



Milk Producers Council

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DATE: August 17, 2018
TO: Directors & Members

PAGES: 4
FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks - \$.0025 \$1.6550
 Barrels + \$.0500 \$1.6700

Weekly Average, Cheddar Cheese

Blocks + \$.0460 \$1.6570
 Barrels + \$.1330 \$1.6675

CHICAGO AA BUTTER

Weekly Change - \$.0350 \$2.3050
 Weekly Average + \$.0240 \$2.3480

DRY WHEY

Dairy Market News w/e 08/17/18 \$4.063
 National Plants w/e 08/11/18 \$3.622

NON-FAT DRY MILK

Week Ending 8/10 & 8/11

Calif. Plants \$0.7875 10,624,349
 Nat'l Plants \$0.8054 22,064,939

Prior Week Ending 8/3 & 8/4

Calif. Plants \$0.7781 10,878,523
 Nat'l Plants \$0.7976 20,899,674

Fred Douma's price projections...

August 17 Est: Quota cwt. \$16.13 Overbase cwt. \$14.43 Cls. 4a cwt. \$14.07 Cls. 4b cwt. \$15.10
 Last Week: Quota cwt. \$16.13 Overbase cwt. \$14.44 Cls. 4a cwt. \$14.08 Cls. 4b cwt. \$15.11

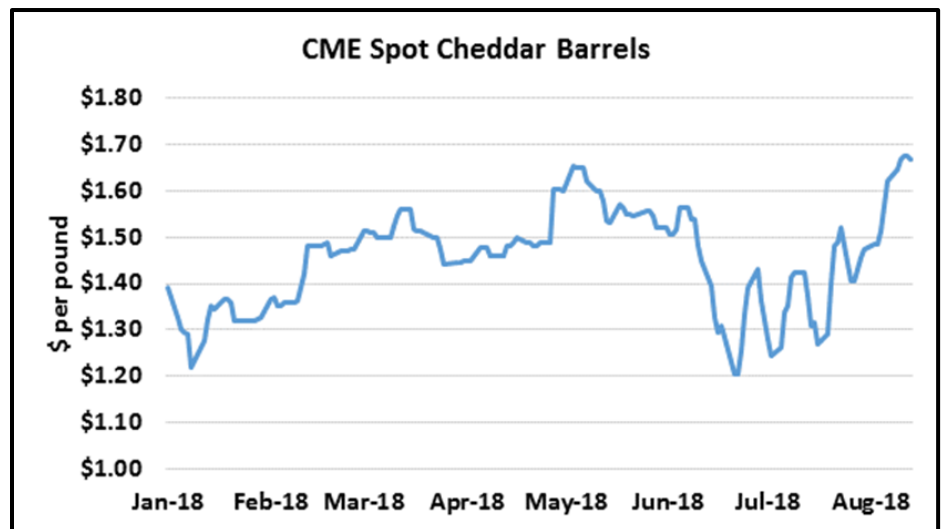
Market commentary

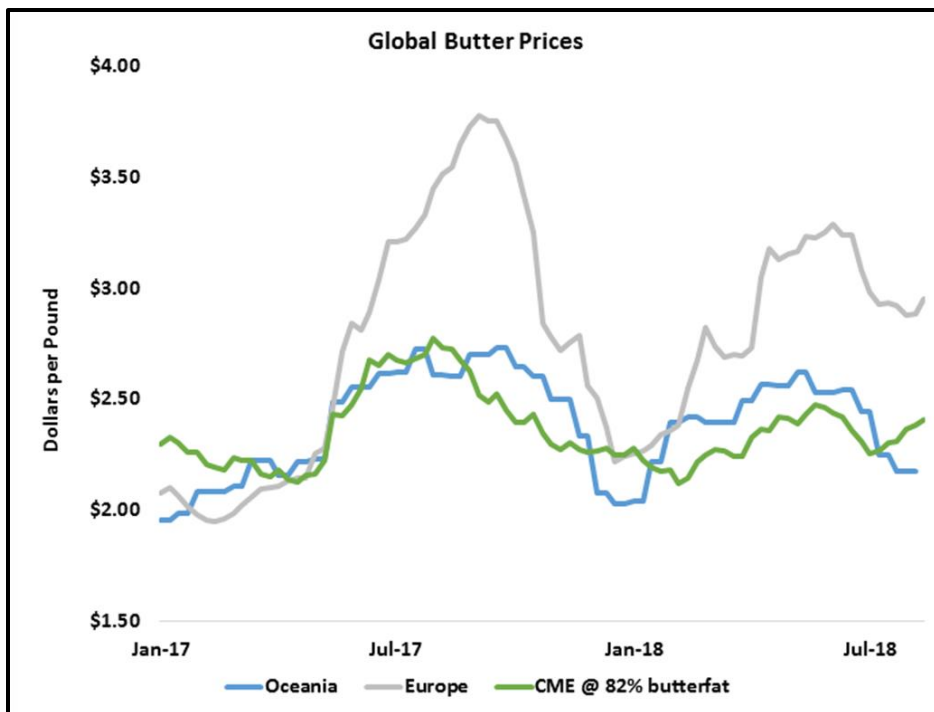
By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com

