

# MPC WEEKLY FRIDAY REPORT

DATE: JUNE 21, 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	+ \$.0425	\$1.8250	WEEKLY CHANGE	+ \$.0250	\$2.3900	WEEK ENDING 06/15/19		
Barrels	+ \$.1325	\$1.7375	WEEKLY AVERAGE	-\$ .0100	\$2.3785	NAT'L PLANTS	\$1.0438	21,423,333
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 06/08/19		
Blocks	+ \$.0060	\$1.7955	DAIRY MARKET NEWS	W/E 06/21/19	\$ .3550	NAT'L PLANTS	\$1.0377	22,151,038
Barrels	+ \$.1100	\$1.6795	NATIONAL PLANTS	W/E 06/15/19	\$ .3671			

## 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
JUNE 21 EST	\$18.67 - \$19.17	\$17.33	\$16.30	\$16.86
JUNE 14 EST	\$18.67 - \$19.17	\$17.31	\$16.31	\$16.80



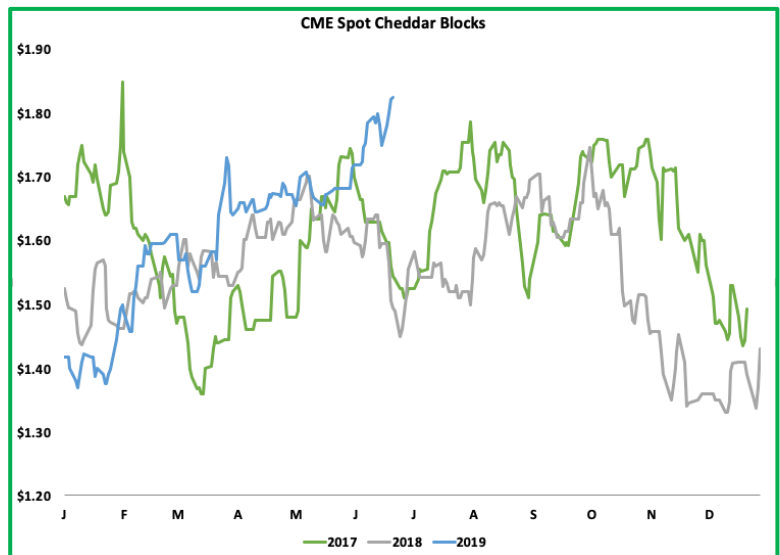
### Milk, Dairy and Grain Market Commentary

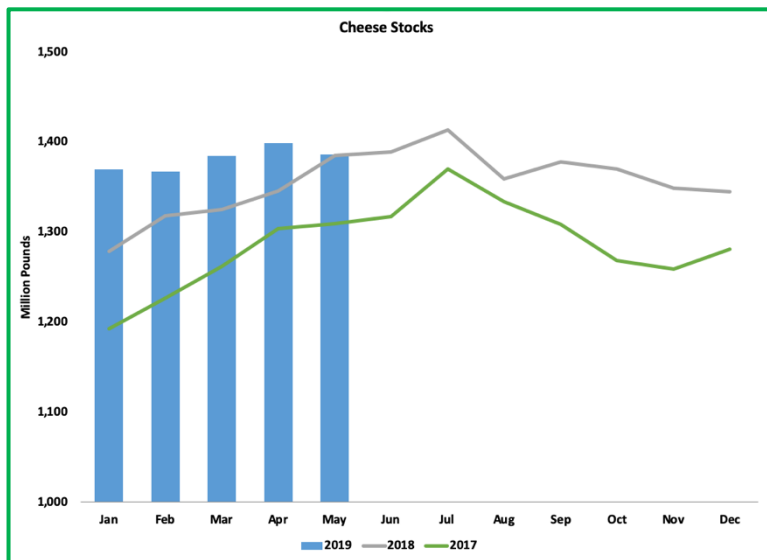
By Sarina Sharp, Daily Dairy Report  
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

#### Milk & Dairy Markets

The cheese markets are heating up, and this time barrels are not left out in the cold. CME spot Cheddar barrels jumped 13.25¢ this week to \$1.7375 per pound, within a tick of the 2019 high. Blocks rallied 4.25¢ from last Friday and closed at \$1.825, their highest price since February 2017. Despite a 2¢ drop in CME spot whey, June Class III futures inched upward, and all other 2019 and 2020 Class III contracts scored new highs. July through December Class III futures now sit comfortably above \$17 per cwt. They gained more than 17¢ on average this week.

