

# MPC WEEKLY FRIDAY REPORT

DATE: AUGUST 30, 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	+ \$.0500	\$1.9300	WEEKLY CHANGE	-\$ .0375	\$2.1900	WEEK ENDING 08/24/19		
Barrels	+ \$.0725	\$1.7375	WEEKLY AVERAGE	-\$ .0955	\$2.1985	NAT'L PLANTS	\$1.0413	15,182,734
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 08/17/19		
Blocks	+ \$.0010	\$1.8975	DAIRY MARKET NEWS	W/E 08/30/19	\$ .3625	NAT'L PLANTS	\$1.0380	19,861,747
Barrels	- \$.0015	\$1.6925	NATIONAL PLANTS	W/E 08/24/19	\$ .3694			

## 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
AUG 30 EST	\$19.49 - \$19.99	\$17.60	\$17.61	\$16.71
LAST WEEK	\$19.49 - \$19.99	\$17.56	\$17.59	\$16.66



### Milk, Dairy and Grain Market Commentary

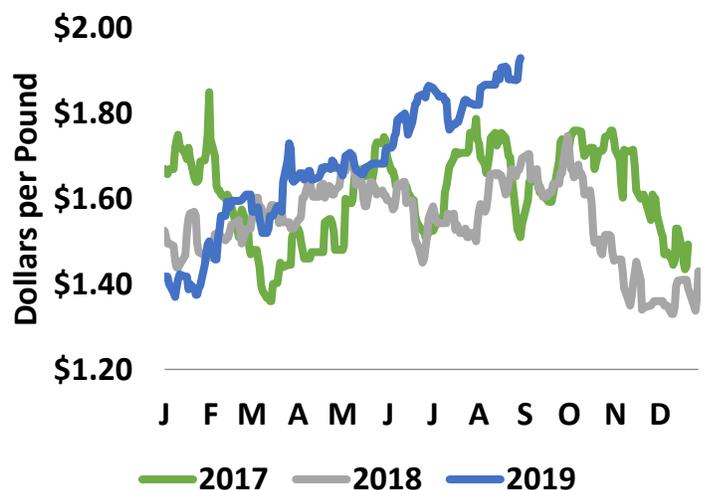
By Sarina Sharp, Daily Dairy Report

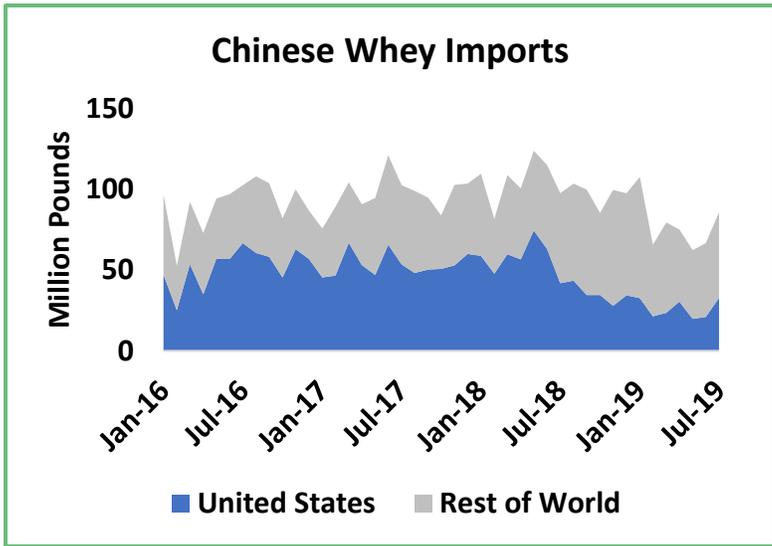
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

#### Milk & Dairy Markets

Summer is winding down, but the cheese markets are still sizzling. CME spot Cheddar blocks jumped a nickel this week to \$1.93 per pound, the highest value since November 2016. Barrels climbed 7.25¢ to \$1.7375. Gains of this size in an already lofty market are truly impressive. Last week's Cold Storage report showed an astounding drawdown in cheese inventories, and the spot markets suggest that fresh supplies are tight. USDA's *Dairy Market News* reports that demand for cheese "is strong in the Midwest and West, stable and gradually improving in the Northeast."