Milk & Dairy Markets

The once-feeble Cheddar barrel market seems to be on firm footing. On Wednesday it reached \$1.675 per pound, its highest price since before Thanksgiving. It slipped a little to close at \$1.67 today, still a nickel higher than it was a week ago. Blocks were more circumspect. They finished at \$1.655, down a half-cent from last Friday. Cheese demand seems to be improving somewhat, and production is incrementally lower as the heat saps milk yields. USDA's *Dairy Market News* reports, "inventories remain heavy, but contacts are hopeful domestic and international cheese demand can pick up to the point of cutting into the stockpiles."

CME spot dry whey climbed a quarter-cent this week to another new high at 44.25¢. Heat and humidity are making it more difficult to dry whey, and demand remains strong. Stockpiles are likely eroding. In the West, "industry contacts say inventories are very tight and they could sell more whey if they had it available. Manufacturers suggest the imposed trade restrictions have done little to stymie current demand." Whey pricing continues to undergird Class III futures. However, for now they remain unconvinced by the





strength in the spot cheese market. Compared to last Friday, 2018 Class III futures settled from 28 to 40¢ in the red.

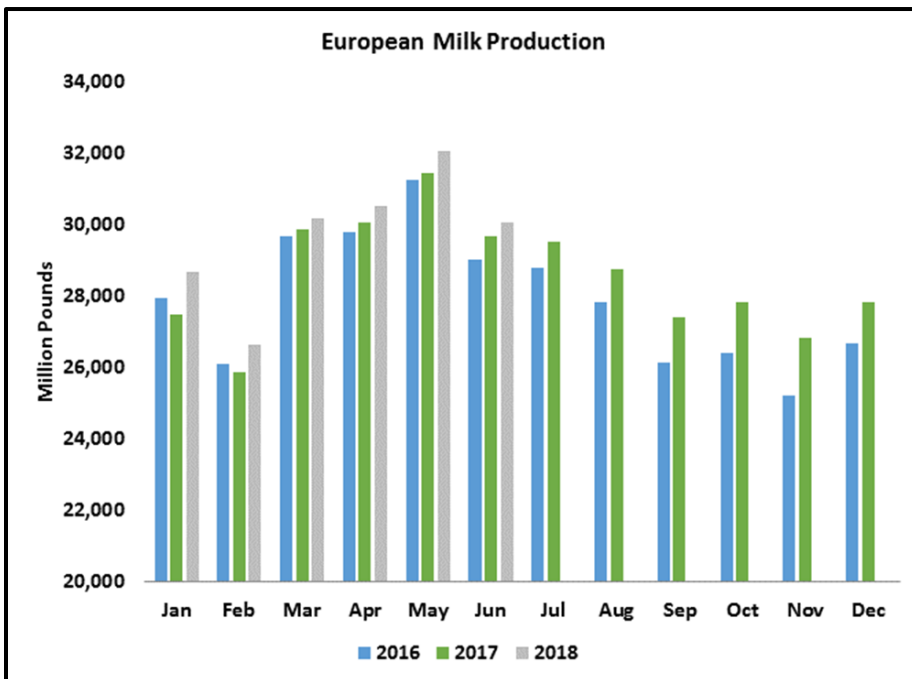
Class IV futures fared better, with most contracts gaining between 15 and 20¢ this week. They were bolstered by spot nonfat dry milk (NDM), which jumped 3.25¢ this week to 86.25¢, the highest price so far this year. Despite this milestone, the milk powder market is a bit unsettled. Export demand is reportedly a little slower, and the dollar is very strong, which weighs on U.S. trade potential. On the other hand, the weather and the calendar augur for better pricing.

