

MPC WEEKLY FRIDAY REPORT

DATE: SEPTEMBER 6, 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	+ \$.0675	\$1.9975	WEEKLY CHANGE	-\$.0175	\$2.1725	WEEK ENDING 08/31/19		
Barrels	+ \$.0050	\$1.7425	WEEKLY AVERAGE	-\$.0054	\$2.1931	NAT'L PLANTS	\$1.0337	33,683,101
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 08/24/19		
Blocks	+ \$.0725	\$1.9700	DAIRY MARKET NEWS	W/E 09/6/19	\$.3637	NAT'L PLANTS	\$1.0413	15,182,734
Barrels	+ \$.0450	\$1.7375	NATIONAL PLANTS	W/E 08/31/19	\$.3624			

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 6 EST	\$19.45 - \$19.95	\$16.88	\$17.96	\$16.26
AUG '19 FINAL	\$19.49 - \$19.99	\$17.60	\$17.60	\$16.74



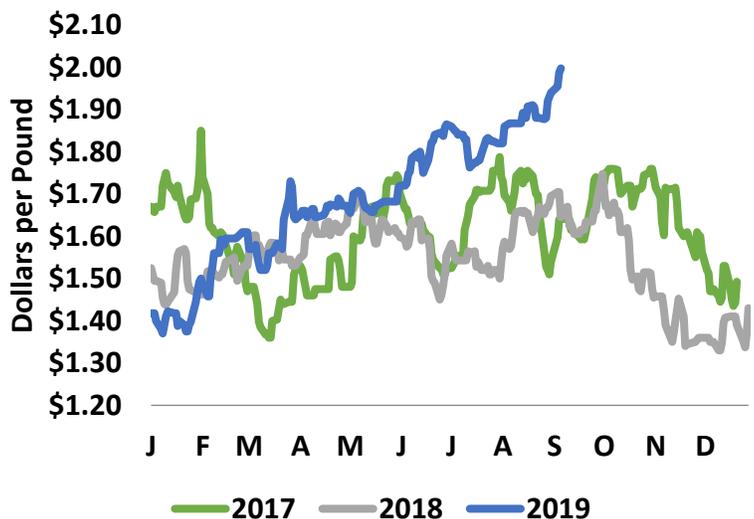
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

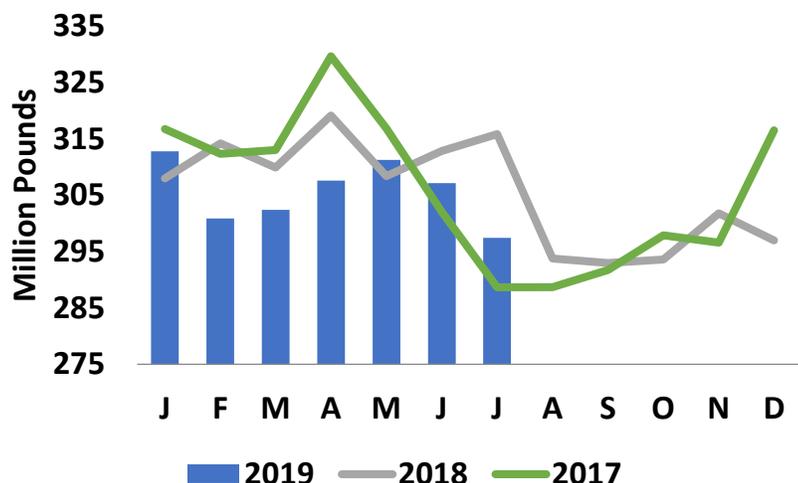
Milk & Dairy Markets

CME spot Cheddar blocks just keep marching down the field, with the relentless energy of running back Ezekiel Elliot. Barrels are more reminiscent of Barry Sanders, feinting this way and that, losing yards and then gaining them back with a flourish. Both markets rushed higher this week, but blocks were the standout. They settled at \$1.9975 per pound, just shy of the \$2 mark and 6.75¢ higher than last Friday. Such gains are especially impressive at these already lofty values. Industry insiders had previously told USDA's *Dairy Market News* that prices north of \$1.80 "would hinder buying," as they have in the past.

