

MPC WEEKLY FRIDAY REPORT

DATE: MARCH 1, 2019
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 8



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE			CHICAGO AA BUTTER			NON-FAT DRY MILK	
Blocks	+ \$.0150	\$1.6100	WEEKLY CHANGE	+ \$.0275	\$2.2875	WEEK ENDING 02/23/19	
Barrels	+ \$.0050	\$1.4100	WEEKLY AVERAGE	+ \$.0146	\$2.2690	NAT'L PLANTS	\$0.9830 14,542,745
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 02/16/19	
Blocks	+ \$.0125	\$1.6075	DAIRY MARKET NEWS	W/E 03/01/19	\$4.175	NAT'L PLANTS	\$0.9809 17,861,504
Barrels	-.0050	\$1.4100	NATIONAL PLANTS	W/E 02/23/19	\$4.246		

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 1 EST	\$17.58 - \$18.08	\$16.63	\$15.20	\$15.86
FEB '19 FINAL	\$16.90 - \$17.40	\$16.13	\$13.89	\$15.86



Milk, Dairy and Grain Market Commentary

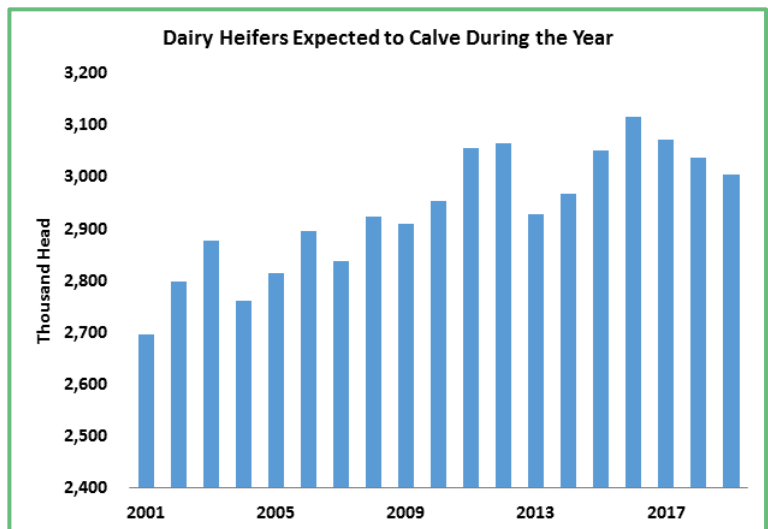
By Sarina Sharp, Daily Dairy Report

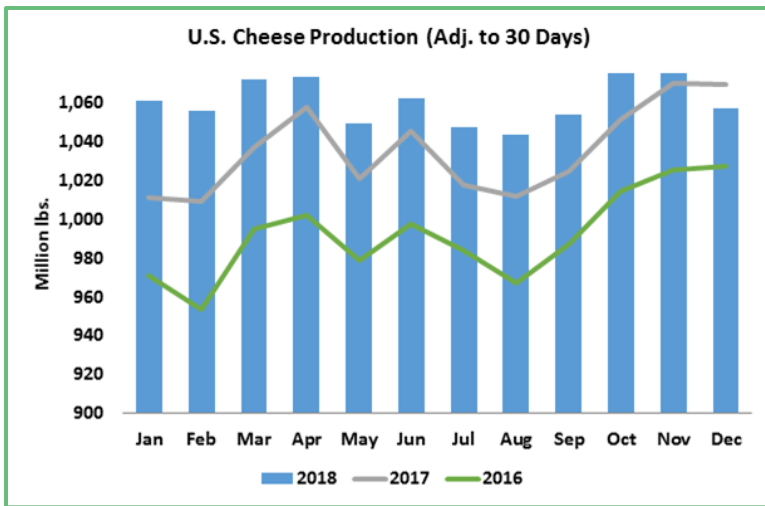
Sarina@DailyDairyReport.com

Milk & Dairy Markets

The dairy markets spun their wheels this week. Traders seem a bit lost as they seek to navigate the shifting landscape. In the distance, highlighted by the third consecutive decline in USDA's annual dairy heifer estimates, is the promise of a smaller milk cow herd, and perhaps lower milk output. Closer to the fore, the spring flush looms large.

USDA also offered a clearer look in the rear-view mirror in the form of the much-delayed Dairy Products report. It showed lower output for every major category of dairy product in December. Compared to the prior year, U.S. cheese production fell 1.2%, the first year-over-year decline since August 2015. Cheddar

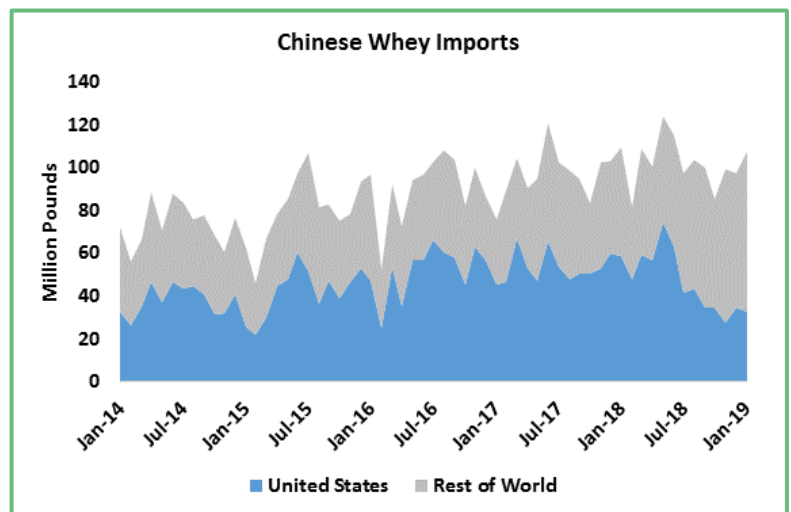




production slumped 6.3% as cheese makers switched to mozzarella. Bulls cheered, but not loudly. The data is more than two months old, and the cheese market has rallied considerably in the meantime. This week it climbed a little higher. CME spot Cheddar blocks gained 1.5¢ and reached \$1.61 per pound, a four-month high. Cheddar barrels added a half-cent and closed at \$1.41.

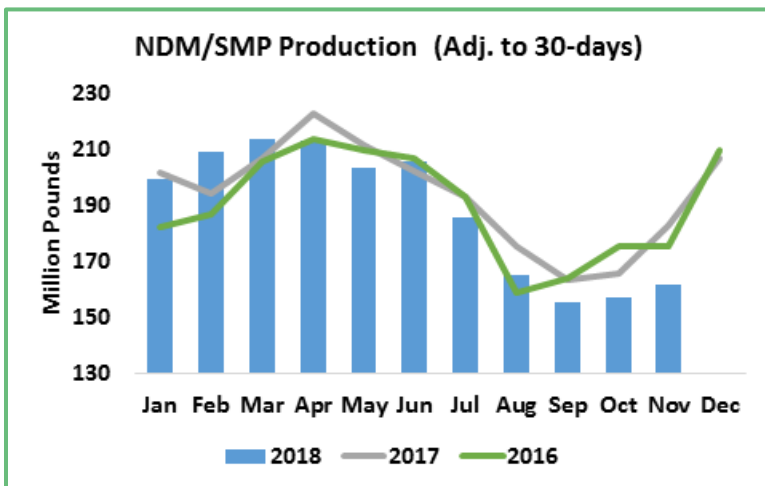
With cheese output slipping, production of dry whey for human consumption fell 13.3% in December. For the year, U.S. whey powder output fell 2.7% from 2017, a sharp reversal

from the preceding trend that ushered in higher prices for much of 2018. Lately the whey market has struggled as U.S. exports to China wither under the border tax. In January, China imported 32.6 million pounds of U.S. whey, the second-lowest monthly volume in the past three years. The U.S. accounted for 30.3% of Chinese whey imports, its second-lowest contribution of the past decade. This week CME spot whey bounced back and gained 1.25¢, but, at 36¢ it remains well below recent highs.



At 171 million pounds, U.S. butter production was just 0.1% lower than the prior year. Cream is plentiful and imported butterfat abounds. U.S. butter prices stand well above international comparisons. But prices have not weakened. At the spot market, butter jumped 2.75¢ this week to \$2.2875.

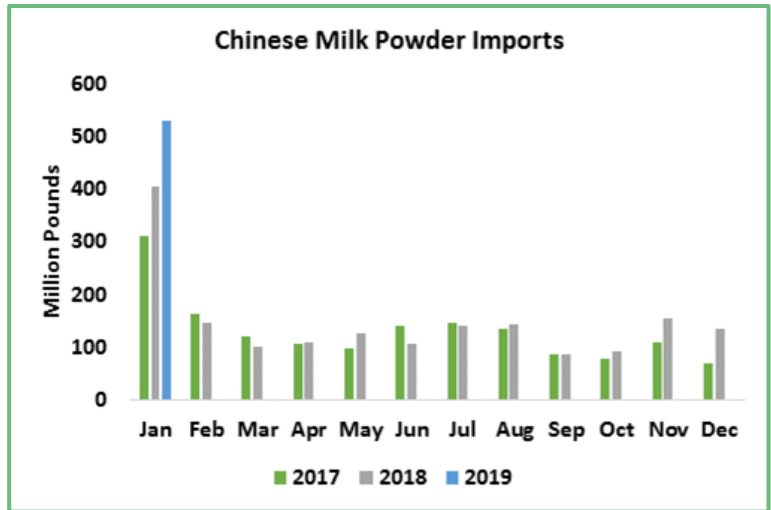
CME spot nonfat dry milk (NDM) prices slipped this week to 98.5¢, down 1.25¢ from last Friday. Combined output of NDM and skim milk powder (SMP) fell 9.6% from a year ago in December, the sixth consecutive month of year-over-year declines. Production was down hard in California, where NDM output fell 32.9% from December 2017 volumes. After climbing in November, manufacturers' stocks of NDM took a small step back in December. Inventories finished the year at 275.3 million pounds, 14% lower than they were at the end of 2017.



Chinese milk powder imports are often very strong in January, and this year is no exception. Zero- and low-tariff quotas reset when the year begins, prompting a surge in shipments. China brought in 128.6 million pounds of SMP in January, up 25.4% from the previous record, set the year before. At 402.2 million pounds, Chinese imports of whole

milk powder (WMP) bested the January 2018 record by 32.1%. China's infant formula imports surged 38.1%.

With U.S. and European milk powder inventories ebbing, and China buying powder in huge volumes, there is likely a solid floor under the milk powder market. But milk powder prices have gained considerable ground in the last eight months. It may be difficult for them to move much higher in the near term. The dairy herd is shrinking, and driers are not running as hard as they did in early 2018. However, that does not mean that milk is tight, especially at this time of year. With that in mind, Class IV milk futures finished in the red this week. Most first-half contracts lost a nickel, and deferred contracts were 15¢ to 20¢ lower. In contrast, nearby Class III futures added 32¢. Deferred contracts lost a few cents.



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Grain Markets

The feed markets took a step back this week. Regular rains in Argentina and Brazil have dampened the bulls' enthusiasm. This year's South American crops are likely to be far larger than last year's, as improvements in Argentina more than offset modest declines in Brazil. The world in general and the U.S. in particular have plenty of soybeans, but U.S. farmers are likely to plant a lot of them anyway. May soybeans settled at \$9.115 per bushel, down 12.25¢ from last Friday.

U.S. wheat is trapped in a vicious cycle. Prices are too high to attract international buyers, who prefer less costly Russian and Black Sea supplies. As Chicago wheat futures drop, Russian wheat vendors match the declines step for step. But wheat has gotten cheap enough to find new business; it is starting to displace corn in feed rations. May wheat futures fell 34.5¢ this week to life-of-contract lows. May corn fell 11.5¢ to \$3.73.



