



Milk Producers Council

P.O. Box 4030 ~ Ontario, CA 91761 ~ (909) 628-6018
 2328 Jonathon Court ~ Escalon, CA 95320 ~ (209) 691-8139
 Fax (909) 591-7328 ~ office@milproducers.org ~ www.MilkProducers.org



DATE: September 28, 2018
TO: Directors & Members

PAGES: 5
FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks + \$.0550 \$1.6900
 Barrels + \$.0225 \$1.3825

Weekly Average, Cheddar Cheese

Blocks + \$.0390 \$1.6560
 Barrels - \$.0135 \$1.3800

CHICAGO AA BUTTER

Weekly Change + \$.0850 \$2.3200
 Weekly Average + \$.0225 \$2.2985

DRY WHEY

Dairy Market News w/e 09/28/18 \$.4525
 National Plants w/e 09/22/18 \$.4154

NON-FAT DRY MILK

Week Ending 9/21 & 9/22

Calif. Plants \$0.8331 8,233,019
 Nat'l Plants \$0.8583 16,314,325

Prior Week Ending 9/14 & 9/15

Calif. Plants \$0.8293 10,200,033
 Nat'l Plants \$0.8622 18,674,893

Fred Douma's price projections...

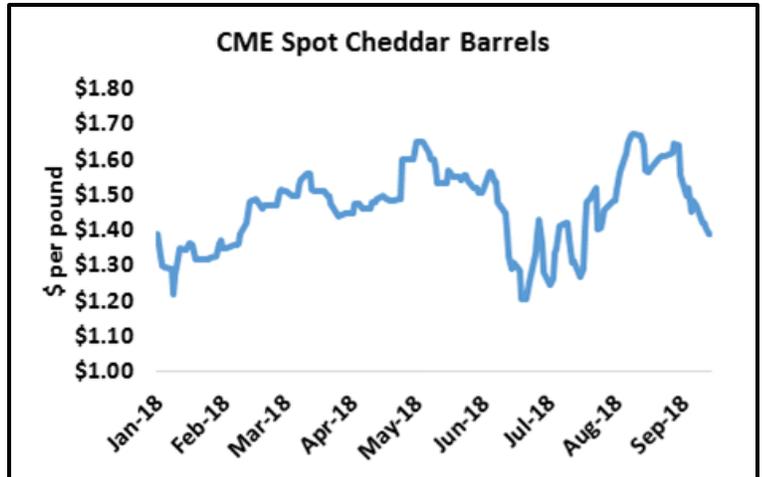
Sept '18 Final: Quota cwt. **\$16.52** Overbase cwt. **\$14.83** Cls. 4a cwt. **\$14.07** Cls. 4b cwt. **\$15.62**
 Last Week: Quota cwt. **\$16.50** Overbase cwt. **\$14.81** Cls. 4a cwt. **\$14.00** Cls. 4b cwt. **\$15.62**

Market commentary

By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com

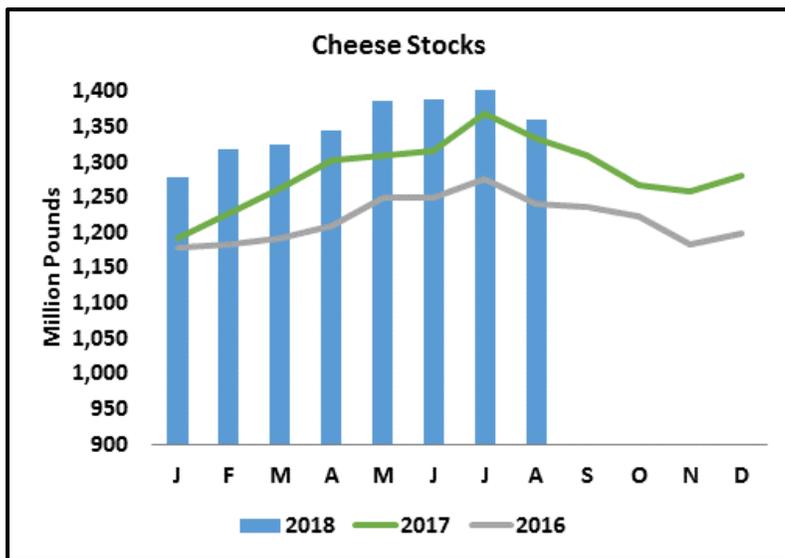
Milk & Dairy Markets

On the heels of a decidedly supportive Cold Storage report, the dairy trade likely expected the bulls to come charging into Chicago in the manner of Bodacious, Bruiser, and Bushwacker, the aptly-named world champion bucking bulls. But this week's bulls were more like Ferdinand, nosing meekly around the edges of their new environment before retreating to more agreeable confines. They offered much complacency and little dynamism. The spot markets rallied, but Class III futures did not follow. Most contracts slipped a little, and October tumbled 24¢.