#### CME Spot Cheddar Blocks



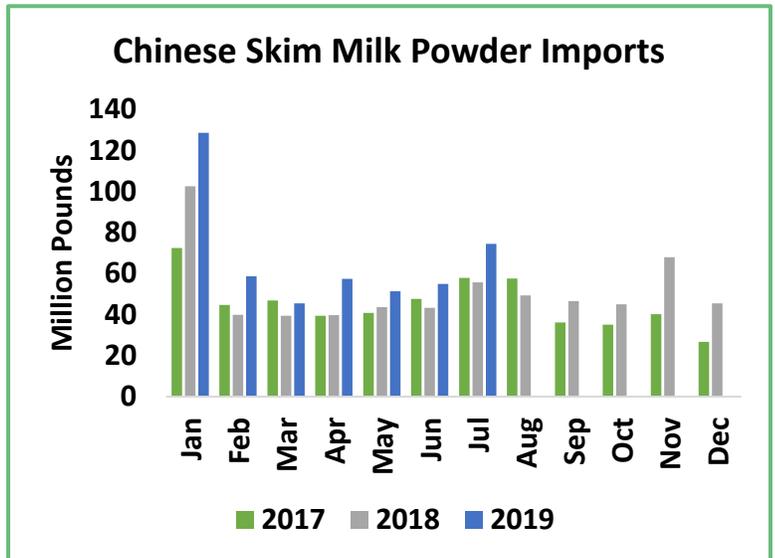


CME spot whey moved a half-cent lower to 39¢. But whey prices in the National Dairy Product Sales Report and *Dairy Market News* inched upward. Whey futures moved higher this week, and so did Class III values. Buoyed by spot cheese, September Class III futures climbed 41¢ to \$17.63 per cwt. Fourth-quarter contracts added around 20¢, while 2020 futures finished roughly a nickel higher.

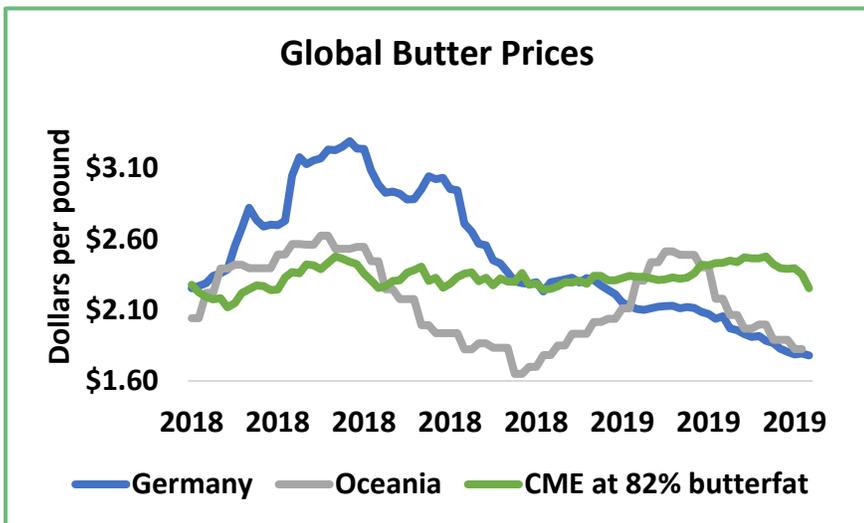
Whey is a bargain, and it is starting to attract buyers. Manufacturers' inventories have declined this year, but this may reflect a shift in ownership rather than an increase in consumption. Exports remain depressed as

African swine fever sweeps through the world's largest hog herd. China imported 85.8 million pounds of whey in July, including 32.8 million pounds from the U.S. Both the overall and U.S. total are the best showing since January, but they are well below prior-year volumes. Chinese whey imports are down 26.4% for the year to date, and shipments from the U.S. are down 54.8%.

Chinese demand for milk powder, on the other hand, is superb. Last month China imported 74.4 million pounds of skim milk powder (SMP) and 92.2 million pounds of whole milk powder (WMP). China's year-to-date milk powder imports are 28.2% greater than in the first seven months of 2018. China's appetite for foreign SMP is particularly voracious. The July total was the largest ever for the month, and year-to-date imports exceeded even the staggering volumes of 2014. China has



stepped up imports from Europe, which is likely helping to use up the SMP that was once housed in the Intervention Storage Program. SMP prices in Europe stand near calendar-year highs, but they haven't

