



Milk Producers Council

13545 S. Euclid Avenue, Unit B ~ Ontario, CA 91762 ~ (909) 628-6018
801 S. Mount Vernon Avenue ~ Bakersfield, CA 93307 ~ (661) 833-2549
222 S. Thor Street, Suite 20 ~ Turlock, CA 95380 ~ (209) 250-1801
Fax (909) 591-7328 ~ office@milproducers.org ~ www.MilkProducers.org



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TO: Directors & Members

PAGES: 4
FROM: Rob Vandenhuevel, General Manager

SPECIAL REPORT

MPC BOARD ANNOUNCES KEVIN ABERNATHY AS ITS NEW GENERAL MANAGER

*Replaces Outgoing General Manager Rob Vandenhuevel,
Who Will Take on New Role at California Dairies, Inc.*

CALIFORNIA – After more than nine years at the helm of Milk Producers Council (MPC), Rob Vandenhuevel will be stepping down in the coming days as General Manager, as he has accepted a position with California Dairies, Inc. (CDI) as their new Vice President of Industry and Member Relations. This week, MPC’s Board of Directors took action to promote Kevin Abernathy, MPC’s current Director of Regulatory Affairs, to the position of General Manager.

“While the Board of Directors has greatly appreciated the work that Rob has done in this industry these past nine-plus years running MPC, we are also excited to be able to hand the reins to Kevin, an accomplished industry leader and valuable member of MPC’s staff for the past five years,” announced MPC Board President Cornell Kasbergen. **“Kevin has already proven his worth as a huge asset to MPC’s membership in his current role, and this promotion will ensure that our members continue to receive the highest quality of service and representation throughout and beyond this organizational transition.”**

Kevin comes into this new leadership role with extensive experience in the industry:

- Five years as MPC’s Director of Regulatory Affairs
- Seven years as the Executive Director of California Dairy Campaign, a dairy farmer trade association based in Turlock, CA.
- Member of U.S. Department of Agriculture’s Air Quality Task Force
- Served on countless State and local environmental committees and working groups
- Six years as Western States Territory Manager for Brown Equipment Company (BECO)
- Graduated from California State University, Fresno with a degree in Animal Science