Producer Review Board Meets Next Week; Farm Bill Implementation Timeline

By Geoff Vanden Heuvel, Director of Regulatory & Economic Affairs

The Producer Review Board (PRB) will be Meeting on Wednesday March 6, 2019 at 10 a.m. in Sacramento at the CDFA headquarters building, 1220 N Street, across from the Capitol. The main purpose of the meeting is to consider the process by which the department will receive any petition submitted by producers on the Quota Implementation Plan. The PRB had met in December and developed a procedure document. At this meeting a revised signature verification option will be presented to the PRB by the department for consideration. You can read the new proposed Procedure document [here](#).

U.S. Agriculture Secretary Sonny Perdue this week outlined the timelines for implementing the new Dairy Margin Coverage (DMC) safety net program in the 2018 Farm Bill. The 37-day government shutdown delayed the work necessary to create the specific regulations and paperwork that will be needed to put this program in place. The Secretary said that the refunds of the previously paid Margin Protection Program premiums will be available by late April and sign-ups for the new DMC program

will begin in June with payments starting as soon as early July and with payments retroactive back to January depending on the level of coverage you obtain.

The Western States Dairy Producer Trade Association, of which MPC is an active member, submitted specific comments from our Western perspective to USDA on the implementation of the dairy section of the Farm Bill and you can read those [here](#).

Also, Secretary Perdue testified at a Congressional hearing where Congressman Jim Costa asked him about when the steel tariffs on Mexico and Canada might end and you can see that exchange [here](#).

CDQAP February 2019 e-Newsletter: Stockman Stewardship Workshop, Reviewing Your Mastitis Prevention Program, Keeping Flies in Check

Courtesy of California Dairy Quality Assurance Program



The February 2019 edition of the CDQAP newsletter features information about a free workshop to help improve employee stockmanship. The workshop takes place March 20-21 at the Veterinary Medicine Teaching & Research Center in Tulare.

Dr. Michael Payne from the UC Davis, School of Veterinary Medicine and CDQAP Director,

shares information regarding mastitis prevention programs and tips to boost performance.

Dr. Deanne Meyer, Livestock Waste Management Specialist at UC Davis, provides points to help keep flies in check on your dairy, noting that corral management is key.

Read the entire CDQAP newsletter [here](#).

Cost Share Funding for Dairy Farmers Now Available Through CDFA, NRCS

Courtesy of Sustainable Conservation

Thinking about switching to drip irrigation? Want to still use your lagoon water?

State and federal programs are now accepting applications for cost share funding. California dairy producers can apply for cost share funding to implement a variety of practices, including new subsurface drip irrigation (SDI) systems that blend lagoon water with freshwater to fertigate silage crops.

For more information about these new SDI systems using lagoon water, contact your industry association representative or your local Natural Resources Conservation Service office. For more information about the available funding programs, see below.

California Department of Food & Agriculture

Producers can apply for funding through the State Water Efficiency and Enhancement Program (SWEEP), which “provides financial assistance in the form of grants to implement irrigation systems that reduce greenhouse gases and save water on California agricultural operations. Eligible system

components include (among others) soil moisture monitoring, drip systems, switching to low pressure irrigation systems, pump retrofits, variable frequency drives and installation of renewable energy to reduce on-farm water use and energy.”



Applications are due March 8, 2019 by 5 PM PST.

- [SWEET Overview and Link to Application](#)
- [SWEET Technical Assistance Providers](#)
- Contact: cdfa.oefi@cdfa.ca.gov or (916) 657-3231

Natural Resources Conservation Service

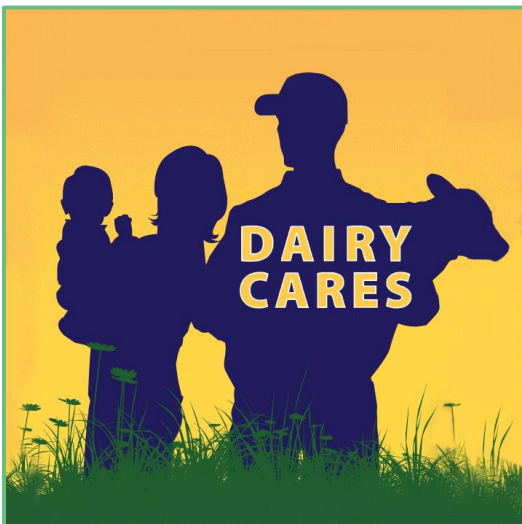
Producers can apply for cost-share funding for system components through the Environmental Quality Incentives Program (EQIP), which “provides agricultural producers with financial resources and one-on-one help to plan and implement improvements, or what NRCS calls conservation practices. Through EQIP, you can voluntarily implement conservation practices, and NRCS co-invests in these practices with you.”

Applications are accepted on an ongoing basis.

- [EQIP Overview](#)
- [Eligible Practices](#)
- [How to Apply](#)
- Contact: your local NRCS office ([Northern California](#) and [Southern California](#))

Dairy Cares Member Update: Regulatory Flexibility for Dairies, Tricolored Blackbirds, Application Deadline for Digester & Manure Management Funding

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. This week, we include the complete Dairy Cares Member Update from February.

Dairy Cares working with Management Zone pilot projects to provide regulatory flexibility for dairies

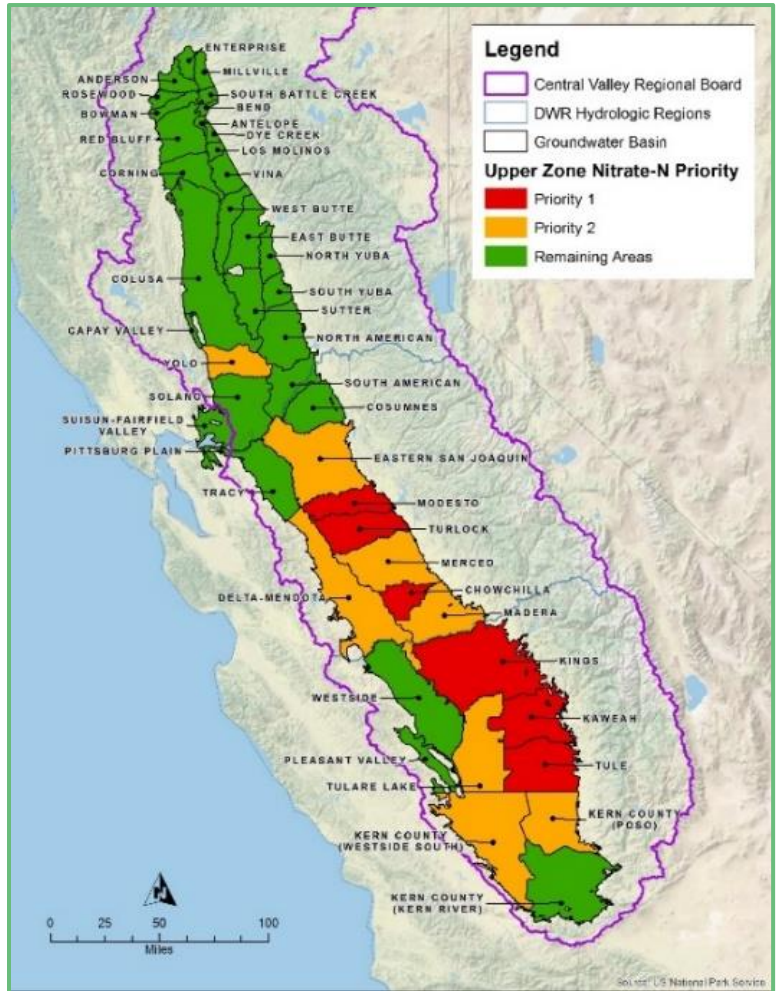
Dairy Cares staff is participating in two new pilot projects that could help make it easier for dairy operators and others who hold water quality permits to comply with the state’s strict water protection regulations.

The pilot projects, known as “Management Zones,” launched this month and are part of a plan to designate local areas where residents work together to ensure a safe drinking water supply for all, while controlling costs related to permit compliance. The idea is to protect those who hold water quality permits—a diverse group including cities, food processors and other industries, dairies, and other farmers—from excessive costs and liabilities.

The pilot projects—one in the Turlock area and another in the Alta Irrigation District (straddling parts of Tulare and Fresno counties)—are forerunners of a broader effort that is authorized under new regulations adopted by the Central Valley Water Quality Control Board last year.