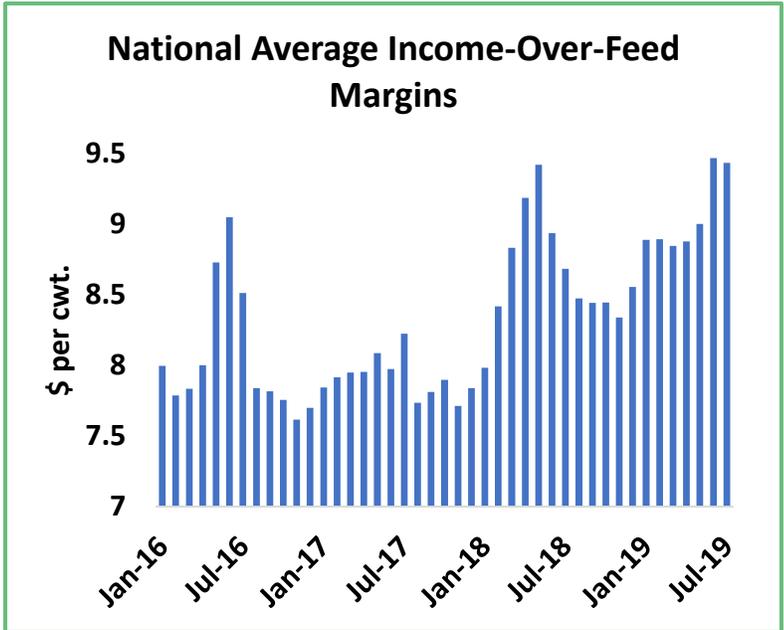


gained much ground when priced in U.S. dollars. In Chicago, prices are holding firm. CME spot nonfat dry milk (NDM) added a quarter-cent and closed at \$1.04.

The butter market is in retreat. CME spot butter fell Thursday to a new low for the year at \$2.185. It closed today at \$2.19, down 3.75¢ from last Friday. Stocks are more than adequate to accommodate holiday demand, and cream has gotten cheap. *Dairy Market News* notes that in the Central Region "some manufacturers cannot use any

more cream,” and “churning schedules have increased in all regions.” Foreign butter remains cheap. With butter and powder values diverging, Class IV futures barely moved this week.

Dairy producers’ profits have stabilized in recent months. As expressed in the Dairy Margin Coverage program, national average income-over-feed margins reached \$9.47 per cwt. in June, up 47¢ from May. Margins slipped 4¢ from June to July, as higher cash corn prices offset a 60¢ increase in the national All-milk price. Despite larger milk checks, dairy producers are still strapped for cash. Slaughter volumes remain high, suggesting that the dairy herd continues to contract. In the week ending August 17, dairy



producers sent 61,637 cows to the packer, the highest weekly volume since April. Year-to-date slaughter is 3.9% ahead of the 2018 pace, no small feat given the much smaller milk-cow herd and the aggressive culling that took place last year. With smaller heifer supplies and still-high cull rates, growth in U.S. milk output is likely to remain tepid. This should provide firm support for dairy product prices.

### Grain Markets

The grain markets are simply marking time until the harvest reports begin to roll in. After a cool, cloudy summer, the combines will sit in the shed a week or two longer than normal. Even those crops that were planted on time are likely to finish late, making much of the crop vulnerable to a killing frost. There are no freezing temperatures in the forecast, but if a frost arrives in late September or early October, it would ding crop yields noticeably.

Field surveys make it clear that this year’s crop will be smaller than last year’s harvest, and that USDA’s August assessment was likely a little too high. But stockpiles are large and demand has fallen short of expectations. Corn futures are going nowhere fast. In the Eastern Corn Belt, where spring was particularly difficult, a sky-high basis has lifted cash corn prices for end users. December corn futures settled today at \$3.6975 per bushel, up 2¢ for the week. The soybean market was more volatile, bandied about by the latest emotional consensus about the status of the trade war. November soybeans closed at \$8.69, up 12.25¢ from last Friday.



### Vander Dussen Family Dairy Featured in Latest Issue of *California Dairy Digital*

By Kevin Abernathy, General Manager  
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The Vander Dussen family, longtime members of MPC, were featured in the latest issue of *California Dairy Digital*. The story profiles Mike and Wendy Vander Dussen and their four children, Sophia, Sybrand, Ellie Ann and Maartje. Read about the family farm and the Vander Dussen’s history and dairying philosophy [here](#).



## Video: Cows vs Cars?

*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 video published by Dairy Cares details how California is leading the industry in climate sustainability.*

### **From Dairy Cares**

Dr. Frank Mitloehner (@GHGGuru) explains how the greenhouse gas emissions from burning fossil fuels differ from those produced by livestock. The Cows and Climate series aims to explain livestock's role in the global food system and our environment, focusing on climate change, and promoting collaborative and research-based solutions that can further reduce emissions. Dr. Mitloehner's participation in the Cows and Climate video series is a part of his research and extension activities at the University of California, Division of Agriculture and Natural Resources.



Watch the full video [here](#).

## CDQAP e-Newsletter: Reducing Antibiotic Resistance, Tips for Forage Sampling

*Courtesy of California Dairy Quality Assurance Program*



The August issue of the California Dairy Quality Assurance Program (CDQAP) features new information and resources from CDQAP Director Dr. Michael Payne to help dairies reduce antibiotic resistance. Dr. Deanne Meyer of UC Davis provides tips for forage sampling strategies and record keeping to help dairy farmers meet their regulatory compliance requirements. Read the CDQAP e-update [here](#).