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE

Blocks	- \$.0275	\$1.6975
Barrels	- \$.1050	\$1.5350

Weekly Average, Cheddar Cheese

Blocks	- \$.0162	\$1.7038
Barrels	- \$.0381	\$1.5869

CHICAGO AA BUTTER

Weekly Change	+.0250	\$2.2500
Weekly Average	-.0245	\$2.2450

DRY WHEY

Dairy Market News	w/e 01/20/17	\$4.588
National Plants	w/e 01/14/17	\$4.371

NON-FAT DRY MILK

Week Ending 1/13 & 1/14

Calif. Plants	\$0.9990	6,009,744
Nat'l Plants	\$1.0242	15,968,314

Prior Week Ending 1/6 & 1/7

Calif. Plants	\$0.9884	7,130,717
Nat'l Plants	\$1.0139	11,699,902

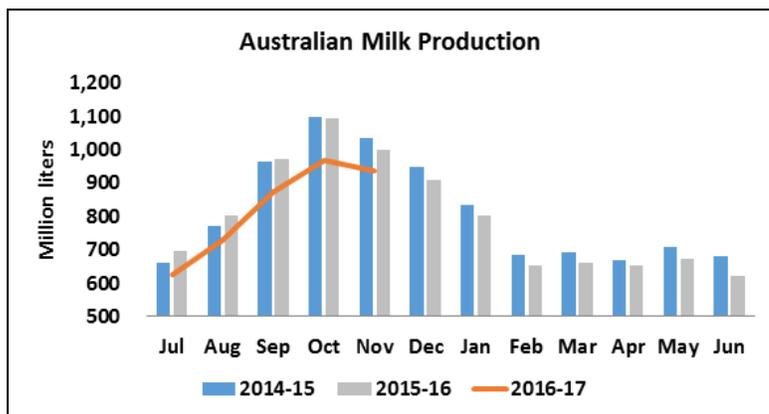
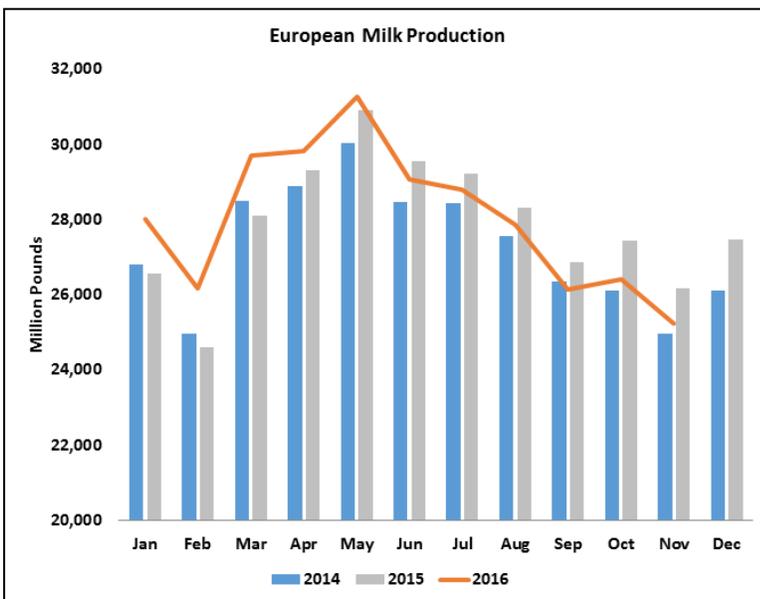
FRED DOUMA’S PRICE PROJECTIONS...

Jan 20 Est:	Quota cwt. \$17.36	Overbase cwt. \$15.66	Cls. 4a cwt. \$15.61	Cls. 4b cwt. \$16.07
Last Week:	Quota cwt. \$17.33	Overbase cwt. \$15.64	Cls. 4a cwt. \$15.39	Cls. 4b cwt. \$16.17

Milk & Dairy Markets

2017 is off to a cold, wet start in the West. After years of parched soil and depleted aquifers, the rain – and particularly the snow – is welcome. But from California to Idaho, corrals are sodden and milk yields are starting to slip. “At this point, manufacturers are not very concerned because milk intakes appear to be in pretty good balance with processing needs,” according to *Dairy Market News*. However, if things remain soggy, mastitis rates are sure to climb, and the decline in production per cow could accelerate.

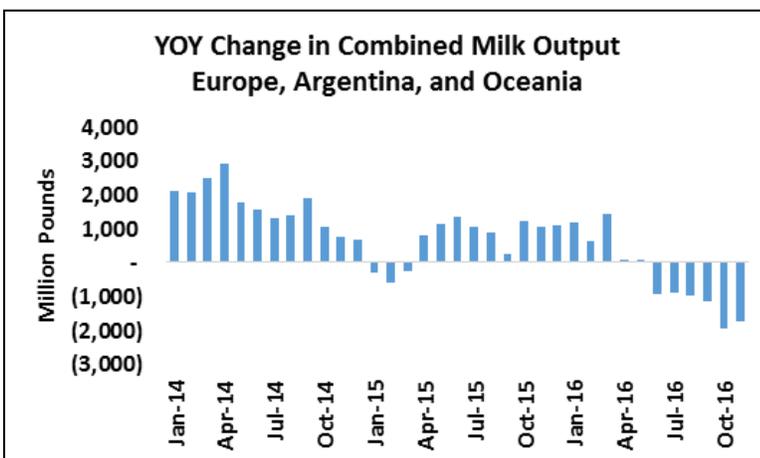
Overseas, milk output continues to contract. November milk collections in Europe were down 3.6% from a year ago. Australian milk output was better than feared in November but still down 6.3%, which puts season-to-date production down 9.4% from the



first five months of the 2015-16 season. The United States is the only major dairy exporter that is still expanding output. Through November, U.S. milk output was 2.87 billion pounds greater than the same period in 2015 after adjusting for Leap Year. As the *Daily Dairy Report* notes, “That 1.5% growth is more than erased by deficits in Argentina and Oceania. Through November, Argentina’s year-over-year milk production shortfall is estimated at 2.6 billion pounds. Additionally, over the same period output was down 1.45 billion pounds in Australia and 771 million pounds in New

Zealand. Combined, output among these three major dairy nations was down 4.86 billion pounds compared to January through November of 2015.”

