

MPC WEEKLY FRIDAY REPORT

DATE: OCTOBER 4, 2019
 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	+ \$.0375	\$1.9925	WEEKLY CHANGE	+ \$.0375	\$2.1850	WEEK ENDING 09/28/19		
Barrels	+\$.1350	\$1.7900	WEEKLY AVERAGE	+ \$.0125	\$2.1595	NAT'L PLANTS	\$1.0568	22,701,160
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 09/21/19		
Blocks	+ \$.0245	\$1.9920	DAIRY MARKET NEWS	W/E 10/04/19	\$3.600	NAT'L PLANTS	\$1.0534	19,906,637
Barrels	+ \$.1265	\$1.7485	NATIONAL PLANTS	W/E 09/28/19	\$3.3729			

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
SEPT 27 EST	\$19.44 - \$19.94	\$16.81	\$18.31	\$16.45
SEPT '19 FINAL	\$19.45 - \$19.95	\$16.93	\$18.31	\$16.35



Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report

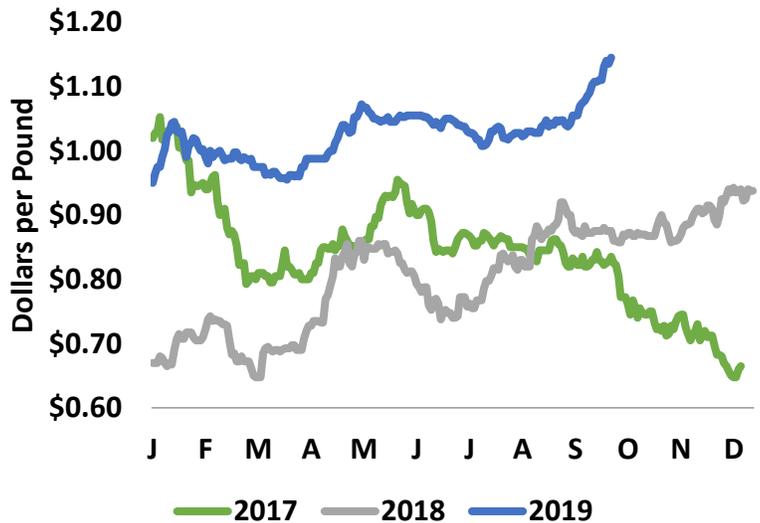
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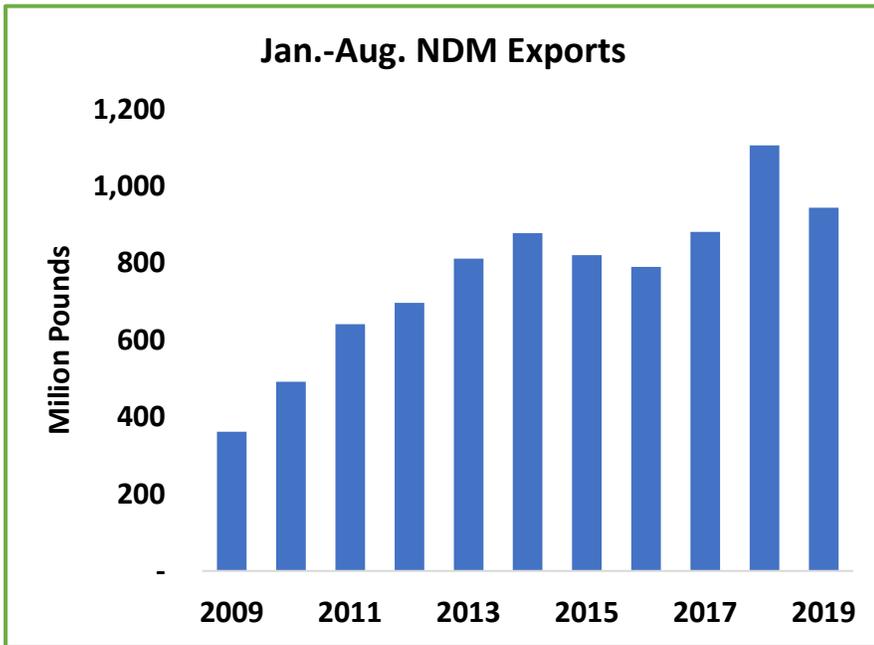
Milk & Dairy Markets

The dairy markets got off to a strong start this week, which allowed most contracts to gain ground despite a Friday selloff. November and December Class III futures settled a dime lower than last week, but the other contracts finished higher. October Class III reached \$18.31 per cwt., up 16¢. Class IV futures closed higher across the board.

Tighter milk markets and robust demand are helping to support dairy product prices. The fundamentals of the milk powder market seem particularly healthy, and the bulls are roaming free. Skim milk

CME Spot Nonfat Dry Milk



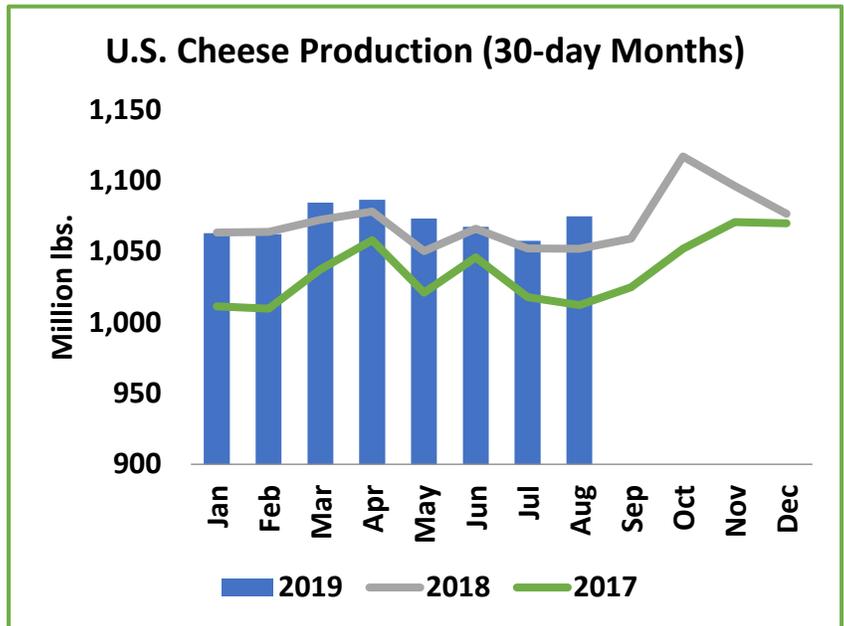


powder (SMP) prices jumped 2.7% at the Global Dairy Trade (GDT) auction on Tuesday, to the equivalent of nonfat dry milk (NDM) at \$1.29 per pound. CME spot NDM climbed 3.5¢ to \$1.145. Both GDT SMP and spot NDM stand at their highest values since March 2015. USDA's *Dairy Market News* also reports rising prices around the country.

In August, NDM/SMP output totaled 183.6 million pounds, up 3.9% from a year ago. The year-over-year increase was a bit surprising, but in light of falling stocks and rising prices, it simply confirms that demand is strong. U.S. milk powder exports fell

short of last year's record-breaking volumes once again in August, but they remain historically high. Foreign buyers are competing for powder with U.S. cheese makers, who are using skim milk solids to fortify their vats while milk is tight, and cheese is pricey. Milk powder stocks are falling around the world and prices are rising accordingly.

High domestic prices restrained U.S. cheese exports and boosted imports in August. Tariffs on European cheese imports will take effect later this month, which could reduce U.S. cheese imports going forward. Eight of our top 10 suppliers of imported cheese are in the EU-28 and will be subject to the new tariffs. The tariffs could also slow the flow of butter from Ireland to U.S. retailers.

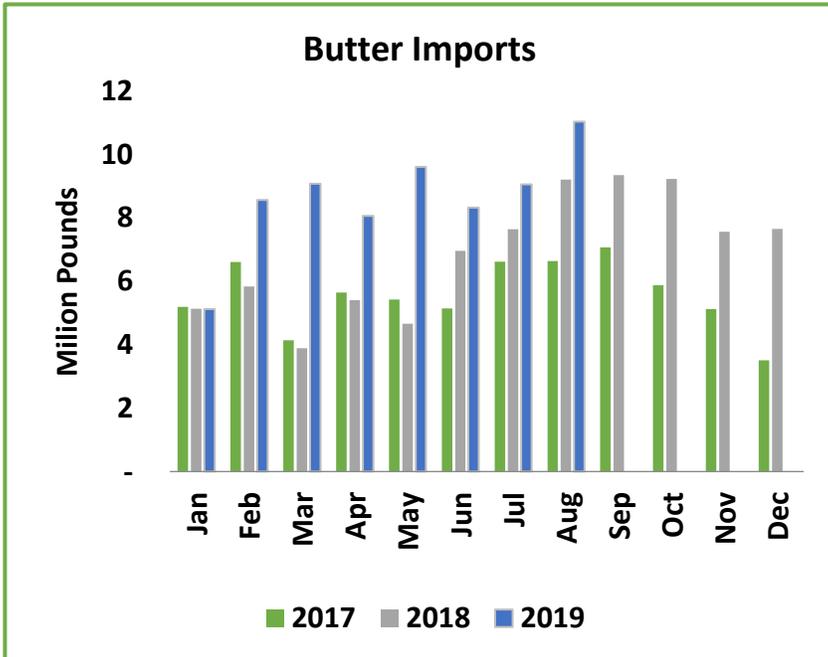


U.S. cheese output reached 1.1 billion pounds in August, up 2.2% from a year ago. Production of American-style cheese reached the highest level in nearly a century of USDA record-keeping, up 5.1% from a year ago. With a mild summer and a larger milk-cow herd, Idaho boosted American cheese output 20.9% from a year ago in August.

Expanded processing capacity in Iowa compelled the Hawkeye State to expand American cheese production by 17.6%. Cheese futures retreated today on the heels of the Dairy Products report. However, fresh cheese remains tight. CME spot Cheddar blocks climbed 3.75¢ this week to \$1.9925. Barrels surged 13.5¢ to \$1.79. The strength in barrels is at odds with reports that barrels remain abundant.

Spot butter rallied 3.75¢ this week to \$2.185. But the futures retreated. Cream is cheap and so is imported butterfat, which is boosting U.S. output and inventories. Butter production totaled 136.4 million pounds in August, up 2.1% from a year ago. The U.S. brought in 11 million pounds of butter in

August – the highest volume in more than two decades – and sent just 3.4 million pounds to foreign buyers.

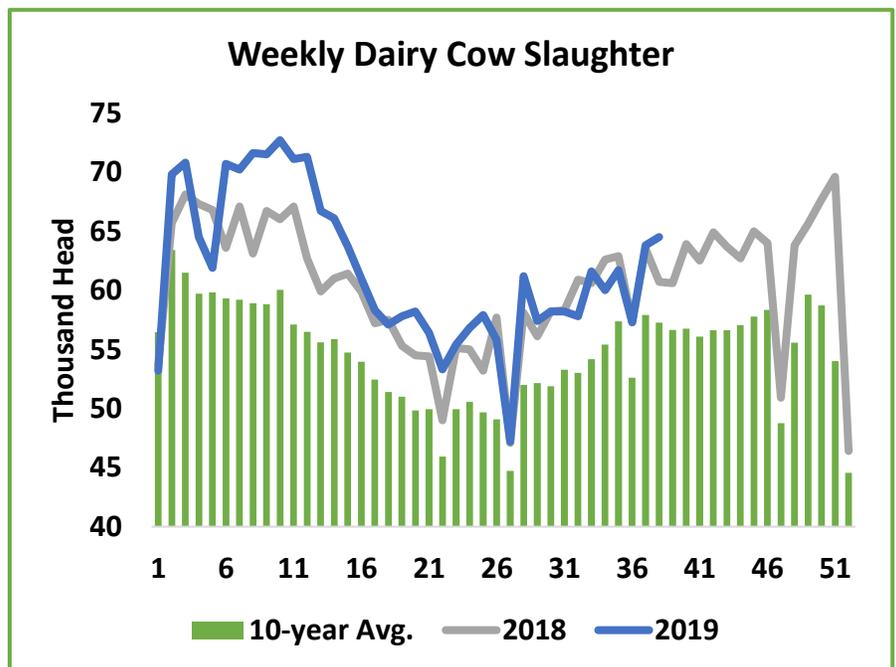


Whey prices continue to slump. Spot whey fell 2¢ this week to 32.75¢. Trading volume was immense, with 80 loads changing hands in Chicago. Driven by higher cheese production, dry whey output surged 7.5% from a year ago to 83.3 million pounds in August. Whey stocks increased 5 million pounds from July to August, but they remained 1.5% below August 2018 levels.

U.S. dry whey exports fell 33.1% year-over-year in August to 30.1 million pounds. Year-to-date whey powder exports have fallen to a 15-year low. China recently exempted U.S. whey permeate from retaliatory tariffs, which could help stabilize U.S. whey product exports. However, the swine herd has shrunk

dramatically throughout Southeast Asia due to the spread of African swine fever. Global whey demand could remain anemic until the disease runs its course in the region and hog growers look to rebuild their herds. When they do, they'll likely be inclined to feed more whey per piglet than they did in the past. But there will be considerably fewer piglets to consume imported whey.

USDA announced the September Class III price at \$18.31 per cwt., up 71¢ from August and up \$2.22 from September 2018. This marks the highest Class III price since November 2014. Class IV milk slipped 39¢ in September. But, at \$16.35, it was \$1.54 higher than in September 2018. With Class III milk above \$18 and forecasted to stay there in October and November, dairy producers are on firmer financial footing. But there is no sign that they will add enough cows to flood the markets with milk and throttle this hard-won pay-price. Judging by slaughter volumes, the U.S. dairy herd is still shrinking. In the week ending September 21, dairy cow slaughter was 64,524 head, up 6.3% from the same week a year ago. This was the highest dairy cow kill ever for this time of year. Year-to-date slaughter is still 3.4% ahead of the already sky-high 2018 pace, and the dairy herd is much smaller. It's likely to stay that way for a while longer, it seems.



Grain Markets

USDA shocked the grain markets this week. In the quarterly Grain Stocks report, the agency sheared its estimates of September 1 corn and soybean stocks to unexpectedly low levels. The lower stocks figures imply stronger demand than USDA has reported in its monthly balance sheets and help to explain why the stubbornly high corn basis has not coaxed farmers to sell more of last year's crop. Their bins were not as full in reality as they were on paper. The Grain Stocks report propelled the feed markets sharply higher on Monday. The weather forecast helped to sustain the gains. It's cold and wet in the Corn Belt, which is not conducive for this year's laggard crop to finish well. December corn closed today at \$3.8475 per bushel, up 13.25¢ from last Friday. November soybeans settled at \$9.1625, up more than 30¢.



The Producer Review Board to Meet on October 8

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

Geoff@MilkProducers.org

A regular meeting of the Producer Review Board will take place this coming Tuesday at 10 a.m. at the CDFA Auditorium located in downtown Sacramento. This meetings is open to the public and you can read the agenda [here](#).

CDQAP September 2019 Newsletter

Courtesy of CDQAP



From Kevin Abernathy, MPC General Manager

Earlier this week, CDQAP released its September 2019 e-newsletter. Please follow [this link](#) to view the update. Topics included prepping your lagoon for winter and dealing with activist trespassing.

The California Milk Advisory Board Announces 2019 Annual Information/Nomination Meetings

Courtesy of CMAB

The California Milk Advisory Board (CMAB) and CMAB CEO, John Talbot, invite all California dairy families to attend annual meetings this fall, held in each district throughout the state of California. At the meeting, attendees will learn about ongoing activities to promote California dairy. The meeting will highlight the 2020 plan, the new "Enter the Golden State" consumer campaign and the continuing marketing activities the CMAB conducts to promote dairy products made with your California milk in the state, across the U.S. and around the world. Dairy farmers will also vote on open board member seats.

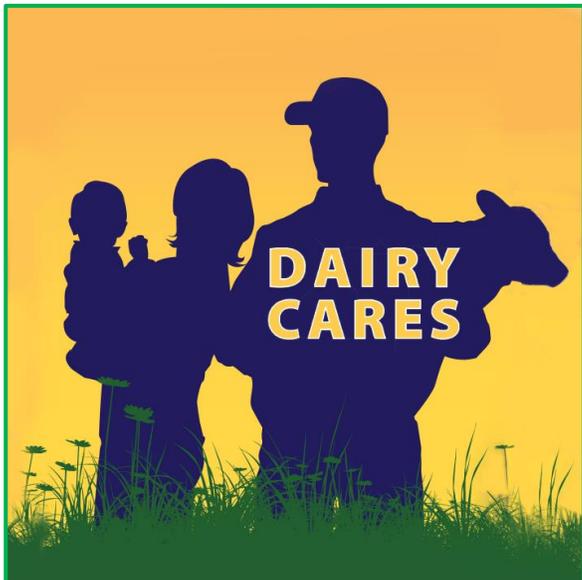


Find the full list of the meetings here. To RSVP for the Annual Meeting in your district, please email promotions@cmab.net, contact the office at 209.690.8248 or online at [here](#).

CA Dairy Farms Reach Major Milestone in Climate Goal

Courtesy of Dairy Cares

Milk Producers Council has been a longstanding member of Dairy Cares, a coalition of dairy trade groups, cooperatives, processors, and allied industry members working together on industry sustainability issues. The below article published by Dairy Cares details how methane reduction efforts are on track for positive impacts on climate and more.

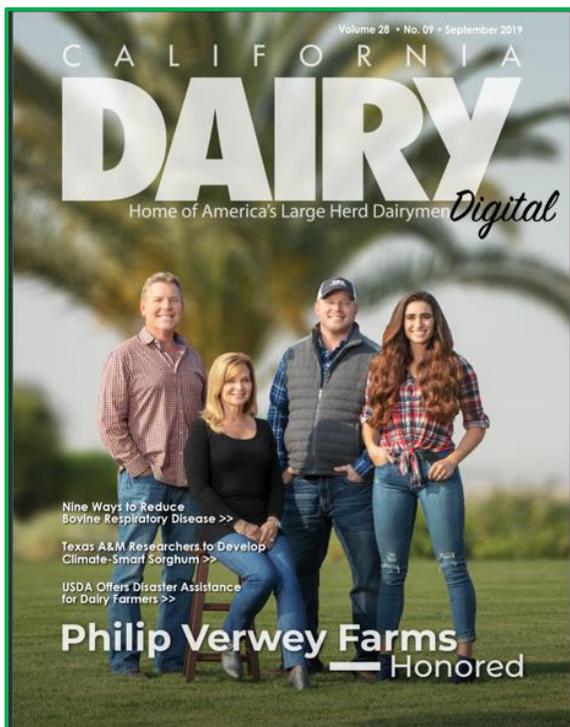


The California Department of Food and Agriculture (CDFA) reported this month that California's dairy farms will soon be more than halfway to achieving the state's world-leading target for reducing methane. [The update](#) was part of CDFA's announcement that an additional \$102 million has been awarded this year to support the implementation of dairy methane reduction projects. Ninety-three new projects were funded, including 43 methane digesters that capture methane and 50 alternative manure management projects. There are currently more than 229 dairy methane reduction projects in operation or under development on California dairy farms.

Read more [here](#).

Philip Verwey Farms Featured in California Dairy Digital

Courtesy of California Dairy Magazine



California Dairy farmer Philip Verwey was recently honored at the eighth annual US Dairy Sustainability Awards ceremony in Rosemont, Illinois. Award winning dairy farmers like Verwey represent the U.S. dairy industry's commitment to sustainability and demonstrate how ingenuity leads to sustainable practices that benefit their businesses, communities and environment. Barb O'Brien, president of the Innovation Center for U.S. Dairy said, "This year's winners show how the innovation and creativity sparked by one farm, one person or one organization can have a ripple effect that goes well beyond their farmgate or front door. Each winner exemplifies our industry's values. They demonstrate that caring for the environment, cows and communities is our heritage and what we stand for every day."

Read the full article [here](#).

CVDRMP Holding 2 Workshops for Bovine Representative Monitoring Program

Courtesy of Central Valley Dairy Representative Monitoring Program

As share [in a previous report](#), the Central Valley Dairy Representative Monitoring Program (CVDRMP) has opened membership to non-dairy cattle operators – including stand-alone dairy heifer ranches.

Anyone interested in joining the Bovine RMP, or learning more, can visit CVDRMP's Bovine RMP website at www.bovinermp.org. CVDRMP will also be hosting two free, in-person informational workshops:

- **Tuesday, October 8th (1 to 2:30 p.m.):** Auditorium, Cooperative Extension Tulare County, 4437 S. Laspina St., Ste. B, Tulare
- **Wednesday, October 9th (9 to 10:30 a.m.):** Stanislaus County Agricultural Building, Room G, 3800 Cornucopia Way #B, Modesto

Attending these workshops is not required; they are only being offered as a convenience to operators who may have questions about the program. The workshops will also include more general information about complying with the Bovine Order and the work that will be conducted under the Bovine RMP.

Anyone interested in attending workshops can contact CVDRMP staff at (916) 573-3941 or bovinermp@gmail.com to RSVP, or for any other questions.

Visit the Bovine RMP website [here](#).

Free Workshops

Tulare

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Cooperative Extension Tulare County
4437 S. Laspina St., Ste. B

Modesto

Wednesday, October 9th (9 to 10:30 a.m.)
Stanislaus County Agricultural Building
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3800 Cornucopia Way #B



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