Barrels are largely to blame. On Tuesday, CME spot Cheddar barrels plunged to two-month lows. They bounced back later in the week and managed to finish at \$1.3825 per pound, up 2.25¢ from last Friday. But given indications of robust cheese demand, barrels below \$1.40 are uninspiring to say the least.

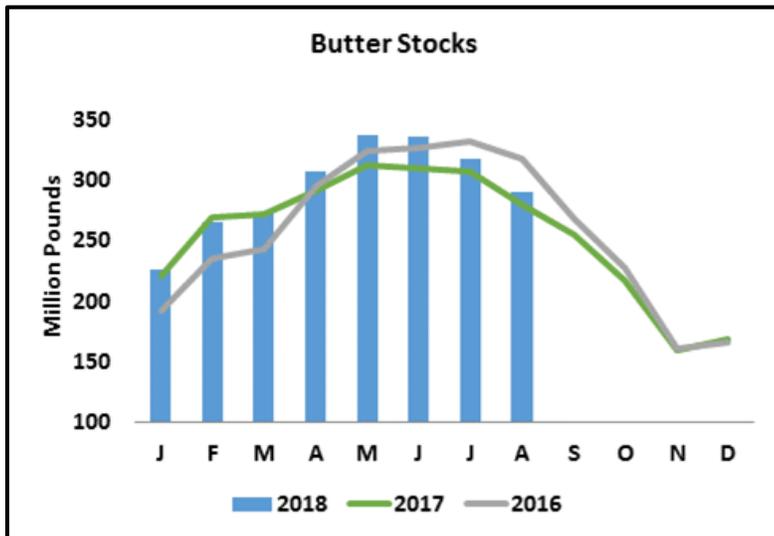
Blocks fared much better. They closed today at \$1.69, up 5.5¢ from last week and at the high end of the well-trodden trading range. Blocks have bounced between \$1.40 and \$1.70 for nearly a year. Football fans are plowing through an array of pizza and cheese dips, and entertainers will soon be readying holiday cheese trays. The coming months may offer opportunities for the cheese market to finally push – and stay – above \$1.70.



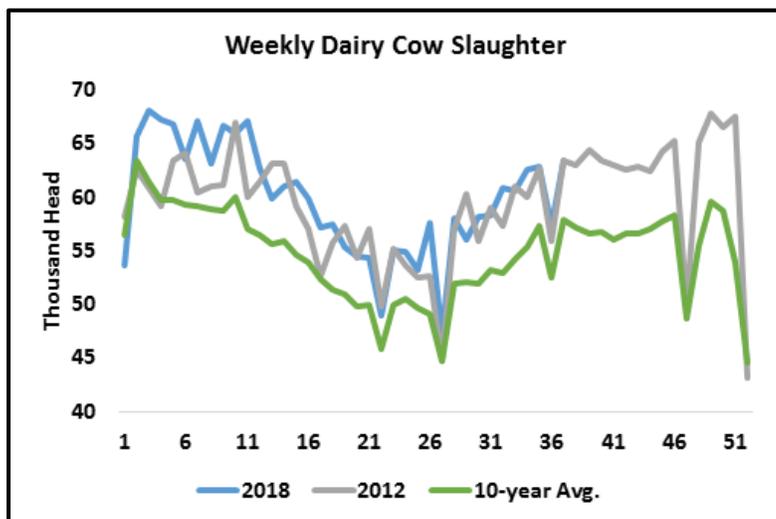
There were still 1.36 billion pounds of cheese in cold storage warehouses on August 31, 1.9% more than at this point a year ago. But the stockpile is shrinking noticeably. Inventories declined 53.5 million pounds from July to August, the largest setback at this time of year since 2004. Given the 1.4% increase in U.S. milk production in August, which likely fostered continued growth in cheese output, the steep decline in inventories seemed to confirm anecdotal reports of strong cheese demand last month. Domestic sales remain brisk. *Dairy Market News* reports, “Some processors that make packaged retail goods say they are overcommitted through the end of the year.” However, “Export demand is mixed. While some

sellers say cheese is moving well through contracts, others suggest persistent concerns about trade issues have diminished interest.”