Those regulations don't go into full effect until adopted by the State Water Resources Control Board, which is expected to happen later this spring. Because the concept of Management Zones is new and complex, the two pilot projects are intended to be test cases that help organizers get a running start, hopefully building successful Management Zone blueprints that can help guide groups in other areas once the new regulations go into full effect.

“Dairy Cares has been participating in a stakeholder process known as CV-SALTS for a number of years, with the goal of reforming a regulatory system that wasn't working. For many permit holders, it is impossible to comply, and so they are threatened with enforcement and other liability, which still doesn't solve the problem of drinking water,” said J.P. Cativiela, Regulatory Affairs Director for Dairy Cares. “The regulatory changes were an important step, providing new options for dairy farmers in the future—reducing costs and liability compared to the options that existed previously. However, to take full advantage of these, Management Zones must be formed locally and function properly.”



Although the regulatory changes are expected to be in place soon, Cativiela said it will be important for dairy leaders to participate in their local Management Zone processes to ensure the perspective of local dairy operators is heard.

Tulare and Fresno County dairy operators who are interested in participating in the Alta Irrigation District Management Zone should contact Charlotte Gallock (cgallock@kcrd.org) or Soua Lee (slee@kcrd.org) to receive meeting notices. The next meeting is scheduled for 2:00 p.m. Thursday, March 7 at the Alta Irrigation District Board Room, 289 North L Street, Dinuba.

The Turlock Management Zone group has held one meeting so far and has scheduled a second meeting at 1:30 p.m. Wednesday, March 6 at the Stanislaus County Farm Bureau Office, 1201 L St, Modesto. If interested in attending, please contact Kayla Cathers, kayla.cathers@curesworks.org.

Tricolored Blackbirds: An endangered species dependent on dairies

As the state's wetlands have disappeared, tricolored blackbirds have been turning to forage fields to nest—forcing a few dairy farmers each year to delay harvesting winter crops. The tricolored blackbird

is listed as endangered in California, making it illegal to take the bird under any circumstances. Illegal take can result in extremely large fines.



Silage buyouts for delayed harvest are available through the NRCS Environmental Quality Incentives Program, also known as EQIP, as well as through a related grant program. Nesting season begins in February. If you need help regarding tricolored blackbirds in your fields, please contact Noelle Cremers (ncremers@CFBF.com) with California Farm Bureau Federation at 916-446-4647.

While ongoing efforts aim to restore habitats throughout the Central Valley, it is likely that tricolored blackbirds will continue nesting in dairy forage fields. **In 2018, a record**

number of 109,000 adult birds were protected after nesting in forage fields on 11 dairy farms throughout Kern, Tulare, and Merced counties. That number is more than half of the entire estimated tricolored blackbird population, according to the most-recent (2017) triennial survey funded by the California Department of Fish and Wildlife.

Dairy Cares continues to partner with NRCS, Audubon California, California Farm Bureau Federation, and others to promote the continued availability of funds to reimburse farmers for delayed harvests. Dairy Cares also continues to help recognize dairy farmers for their important role in protecting the tricolored blackbird.

Application deadline approaching for digesters and AMMP

As a reminder, the California Department of Food and Agriculture is currently accepting applications for the [Dairy Digester Research and Development Program \(DDRDP\)](#) and the [Alternative Manure Management Program \(AMMP\)](#). Both programs will follow the same **tentative timeline for 2019:**

Grant Applications Due: April 3, 2019

Review Process*: May – August 2019

Grant Award Announcement*: September 2019

**Timeline Subject to change*

This year, both the AMMP and the DDRDP are also accepting applications for “demonstration” projects, which are intended to reduce methane while also maximizing other environmental benefits, including improved water quality protection and soil health, and reduced air pollutants. Up to \$2 million is available to fund [DDRDP demonstration projects](#) and up to \$1 million is available for [AMMP demonstration projects](#). Dairy Cares is working with the California Dairy Research Foundation and others to help facilitate demonstration applications for technologies that



have strong potential to most cost-effectively address the environmental priorities of California dairy farms. With so many emerging technologies, the program is intended to help test or further develop practical solutions.