USDA published its Cold Storage report after the close today, and the contents might give

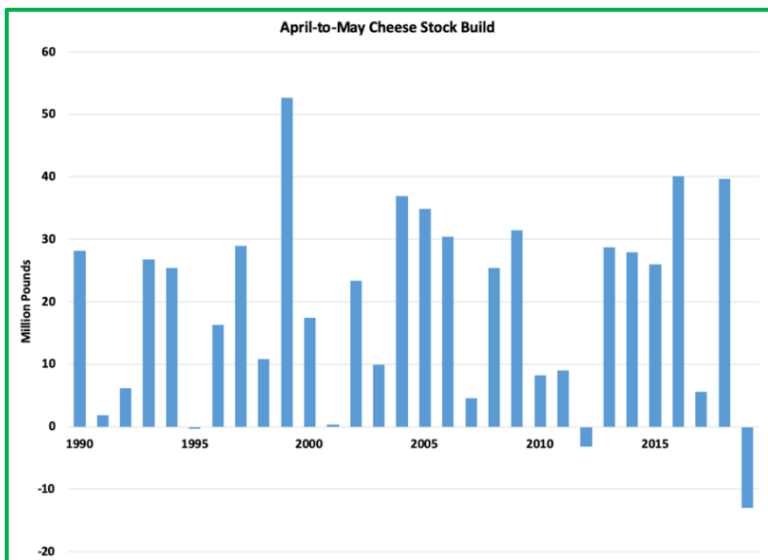




the cheese rally a little more oomph when the markets reopen next week. Despite the season, cheese is becoming less plentiful. There were 1.39 billion pounds of cheese in inventory on May 31, up just 0.1% from a year ago and 12.8 million pounds less than on April 30. That is by far the largest April-to-May drawdown on record and only the fourth time cheese stocks have fallen from April to May in more than 100 years of USDA statistics. Inventories of American-style cheese, including Cheddar, have been essentially flat since February, a period in which stocks typically grow substantially. American-style cheese stocks are now 2.4% below year-ago levels.

At just shy of 314 million pounds, butter stocks are 7.2% lower than they were a year ago. The April-to-May stock build was on par with historic volumes. Butter buyers may be getting anxious that butter will be scarce later this year, but foreign butterfat remains relatively inexpensive for now.

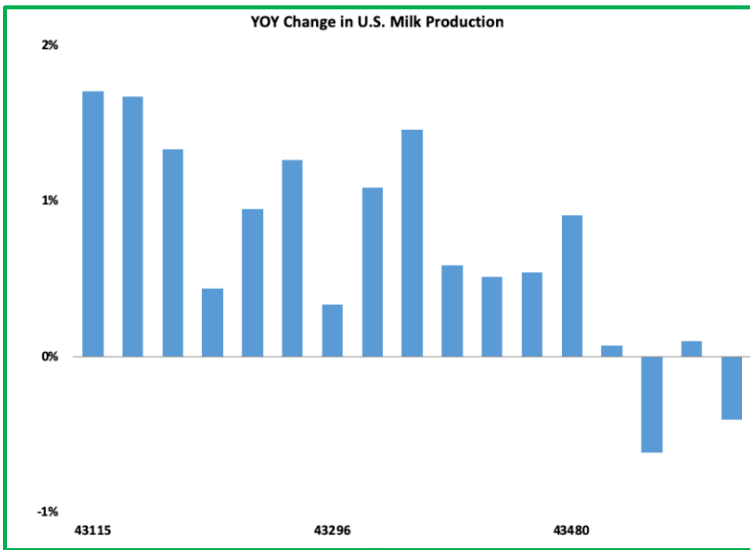
CME spot butter gained 2.5¢ this week and closed at \$2.39. Spot nonfat dry milk (NDM) fell 0.75¢ to \$1.045. Most Class IV contracts finished about 15¢ in the red. Milk powder prices retreated at Tuesday’s Global Dairy Trade (GDT) auction as well. Skim milk powder (SMP) dropped 3.5% to the equivalent of NDM at \$1.14 per pound. Whole milk powder (WMP) lost 2.2%, and both SMP and WMP slumped to their lowest GDT averages since January.



U.S. milk production declined in May to 19.06 billion pounds, down 0.4% from the prior year. The deficit was greater than expected, and the markets rallied in the wake of Tuesday’s Milk Production report. Milk output continues to drop in the Northeast, Southeast, and Midwest, with widening deficits in a few Southwestern states as well. Milk yields are starting to slip in some areas, reducing growth in the Western states. There are 30,000 more cows than there were a year ago in Texas; the Lone Star State boosted milk output by 5.4%, or 61 million pounds. In California, milk output was up 1.3% from a year ago, but there were 7,000 fewer cows than in May 2018.

Dairy producers sent 258,100 cows to slaughter in May. That’s 13,000 head, or 5.8%, more than in May 2018 and the largest total for any May on record aside from 1986, the year of the cow-kill program. At this rate, the dairy herd is surely shrinking. Nonetheless, USDA reported that the dairy herd averaged 9.333 million head in May, down 89,000 cows from a year ago but 5,000 cows more than in April. The increase is unfathomable. Slaughter volumes remain high, and milk output continues to slow.