The industry has been steadily drawing down butter stocks since June, which could set the stage for tighter supplies and higher prices in the upcoming holiday baking season. Butter stocks slipped 27.5 million pounds from July to August, a slightly-larger-than-average decline. At 290.8 million pounds, butter inventories on August 31 remain 3.8% greater than year-ago volumes. The combined deterioration in butter inventories in July and August is the largest since 2013. Butter values improved this week, propelling Class IV higher. Most Class IV contracts added around 20¢. CME spot butter closed at \$2.32 per pound, up 8.5¢ from last Friday.



Protein prices also moved higher. CME spot dry whey jumped 3.5¢ this week to 55¢ per pound. Spot nonfat dry milk (NDM) climbed 0.25¢ to 87.5¢. Demand for both products wanes as prices climb, but these markets remain well-supported on setbacks. And production is likely slowing. Depressed milk output in the Southeast is making room at bottling plants for milk from other regions. Milk powder driers, meant to handle seasonal overflows, have been running hard year-round. But in the Northeast and Midwest, they have finally been allowed to slow down.



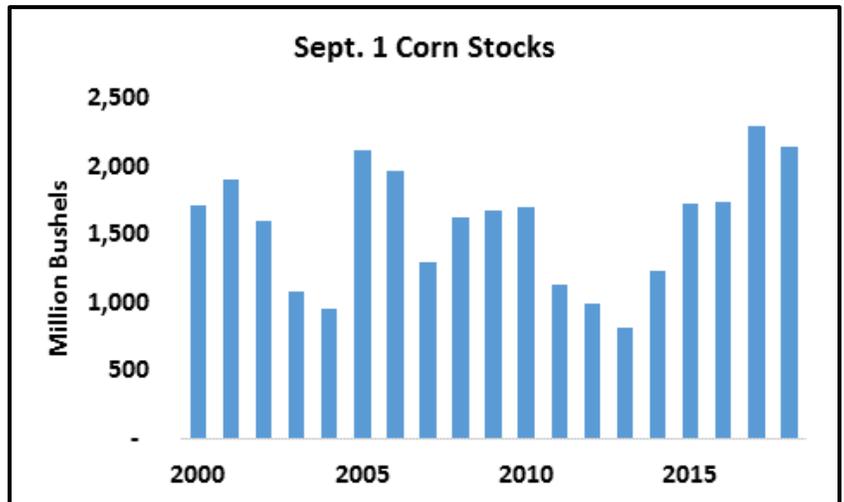
Pain on the farm continues, and slaughter volumes remain elevated. For the week ending September 15, dairy cow slaughter reached 63,456 head, up 4.8% from the same week a year ago. Slaughter is running 4.6% ahead of 2017, at a pace more comparable to 2012, when the dairy herd suffered a steep contraction.

U.S. dairy exports now face new hurdles. On Monday, China enacted another round of tariffs on U.S. imports, encompassing those categories of dairy products that managed to escape the first round. The U.S. and China remain at odds, and the two sides seem unlikely to reconcile and rescind these punitive border taxes anytime soon. USDA is starting to send out checks to farmers in select agricultural sectors – including dairy – who have been hurt by the trade war. But the checks are not likely to cover the whole of the damage.

Grain Markets

The corn market spent Monday through Thursday bouncing back from last week’s life-of-contract lows, only to cede the ground it regained in a Friday rout. December corn futures settled at \$3.5625 per bushel, a penny lower than last week’s closing price. Similarly, November soybeans finished at \$8.455, down 1.75¢ this week.

USDA prompted the retreat with today’s update to its quarterly Grain Stocks estimates. There were 2.14 billion bushels of corn in inventory on September 1, when the 2018-19 season officially began. That is down from 2.29 billion bushels at this point last year, but higher than the whole range of pre-report guesses. And it is a historically high volume of corn to have in the bin before this year’s bumper harvest.