CME Spot Cheddar Blocks



Cheddar Production (30-day Months)



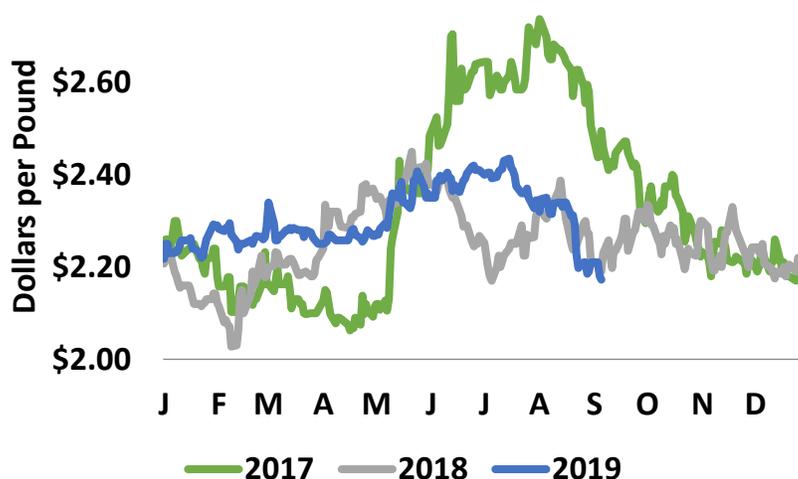
But, for now at least, blocks cannot be stopped. They stand at the highest price since November 2014. Barrels inched up 0.5¢ this week to \$1.7425. CME spot whey powder also gained a half-cent and reached 39.5¢.

Football season has arrived, schools are back in session, and cheese demand is excellent. Output is not keeping pace. Processors made 1.1 billion pounds of cheese in July, up just 0.5% from July 2018. Tighter milk supplies in the Midwest and a shift toward Italian cheese production in California and Idaho reduced national Cheddar output to just 307.4 million pounds,

down 5.5% year over year. That has helped to fuel the spot market, but traders remain concerned that fresh cheese will become more plentiful this fall. September Class III futures jumped 33¢ this week to nearly \$18 per cwt., but most other contracts settled in the red.

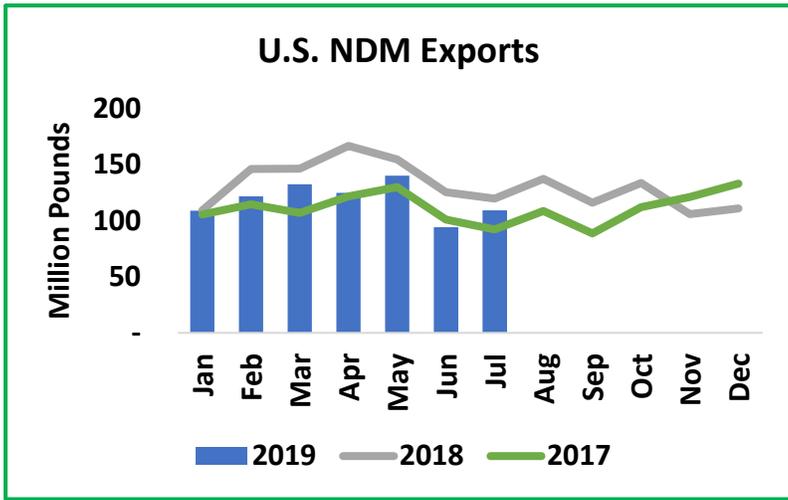
While Cheddar blocks score fresh multi-year highs, spot butter reached a milestone of a very different sort. It slumped 1.75¢ this week to \$2.1725, a one-year low. Butterfat products also fared poorly at Tuesday’s Global Dairy Trade (GDT) auction. Whole milk powder prices fell 0.8% from the previous event, anhydrous milkfat dropped 1.5%, and butter held steady at the equivalent of \$1.78 per pound (adjusted to 80% butterfat, the U.S. standard). Cheap imported fat boosted U.S. butter output in July to 142.7 million pounds, 6% more than in July 2018. With plentiful stocks, rising production, and abundant imports, the butter market is on its heels.

CME Spot Butter



The milk powder market is on firmer footing. Spot nonfat dry milk (NDM) climbed 0.75¢ this week to \$1.0475, its highest price since June. At the GDT, skim milk powder (SMP) rallied 0.7% to the equivalent of NDM at \$1.21 per pound. Milk powder makers dried a lot of NDM – and comparatively little SMP – in July, but they kept it moving. Combined production of NDM and SMP totaled 205.6 million pounds, up 4% from July 2018. But manufacturers’ stocks of NDM climbed just 2.3 million pounds from June to July. At 291.2 million pounds, inventories were 8.3% lower than the prior year.