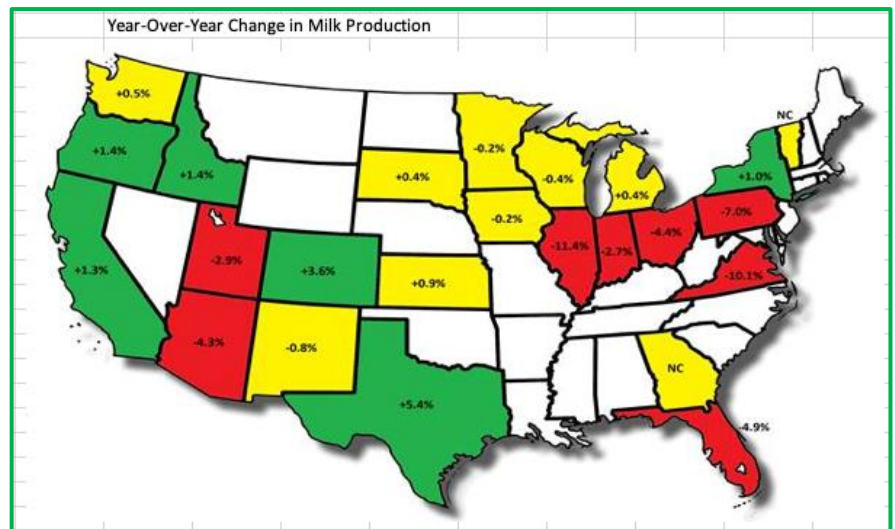
Despite lower production in the Midwest and Northeast, milk seems to be widely available. It is June, after all. There are more spot loads moving at a steeper discount than in weeks past. Cheap spot milk



has encouraged cheese processors to top up their vats. But demand is growing too. USDA’s *Dairy Market News* reports that orders from all sectors – “retail accounts, food service, and export” – have been “steady or better than average” despite the recent uptick in prices.

Across the pond, milk output is rising. European milk collections totaled 30.9 billion pounds in April, up 1.3% from a year ago. (This assumes steady production trends in Spain, which has yet to report April data.) That is a noticeably smaller increase than the 1.7% growth logged in March but otherwise represents the greatest year-over-year growth in European milk output since May 2018.

European milk collections are up 0.6% for the year to date. Hot, dry weather in northern Europe has brought the flush to an early conclusion, so production is likely to grow at a slower rate in May and June. Modest growth in European milk output is more than offset by steep downturns in Oceania and South America and roughly steady production in the United States. Demand is climbing more quickly than global milk supplies, and the world’s once-burdensome dairy product inventories are starting to wane. The dairy markets are likely to remain well supported.



(QIP). The QIP is the mechanism that enables California to be able to continue to operate the State quota program concurrently with the Federal Milk Marketing Order. The money needed to fund the payments to quota holders is collected as an assessment on all Grade A milk produced and marketed in California. The initial assessment rate was established at the equivalent of 38 cents per hundredweight. As it has turned out, the assessment has been collecting about \$1 million more per month than is necessary to cover the quota payments. In addition, there was about \$5.5 million of producer money left over in the Pooling Equalization Fund that was transferred into QIP fund. What this means is that there is now about \$12 million worth of excess funds in the QIP account. The QIP administrator, Donald Shippelhouse, indicated that a \$2 million cash reserve was all the liquidity that was necessary to keep the QIP functioning. Therefore, any funds in excess of \$2 million could be distributed to producers. The PRB adopted his recommendation that the QIP assessment rate be reduced to 32.5 cents per hundredweight which should, absent any other changes, within 12 months bring the fund balance down to \$2 million. At that time the PRB can reevaluate the assessment rate. The current quota payout would require an assessment rate of about 35 cents per cwt. to be in balance. The lower rate should start with September milk.

**Congressman Jim Costa cordially invites you to attend a town hall meeting he is hosting with United States Secretary of Agriculture Sonny Perdue**

*From Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs*

Congressman Jim Costa is hosting a town hall meeting with U.S. Secretary of Agriculture Sonny Purdue. Also in attendance will be Congressman TJ Cox and Josh Harder. To attend, please RSVP to Lillie Brady at [Lillie.brady@usda.gov](mailto:Lillie.brady@usda.gov).



## PG&E: Unholy Alliance

*Courtesy of Agricultural Energy Consumers Association*

Politics sometimes makes for strange bedfellows. But longtime political observers know that when insurance companies and trial attorneys are on the same side somebody else is getting taken to the cleaners. They are clearly on the WRONG side of key wildfire reform issues and it's costing ratepayers billions from wildfire liability they didn't cause. Policymakers should take note. Trial attorneys and insurance companies are both benefiting at the expense of electric ratepayers. Adding insult to injury, insurers are making homeowners policies increasingly unaffordable or unavailable as they refuse to renew policies. As electricity rates continue to skyrocket and homeowners insurance



### unholy alliance

*noun*

A coalition among seemingly antagonistic groups...  
for ad hoc or hidden gain

follows suit, voters are going to be wondering why insurance and utility investors are getting rich at their expense.

**Policymakers Must Hold PG&E Accountable**  
**Time for REAL Reform**