The spot butter market gave up 3.5¢ this week, but, at \$2.305 per pound, it's still toward the high end of the recent trading range. Ice cream demand has been better than expected as summer winds down, but cream values are starting to soften seasonally.

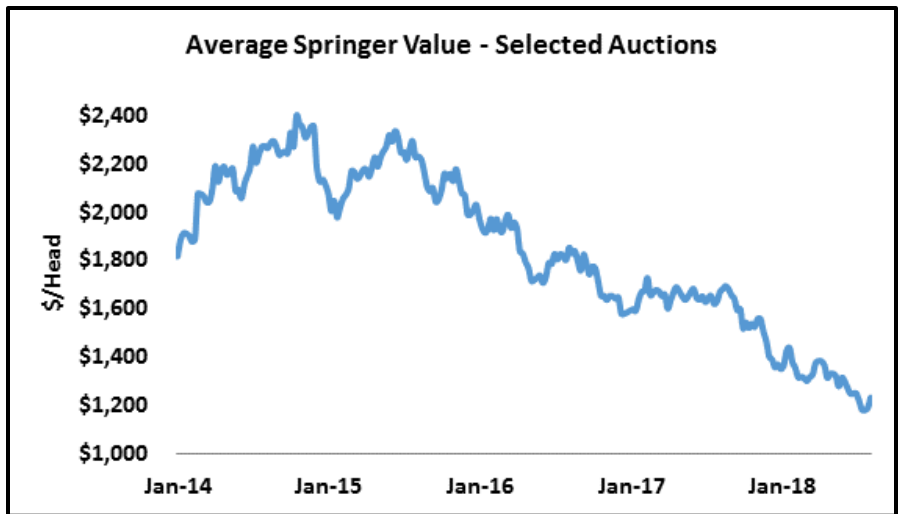
Butter prices are climbing in Europe as the historic heat wave and drought are likely reducing milk production and component levels. German Agricultural Minister Julia Kloeckner laments, "In many regions we are suffering a massive shortage of animal feed." According to *Dairy Market News*, in Western Europe "some dairy producers have already begun to use what had been intended as winter feed. There are some indications of herd reductions resulting from the tightness of feed and poor pastures. Longer run, the weather has slowed pasture growth, as well as feed. Now, supplemental feeding is more expensive, and projected to remain more expensive through the year. This will restrict milk output, as well as profitability, for many dairy producers."

The heat took a modest toll in June; year-over-year growth in European milk collections slowed to 1.2%, well behind the rate of growth in May but on par with March and April, when the cold, wet spring had a similarly adverse impact. Compared to last June, European processors made 1.7% more cheese, 0.9% less butter, and nearly 5% less skim milk powder.

In the U.S., heat and financial stress continue to accumulate. Milk output in the Midwest is generally holding, but production is lower in the East amidst very humid conditions. It's still hot in the West, but the cows are getting some relief when temperatures drop at night. The worst of the summer decline



in milk production has likely passed; however, output is by no means strong. In much of the Southwest, hay is in short supply and feed cost are lofty. Dairy producers around the nation continue to exit the industry. Slaughter numbers are up and cow values are down. Culling is running 4.4% ahead of the 2017 pace. After adjusting for inflation, high quality springers are moving at some of the lowest prices in living memory.



Producers in the world’s two largest dairy blocs are suffering from high temperatures, low feed stocks, and depressed bank accounts. This is sure to have an impact on global dairy product prices, especially while the economy continues to grow. Further price recovery will take time, but at the very least, it seems unlikely that the dairy markets will return to the very low prices of earlier this year.

Grain Markets

The wheat and soy markets moved sharply higher this week, and corn came along for the ride. September soybeans settled at \$8.815 per bushel, up more than 30¢ from last week. Wheat jumped another 13.75¢ to \$5.605. Nearby corn futures added 7.5¢ and reached \$3.6425.