U.S. NDM/SMP exports in July fell 8.9% short of year-ago volumes despite higher shipments to Mexico. Weak demand from Asia reduced shipments of all varieties of dairy products in July. The U.S. sent 10.9% less cream, 38.9% less butter and milkfat, and 28.2% less dry whey abroad than it did in July

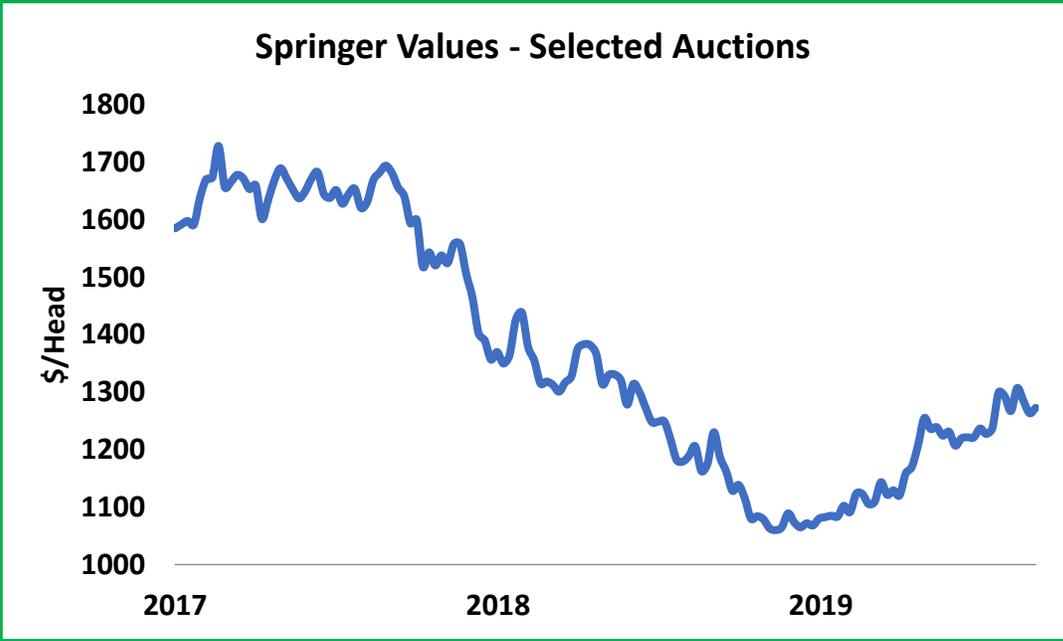


2018. U.S. cheese and curd exports topped the prior year by 0.3%, but the modest gain was the result of lower shipments to Mexico in July 2018, when higher tariffs began to take effect, rather than an indication of strengthening foreign demand for U.S. cheese. Shipments to South Korea fell 39.2% from a year ago, while exports to Japan dropped 16.4%. South Korea and Japan are America’s second and third largest cheese foreign markets. Comparatively high U.S. dairy product values, a strong currency, and punitive tariffs have created major headwinds for dairy exports. An economic

slowdown in southeast Asia is an unwelcome development in an already tempestuous export environment.

Fortunately for U.S. dairy producers, slow growth in milk output and firm domestic demand is compensating for diminished export prospects in the cheese and milk powder markets. U.S. milk output seems likely to hold near

year-ago levels, which would continue to undergird milk prices. Slaughter volumes remain high, suggesting that the dairy herd is still shrinking. Springer values have perked up. While this signals that some producers are looking to keep their barns full, it has also ushered in a new wave of dairy dispersals. Some dairy producers have weathered the downturn but have soured on the industry. Now that their facilities and livestock will command more than firesale prices, they are looking to sell. A big boom in U.S. milk production is unlikely in the near term.



Grain Markets

The feed markets fell. December corn futures settled today at a life-of-contract low of \$3.555 per bushel, down 14.25¢ from last Friday. Finishing at \$8.5775, November soybeans lost 11.25¢. Crop analysts are slowly raising their assessment of the national corn and soybean yields. There are no sub-freezing temperatures in the forecast, easing concerns that a killing frost will damage the stunted crops. Still, it’s been a very unusual growing season, so the market will not feel confident in harvest prospects until the combines are rolling. Stockpiles are expected to remain ample despite some areas with very poor crops, as export volumes have disappointed, leaving more feed for U.S. end users.



