingenuity and Betterer Foods Advisory Boards.

January 2020 CVDRMP Newsletter

Courtesy of the Central Valley Dairy Representative Monitoring Program

The January 2020 CVDRMP newsletter outlines key goals for the program in the coming year. These goals include educating producers on groundwater quality compliance challenges and developing CVDRMP's bovine membership program.

Follow [this link](#) to read the newsletter.