There were 438 million bushels of soybeans in storage on September 1, up from 302 million bushels last year. Once again, USDA’s inventory figure was higher than analysts’ pre-report estimates, suggesting that last year’s corn and soybean crops were larger than previously reported, or that demand disappointed. Larger-than-anticipated stocks are especially bearish ahead of a record-breaking soybean harvest and in the midst of a trade spat with the world’s largest soybean buyer. U.S. soybean exports to most nations are running well ahead of prior-year levels, but they are not strong enough to offset the lack of sales to China. Feed in general and soybeans in particular are likely to be plentiful and inexpensive for the foreseeable future.

California Dairy Sustainability Summit Announces 2018 Speaker Roster

Milk Producers Council is proud to be an event partner for this inaugural summit that will highlight how dairy farmers can improve their environmental impact and bottom line.

The [California Dairy Sustainability Summit](#), which will highlight California’s achievements in sustainable dairy farm practices, announced the speaker lineup for its inaugural event, taking place November 27-28, 2018 at the Sacramento Convention Center. The Summit, co-hosted by Dairy Cares, Dairy Council of California, California Milk Advisory Board, California Dairy Quality Assurance Program, and the California Research Foundation, will bring together prominent California dairy leaders to discuss techniques for increasing economic and environmental sustainability.

Throughout the two-day event, attendees will have an opportunity to hear from dozens of industry experts through a series of panel discussions and keynotes. In addition, the Expo Hall will offer an opportunity for dairy farmers and operators to learn about new ways to improve efficiency, reduce costs, and meet environmental challenges with cost-effective solutions.

“California dairy farms adhere to the strictest environmental regulations in the nation,” said Cornell Kasbergen, chairman of Milk Producers Council and a Land O’Lakes, Inc. board member. “It’s a tough place to dairy farm,

but California is our home. We're committed to working with our state's leaders to find economically and environmentally sustainable solutions."

Panel discussions will focus on timely topics, including the appropriate role of regulations and incentives as a method to improve sustainability, shifting dairy consumption trends, and dairy's role in a healthy and sustainable diet. The Summit will also cover California dairy farmers' efforts to enhance and conserve water supply, improve air quality, and protect the climate.

Confirmed speakers include:

- Karen Ross, *Secretary, California Department of Food and Agriculture*
- Frank Mitloehner, *PhD, Professor and Air Quality Specialist, Department of Animal Science at the University of California, Davis*
- Frank Cardoza, *Consultant, Dairy Works, Farm Manager, Phillip Verwey Farms*
- Linda Eatherton, *Partner, Managing Director Global Food & Beverage, Ketchum*
- Annette Jones, *D.V.M., Director and State Veterinarian, Animal Health and Food Safety Division, CDFA*
- Kevin Abernathy, *General Manager, Milk Producers Council*
- Bob Langert, *President, Mainstreaming Sustainability, Editor at Large, GreenBiz Group, Retired McDonald's VP of Sustainability*
- Brian Fiscalini, *CEO, Fiscalini Farms and Cheese Company*
- Ashley Boren, *Executive Director, Sustainable Conservation*
- Anja Raudabaugh, *Chief Executive Officer, Western United Dairymen*
- Samir Sheikh, *Executive Director, San Joaquin Valley Air Pollution Control District*
- Aaron Wickstrom, *Managing Partner, Wickstrom Dairies L.P. and Valsigna Farms*
- David Blakemore, *President, Animal Nutrition & Health, DSM*
- Paul Sousa, *Director of Environmental Services and Regulatory Affairs, Western United Dairymen*



- Ermias Kebreab, *PhD, Professor and Sesnon Endowed Chair, Sustainable Animal Agriculture Department of Animal Science, UC Davis*
- Neil Black, *President, California Bioenergy*
- Marianne Smith Edge, *MS, RDN, LD, FADA, FAND, Founder and Principal, The AgriNutrition Edge*
- *Cliff Gladstein, President, Gladstein, Neandross & Associates*
- Katie Brown, *Ed.D., RDN, Senior Vice President Sustainable Nutrition, National Dairy Council*
- Jack Broadbent, *Chief Executive Officer, Bay Area Air Quality Management District*
- Cindy Schweitzer, *PhD, Principal, Schweitzer Consulting*

Additional speakers will be announced over the next few weeks. Register by September 28, 2018 to save with early bird rates. Dairy farmers can register for just \$50 through October 19. For more information, visit www.cadairysummit.com.



November 27–28, 2018
Sacramento Convention Center



Hosted by:



Look for the Seal
RealCaliforniaMilk.com

Organized by: