

# MPC WEEKLY FRIDAY REPORT

DATE: MARCH 29, 2019  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 4



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## MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE			CHICAGO AA BUTTER			NON-FAT DRY MILK		
Blocks	+ \$.0750	\$1.6450	WEEKLY CHANGE	-\$ .0100	\$2.2550	WEEK ENDING 03/23/19		
Barrels	+ \$.0375	\$1.6025	WEEKLY AVERAGE	-\$ .0110	\$2.2670	NAT'L PLANTS	\$0.9573	26,015,731
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 03/16/19		
Blocks	+ \$.1090	\$1.6845	DAIRY MARKET NEWS	W/E 03/29/19	\$ .3837	NAT'L PLANTS	\$0.9554	23,827,414
Barrels	+ \$.0535	\$1.5890	NATIONAL PLANTS	W/E 03/23/19	\$ .4118			

## 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 29 EST	\$17.58 - \$18.08	\$16.62	\$15.06	\$15.76
MARCH 22 EST	\$17.58 - \$18.08	\$16.62	\$15.03	\$15.79



### Milk, Dairy and Grain Market Commentary

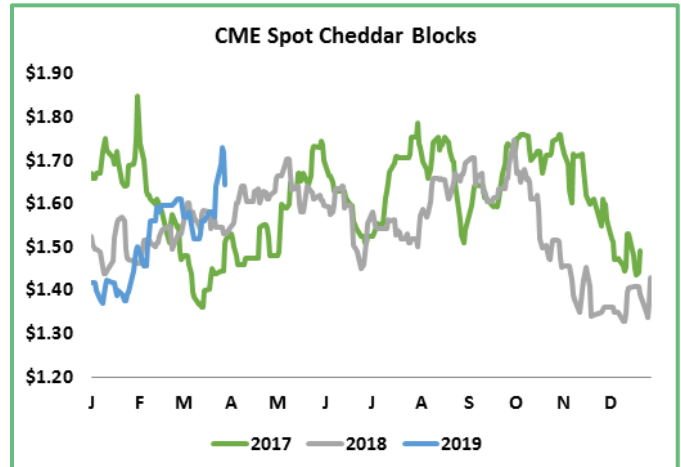
By Sarina Sharp, Daily Dairy Report

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#### Milk & Dairy Markets

The spot cheese markets were off to the races this week. For once, barrels demonstrated the discipline of a seasoned runner, setting a steady, sustainable pace. They gained a little ground nearly every day and reached \$1.6025 per pound, up 3.75¢ for the week. It was their first jaunt above \$1.60 since early September. Blocks, in contrast, ran like a child on a sugar high. They sprinted to \$1.73 on Wednesday, vaulting 16¢ in just three sessions on very light trading volumes. Then, running on fumes, they began to flag. Blocks closed today at \$1.645, down 8.5¢ from the mid-week high but up 7.5¢ from last Friday. Only one load changed hands.

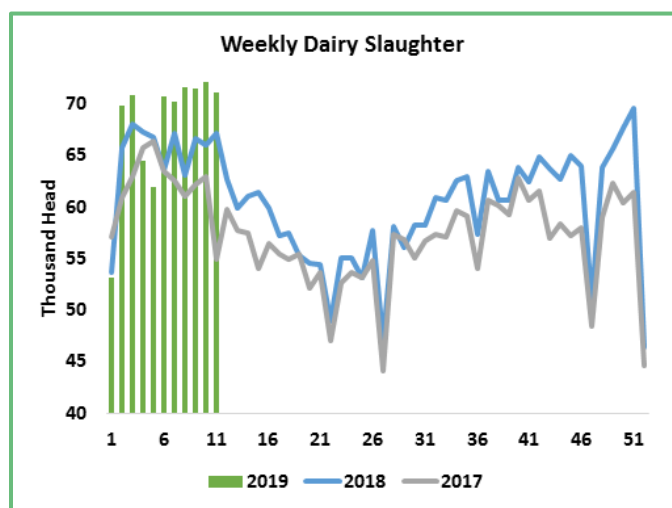
It's often difficult to rally the cheese markets at the height of the spring flush, but things are different this



year. A combination of lower milk output in some regions and expanded processing capacity has given cheesemakers the flexibility to meet consumer preferences rather than maximize throughput, allowing them to shift some milk away from low-margin Cheddar barrel production and into other cheese varieties. Furthermore, as USDA's *Dairy Market News* reports, "In California, the new federal milk marketing order is reshuffling how milk flows into manufacturing facilities. Some cheese plants are holding back on production, while others are shifting production away from American-style cheeses. In some cases, cheesemakers are switching some production to other natural cheeses or specialty cheeses. In other cases, the manufacturer is diverting milk into other dairy product processing altogether. The net effect is less cheese being made in the state and more butter and milk powder."

Slow growth in cheese production and steady increases in demand are helping to buoy the once-beleaguered cheese markets. Still, traders seem to have some doubts about the magnitude of the recent rally. While the April Class III contract climbed 33¢ this week to a five-month high at \$15.62 per cwt., the other futures contracts posted more modest gains. A 0.75¢ setback in the spot whey market didn't help matters.

The Class IV products remain quiet. CME spot butter slipped a penny to \$2.255, toward the low end of the well-established trading range. Spot nonfat dry milk (NDM) climbed a half-cent to 96.25¢. Class IV futures offered more excitement. While near-term contracts were little changed, May through July futures posted double-digit gains and regained much of the ground lost over the preceding three weeks.

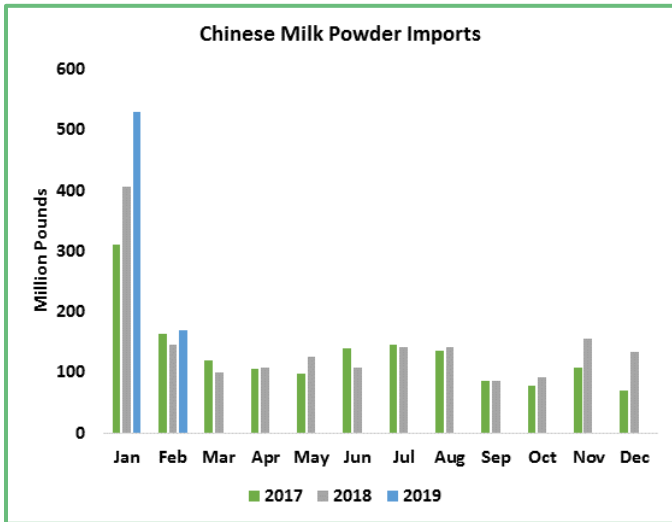


The recovery is excellent news for dairy producers, whose future is looking much brighter than it has in some time. While better milk checks are all but assured, they have not yet arrived; financial healing has not begun. Contraction continues. Week after week, dairy cow slaughter volumes reach the highest figures since 1986, the year of the cow kill program. For the week ending March 16, dairy cow slaughter was 71,129, up 6% from the same week a year ago. So far this year, dairy cow culling is up 4.6% from the already booming pace of 2018. At this rate, the industry is cutting deep into the dairy herd, and laying the groundwork for slower growth in milk production for the foreseeable future.

U.S. dairy products continue to face headwinds in the international markets. The dollar is very strong, and is likely to remain so, as central bankers around the world become increasingly accommodative. Retaliatory tariffs from China and Mexico are clearly taking a toll. U.S. whey product exports to China tumbled 54% from a year ago in January, dragging U.S. whey exports to all nations down 30%, the lowest volume since March 2016. The whey export deficit pulled aggregate U.S. dairy product exports down 9% from January 2018. Exports accounted for 12.5% of U.S. milk solids production in January, according to the U.S. Dairy Export Council, the lowest figure in nearly three years. U.S. cheese exports to Mexico in January fell nearly 20% from the robust volumes of a year ago.



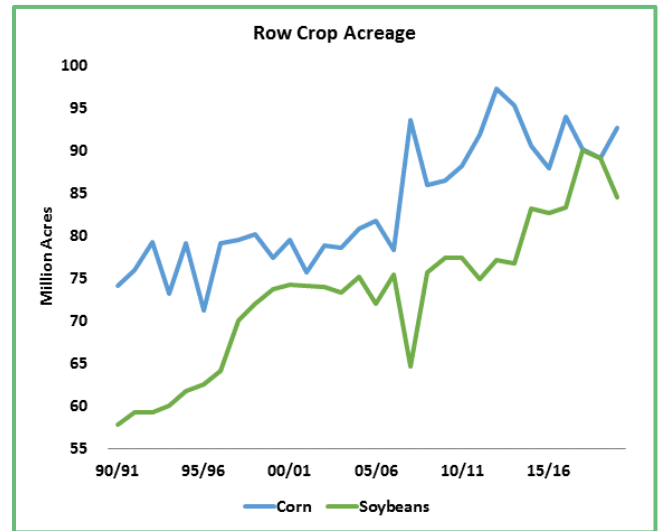
But, despite these disadvantages, U.S. dairy products remain desirable. Exporters made up for the shortfall in Mexican cheese exports with strong sales to other customers, including a 29.2% increase in shipments to South Korea. Cheese exports to all destinations reached 61.5 million pounds, up 0.5% from January 2018. Exports of milk powder and butterfat were also very near prior-year levels. The United States sent 108.9 million pounds of NDM overseas in January, just 0.5% less than in the same month a year ago. Shipments to Mexico jumped 37.8% year over year. U.S. butter exports were 9.2% greater than the prior year, but the U.S. remains a net butter importer, and overall butterfat exports were down 0.3% from January 2018.



Although the U.S. is not a major supplier, U.S. milk powder prices are likely supported by strong demand from China. In February, Chinese imports of skim milk powder and whole milk powder totaled 169.2 million pounds, up 16.1% from the prior year. Chinese milk powder imports are up 26.6% for the year to date, offering a compelling argument that global milk powder stocks continue to decline.

### Grain Markets

USDA surprised the corn market with today's Prospective Plantings and quarterly Grain Stocks reports. Corn stocks totaled 8.6 billion bushels on March 1. Although that is down 3% from March 1, 2018, it was noticeably higher than traders expected and signals suppressed feed demand in recent months. If the agency's assessment is correct, it is possible that corn stocks may increase this season, rather than decline as USDA has consistently projected in its monthly balance sheets. That is decidedly bearish. Soybean stocks remain well above prior-year levels, but the market was already well aware of the soybean surplus.



The Prospective Plantings report also weighed on corn prices. After surveying farmers, USDA projects that farmers intend to plant 92.8 million acres of corn, some 3.7 million acres more than in 2018. Farmers plan to plant 84.6 million acres of soybeans, down from 89.2 million acres a year ago. However, after last year's slow harvest and this year's wet spring, some farmers may be forced to change their plans. Fields in parts of eastern Nebraska and western Iowa are underwater and the spring thaw is still underway. In the worst areas, farmers may choose to collect prevented planting insurance and let their water-logged fields lay fallow. In other regions, planting delays may shift some acreage out of corn and into soybeans. However, given the surprisingly large corn stockpile, if corn acres fall a little short of farmers' intentions, it probably won't matter much to corn prices.

May corn settled today at \$3.565 per bushel, down more than 20¢ from last Friday. May beans dropped to \$8.8425, down 19.75¢.

## Deadline Tomorrow: 2019 Agricultural Tractor and Mobile Equipment Survey

*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.

## The deadline for completing the survey is tomorrow.

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

## Date Set For Next California Dairy Sustainability Summit: March 25-26, 2020

*Courtesy of Dairy Cares*



March 25-26, 2020

Cal Expo | Sacramento, CA

SAVE THE DATE



Save the date!

If you don't have a 2020 calendar yet, get one, and write this down. The California Dairy Sustainability Summit will return to Sacramento on March 25-26, 2020.

Dairy Cares looks forward to once again co-hosting this important event, along with our partners, the California Milk Advisory Board, the California Dairy Research Foundation, the California Dairy Quality Assurance Program, and the Dairy Council of California. Stay tuned for updates!

[www.cadairysummit.com](http://www.cadairysummit.com)

