

MPC WEEKLY FRIDAY REPORT

DATE: JANUARY 18, 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	- \$.0100	\$1.4000	WEEKLY CHANGE	- \$.0175	\$2.2400	WEEK ENDING 01/12/19		
Barrels	- \$.0450	\$1.2000	WEEKLY AVERAGE	+ \$.0140	\$2.2515	NAT'L PLANTS	\$0.9481	14,906,699
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 01/05/19		
Blocks	+ \$.0190	\$1.4090	DAIRY MARKET NEWS	W/E 01/18/19	\$4.750	NAT'L PLANTS	\$0.9165	17,412,501
Barrels	- \$.0565	\$1.2050	NATIONAL PLANTS	W/E 01/12/19	\$4.769			

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
THIS WEEK	\$16.72 - \$17.22	\$15.74	\$13.99	\$15.51
LAST WEEK	\$16.72 - \$17.22	\$15.77	\$14.07	\$15.43

DECEMBER 2018 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

DEC '18 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT
MINIMUM CLASS PRICE	\$16.65 (TULARE) \$17.15 (L.A.)	\$15.67	\$13.78	\$15.09	\$14.41 (TULARE) \$14.91 (L.A.)	\$14.03 (TULARE) \$14.53 (L.A.)
PERCENT POOLED MILK	22.6%	5.1%	69.3%	3.1%	100% (2.03 BILLION LBS. POOLED)	



December 2018 Final Price Announcement Released
 By Geoff Vanden Heuvel, Director of Regulatory & Economic Affairs
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The table above summarizes USDA's final price announcement for December 2018 milk. You can see the full price announcement [here](#).

The far righthand column is comparable to the CDFA overbase price that we reported in previous

versions of the MPC Friday Report prior to switching to the Federal Order. As you can see, the “overbase” FMMO price for December 2018 ranges from \$14.03 to \$14.53, depending on where you are located. The price range is due to the Class I differential zones established by the FMMO.

We estimate that the overbase price for December 2018 milk under CDFA’s State Order would have been \$13.76. A switch to the FMMO means producers are seeing \$0.27 to \$0.77 per cwt. more for their December milk than they would have under the previous State Order.



Market Commentary
By Sarina Sharp, Daily Dairy Report
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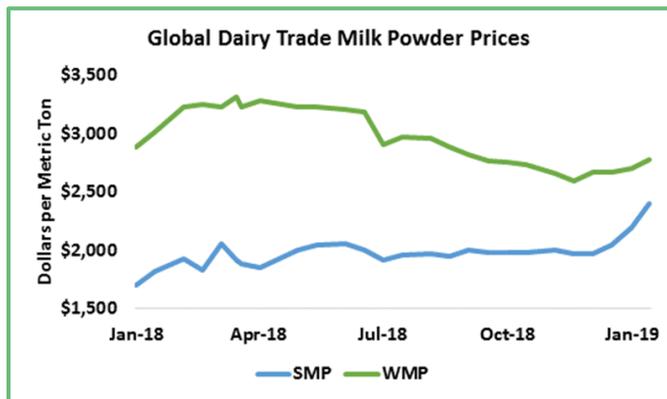
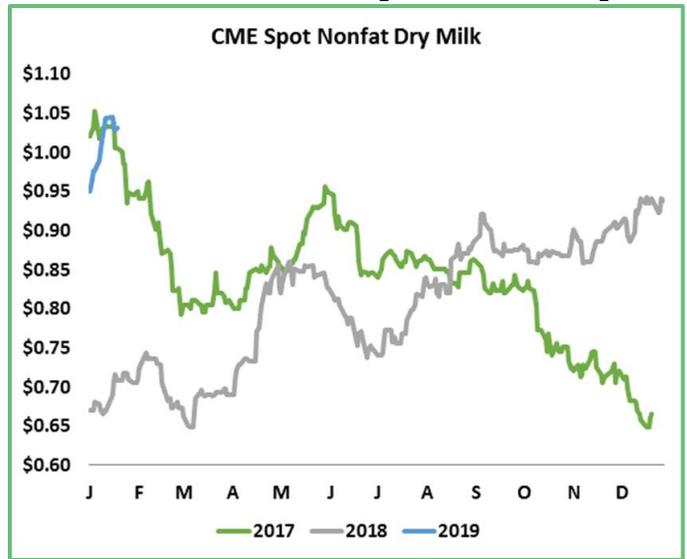
Milk & Dairy Markets

It was a historic week in the dairy markets. CME spot nonfat dry milk (NDM) logged a fresh two-year high, reaching \$1.045 per pound on Tuesday, although they slipped

back to \$1.03 on Friday, steady with last week. The Global Dairy Trade (GDT) auction provided the fuel for the fire in the milk powder markets. Skim milk powder (SMP) prices soared at the GDT, jumping 10.3% to the equivalent of NDM at \$1.16 per pound, the highest price since February 2017. GDT whole milk powder (WMP) prices climbed 3%.