Strong weekly feed export volumes boosted the markets this week, and exacerbating drought in foreign wheat regions helped as well. But the real catalyst for soybeans was the prospect of improving relations with China. The trade seems to be salivating at the sight of mere crumbs. Officials from China are expected to meet with officials from the U.S. at the end of the month. But neither side is sending their top negotiators, and the agenda for the meeting is simply to hammer out the terms for the higher-ups to meet in the future. The fact that the market can jump so quickly on so little news show just how important the U.S.-China trade relationship is for soybean farmers.

The Corn Belt forecast is favorable with plenty of rain and sunshine expected over the next couple weeks. But the corn crop is unusually mature, so there is some question as to how much these late-season rains will help yields to reach their full potential. The weather will certainly help the soybean crop, which is expected to be record large. Exports will be crucial to keep stockpiles from growing even more burdensome than anticipated.

“Stop the State Water Grab Rally” to be held at State Capitol on Monday, August 20

By Geoff Vanden Heuvel, MPC Director of Regulatory and Economic Affairs

Despite objections from various industries across California, the State Water Board appears to be moving forward with its proposed amendments to the “Bay-Delta Plan,” which mandates an increase to 40 percent unimpaired flows from the Stanislaus, Tuolumne, and Merced rivers. This decision will have a major impact on the California economy, minimizing the water available for both agriculture and urban use.

Assemblymember Adam Gray (D-Merced) is organizing a rally to protest the proposed Bay-Delta Plan. The rally is scheduled for Monday, August 20 at noon and will be held on the north steps of the State Capitol building (facing “L” Street). This is a great opportunity to show the public the harm this proposed plan will have on our local communities, farms and business, especially ahead of the State Water Board’s hearing on the matter scheduled for August 21-22.

Fresno, Madera, and Tulare Farm Bureaus are coordinating bus transportation for those interested. Seating for buses is limited, so please contact your local Farm Bureau to RSVP.

- Fresno County Farm Bureau
(559) 237-0263
- Madera County Farm Bureau
(559) 674-8871
- Tulare County Farm Bureau
(559) 732-8301

The transportation schedule is as follows:

- Depart from Tulare County Farm Bureau (737 N. Ben Maddox Way, Visalia) at 6:15 a.m.
- Depart from Fresno County Farm Bureau (1274 W. Hedges Ave, Fresno) at 7:30 a.m.
- Depart from St. Marelló’s Bookstore (211 N. “J” St., Madera) at 8:30 a.m.
- Arrive in Sacramento at 11:30 a.m.
- Depart Sacramento at 1:30 p.m.

For more details regarding the rally, please contact Adam Gray’s district office at (209) 762-5465.

RALLY

STOP
THE STATE WATER GRAB!

THE STATE WATER BOARD PROPOSAL WILL BE DEVASTATING TO

**FARMERS
FARM WORKERS
LABORERS
MANUFACTURERS
TEACHERS
PUBLIC SAFETY PROFESSIONALS
BUSINESS OWNERS
FAMILIES
AND THE REST OF CALIFORNIA**

WHEN
**AUGUST 20, 2018
AT NOON**

WHERE
**NORTH STEPS OF
THE SACRAMENTO
CAPITOL BUILDING
(FACING L STREET)**

MAKE YOUR VOICE HEARD!

**FOR MORE INFORMATION OR TO RSVP:
PLEASE CONTACT ADAM GRAY'S DISTRICT OFFICE AT (209) 726-5465**

Dairy Farm Security Workshops reminder

By Kevin Abernathy, MPC General Manager

The California Dairy Quality Assurance Program (CDQAP) wants to remind dairy producers about the upcoming August workshops on dairy farm security. CDQAP is partnering with CMAB, CDFR, the FBI, the Rural Crime Prevention Task Force, and other law enforcement groups to inform dairy producers on how to prevent and respond to criminal threats on the farm. Criminal activity from activist trespassing and fictitious employment applications to illegal dumping and mobile meth labs will be covered in these workshops.

Flyers with locations and times were mailed to producers earlier in the month. For more information, please call Dr. Michael Payne at (530)-304-9306.