The Quota Process Continues: Phase 2 Producer Feedback Meetings Scheduled For Later This Month

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
Geoff@MilkProducers.org

Just over a month ago, more than 370 dairy farmers and allied industry professionals participated in a series of meetings to discuss the future of Quota in California. These events were Phase 1 of three-part process, designed to be think tank sessions where dairy farmers had an opportunity to share their ideas and learn about the history of Quota. You can read my review and analysis of these meetings [here](#). You can also watch a video recap of the Phase 1 meetings on the United Dairy Families of California website [here](#).



Phase 2 of this process will occur later this month, where dairy farmers can provide feedback on the ideas generated out of the Phase 1 meetings. These meetings will be on September 25 and 26 in Tulare and Modesto, respectively, and if you plan to attend these meetings, please register for them [here](#). Additional meeting details are below.

Prior to these Phase 2 meetings, several documents will be released and producers are encouraged to read them so they can fully participate in the discussions on September 25 and 26. We will share an update in the MPC Friday Report when these documents are made available.

This process has been producer-driven from the start, and I encourage our MPC producers – whether you do or do not own Quota – to attend these meetings as our dairy community works together on a path forward on this important industry issue.

PHASE 2 PRODUCER FEEDBACK MEETING SCHEDULE

Tulare

Sept 25th 9am - 11am

[Heritage Complex Social Hall](#)

4500 S Laspina St, Tulare, CA 93274

REGISTER FOR TULARE 9AM

Tulare

Sept 25th 2pm - 5pm

[Heritage Complex Social Hall](#)

4500 S Laspina St, Tulare, CA 93274

REGISTER FOR TULARE 2PM

Modesto

Sept 26th 9am - 11am

[Stanislaus County Agricultural Center](#)

3800 Cornucopia Way #B

Modesto, California 95358-9492

REGISTER FOR MODESTO 9AM

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Cows and Climate: New Series on YouTube

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 their new series on YouTube, exploring the connection between cows and climate.



From Dairy Cares

Curious about the connection between cows and climate? Dairy Cares' new YouTube series can help satisfy that curiosity. The short videos feature Dr. Frank Mitloehner, professor and air quality specialist at University of California, Davis, known on Twitter as [@GHGGuru](#). Throughout the [Cows and Climate](#) series, Dr. Mitloehner answers a variety of questions, like "Can we eat our way out of climate change?" and "How can we reduce livestock methane?"

Read the full article [here](#).

This Teenager Became a Full-Time Dairyman

Courtesy of Hoard's Dairyman

MPC director Michael Oosten was featured in Hoard's Dairyman last month. Read more below.



For most 17-year-old teenagers, managing the family business and finances is not the first thing that crosses their mind in the morning. The same held true for Michael Oosten...until his father unexpectedly passed away in 2003.

Due to those repercussions, the younger Oosten suddenly oversaw the family dairy operation and finances. Having little practical experience in managing employees, finances, raising animals, or farming, Oosten

was faced with many challenges that later blossomed into great successes.

Read the full article [here](#).

Take the Money and Run

Courtesy of Agricultural Energy Consumers Association



PG&E claims their bailout bonds scheme will protect victims and ratepayers. That simply isn't true. The bailout is clearly designed to benefit their shareholders.

The bonding scheme is ALL about increasing PG&E's stock price. When PG&E sought bankruptcy to protect their corporate interests, most of the company's stock was bought by Wall Street hedge funds (such as Abrams Capital, Redwood Capital and Knighthead Capital to name a few) in hopes of making a quick buck. That is what Wall Street hedge funds do, which is why they are often called "vulture-capitalists." These Wall Street vultures hope that by taking on massive amounts of additional debt they can clear their liabilities, pay nothing and increase their stock price. The only thing policymakers can count on is that they will take the profits and run, long before the mountains of debt begin to come due. Don't be fooled. PG&E has a long and not-so-distinguished record of misleading regulators, failed trust, lethal incompetence, and leaving innocent victims in their tracks.

Legislators would be wise to avoid becoming the next victims and look foolish when the vultures take the money and fly the coop.

Sacramento Bee

Thursday, August 22, 2019

"PG&E CEO could get huge bonus. Bill Johnson, who makes \$2.5 million annually, may get \$110 million if shares rebound."

Customers are already paying their fair share,
it's time for shareholders to actually pay theirs!
Time for REAL Reform



HOST OF



**California Dairy
Sustainability
Summit**

March 25-26, 2020
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