The cheese markets marked a milestone of a very different sort. CME spot Cheddar barrels plunged Thursday to \$1.185, their lowest value since July 2009. They finished today at \$1.20, down 4.5¢ this week. Blocks posted a less momentous but still discouraging 1¢ decline. They closed at \$1.40.

The butter and whey powder markets were quiet in comparison. CME spot butter finished a cent lower at \$2.24. CME spot dry whey climbed a penny to 50.5¢. That wasn’t enough to stave off weakness in Class III futures; all contracts finished deep in the red. April milk was hardest hit. It fell 47¢ to \$15.05 per cwt. Nearby Class IV futures gained a little ground this week, but most contracts posted double-digit losses.

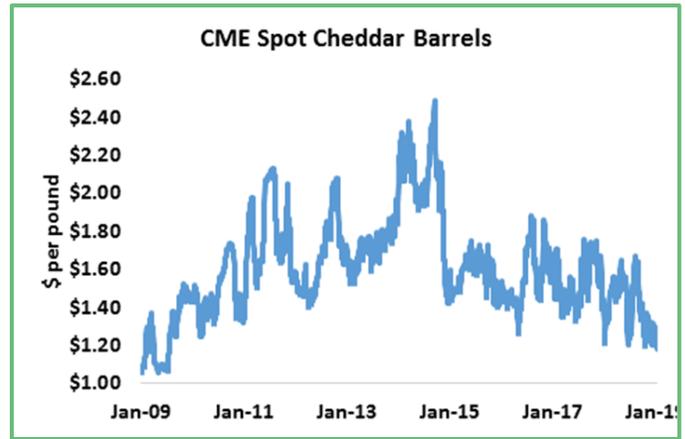


The milk powder markets have been buoyed by strong demand for dairy solids from Asia and Mexico, slower growth in U.S. milk output, and contraction in Europe. In November, European milk collections totaled just 26.7 billion pounds, down 0.7% from the prior year. This preliminary and often-revised data from the European Commission assumes no change in milk production trends in Spain and Greece, which have yet to report figures for November. Milk output is noticeably lower among some of the bigger players,

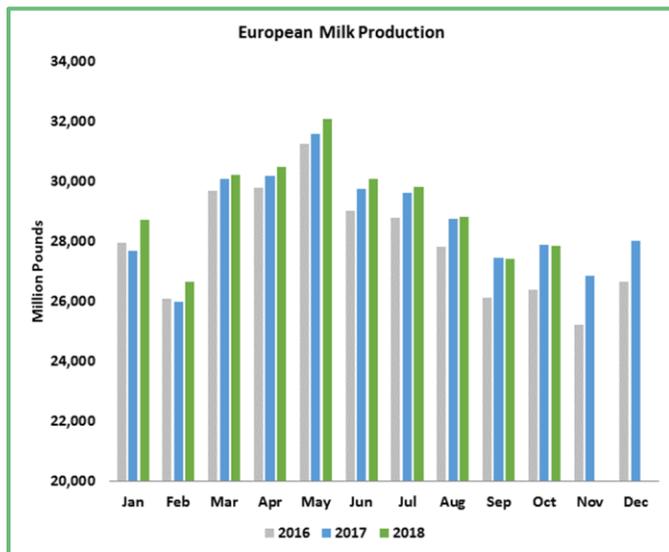
especially in the Netherlands, where newly enforced phosphorance regulations have lowered cow numbers relative to 2017. Dutch milk production fell 6.8% from a year ago in November and was down 6.2% in December. Top-ranked Germany reported a 1.2% year-over-year decline in November milk

output, its largest shortfall since November 2017. Production slumped 3.7% in France, matching the October decline. However, these deficits were partially offset by a 0.6% increase in British output, a 3% improvement in Poland, and a 23.1% in Ireland's off-season milk production.

Just like in the United States, the drier is bearing the brunt of the shortfall. European SMP production in November fell 8.7% from the prior year. Cheese production slipped 0.8%. After years of cheap and plentiful milk powder, buyers have likely been caught flat-footed by lower output and rising prices, which suggests that further strength is possible as they secure product.

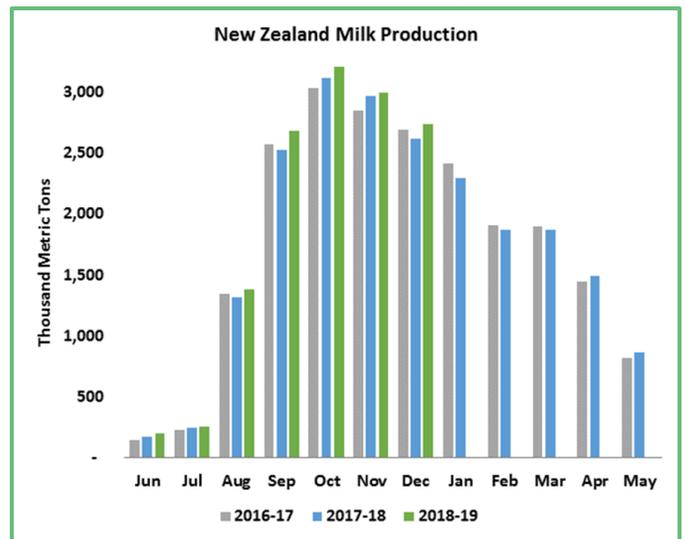


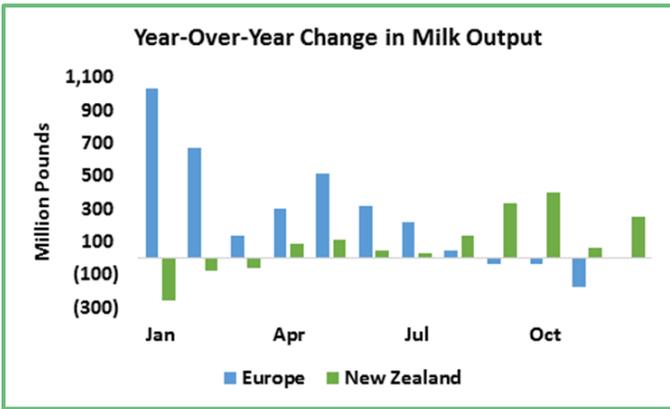
However, there is plenty of milk available for driers in New Zealand. December milk collections reached 6 billion pounds, up 4.4% from a year ago on a fluid basis and up 6.1% on a milk solids basis. Season-to-date milk solids collections are up 5.2% from the 2017-18 season. New Zealand stepped up milk production by 253.5 million pounds in December, dwarfing Europe's substantial milk production deficit, which totaled 177.9 million pounds in November. The fact that milk powder prices are rising while New Zealand milk production outpaces expectations suggests that demand for powder is robust.



The cheese markets remain burdened with abundant supplies and formidable production. USDA's *Dairy Market News* reports that there is plenty of milk for cheesemakers in the East and the West to run at or

near capacity. In the East, where milk is noticeably less milk available than last year, "market participants report there is heavy cheese production and lower demand... Furthermore, there are some reports of decreased export interest from some markets." In the Central region, where milk is also short, "plant managers who typically run a six or seven-day workweek have reported limiting work to five days when possible, depending on milk availability." But a few plants taking a day off from time to time doesn't necessarily mean lower regional cheese production given new and expanded capacity. Cheese is cheap, but, on the whole, domestic output does not seem to be slowing measurably. However, barrel makers are likely shifting milk to other varieties, which could slowly lift that market out of the doldrums. In the meantime, slaughter volumes remain high, sellouts continue, and growth in milk





output has likely slowed to a crawl. The stage has been set for better Class III prices, but they may be frustratingly slow to arrive.

Grain Markets

The crop markets moved higher this week, rising along with hopes that the U.S. and China could come to terms on trade. They also got a boost from the forecast, which calls for below-normal precipitation in Brazil over the next two weeks. Hot, dry weather will reduce soybean pod fill and, if it lasts, could hinder Brazil's second corn crop. Today March corn

settled at \$3.816 per bushel, up 3.35¢ from last Friday. At \$9.166, March soybeans were 6.35¢ higher.



Governor Newsom Appoints Secretaries for Cal EPA, CDFA

By Kevin Abernathy, General Manager

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On January 8, 2019, recently sworn-in Governor Gavin Newsom announced his choice for leaders of the California Department of Food and Agriculture (CDFA) and the California Environmental Protection Agency (CalEPA). Both of these state agencies are responsible for implementing policies that affect California dairy families and we look forward to working with some familiar faces in Sacramento for the benefit of our members.

Current CDFA Secretary, Karen Ross, was reappointed to oversee CDFA, the state cabinet-level department established in 1919 to promote and protect a safe, healthy food supply, local and global agricultural trade, and environmental stewardship. We offer our congratulations to Secretary Ross on her reappointment and look forward to a continued partnership to advance successful CDFA programs, such as the Dairy Digester Research and Development Program and the Alternative Manure Management Program.

Jared Blumenfeld was appointed Secretary of CalEPA, the state cabinet-level agency established in 1991 to restore, protect and enhance the environment and to ensure public health, environmental quality and economic vitality. Congratulations to the new Secretary, who we've worked with in his previous role as the administrator for the regional office of the U.S. Environmental Protection Agency from 2009 to 2016.

Again, congratulations to Secretaries Ross and Blumenfeld!

Read more about their appointments [here](#).