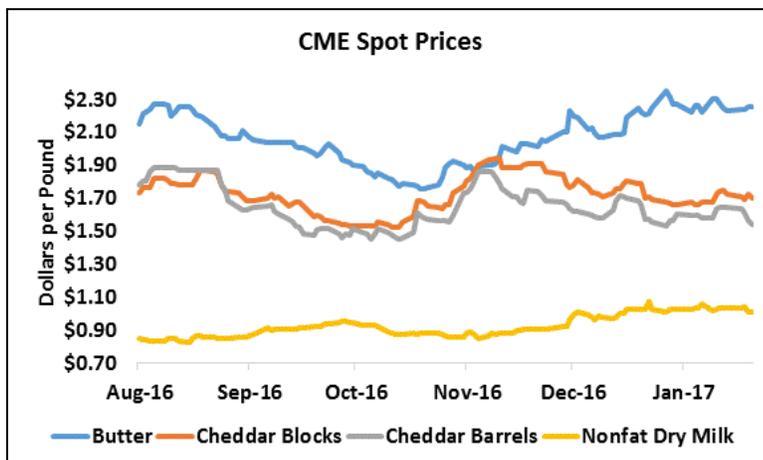
Given the significant recovery in dairy product prices and on-farm margins, foreign milk production could begin to shift back toward expansion. But it will take some time to change course. In the Netherlands, phosphorous regulations are likely to push dairy producers to cull aggressively. Cow numbers have already fallen in Oceania and South America and in parts of Europe including Germany. Many dairy producers will have to restore their credit before they rebuild their herds. In the meantime, the U.S. dairy industry will have an opportunity to gain a larger share of the growing global dairy trade, the strong dollar notwithstanding.



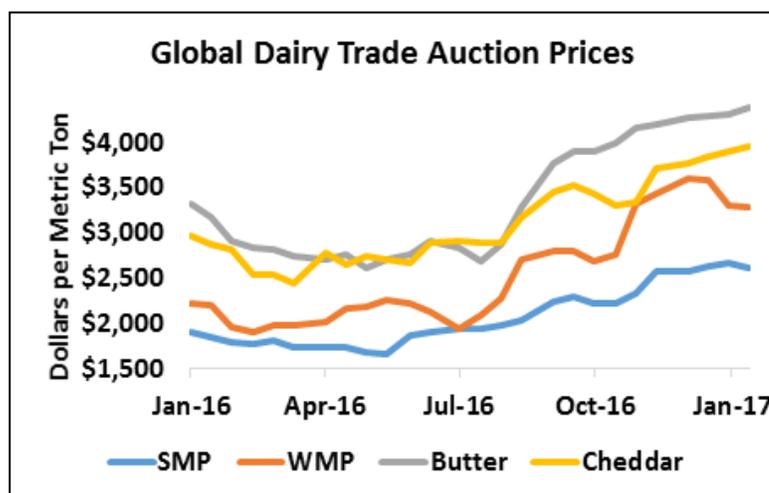
The Cheddar barrel market is clearly well-supplied. Manufacturers reported sales of 13.7 million pounds of Cheddar barrels in the week ending January 14, per USDA’s National Dairy Product Sales Report, the highest weekly volume in nearly ten years. At the CME spot market, barrels dropped 10.5¢ to \$1.535/lb., a four-week low. Traders exchanged 19 loads of barrels and 18 blocks, a sizeable volume in this holiday-shortened week.

Blocks slid 2.75¢ from last Friday to \$1.6975. Most Class III futures contracts were little-changed this week, but the February contract lost 22¢. The whey market continues to firm.

CME spot nonfat dry milk (NDM) retreated this week to \$1.005, down 2.75¢ to its lowest level since mid-December. At the Global Dairy Trade (GDT) auction, skim milk powder (SMP) prices fell 1.6%, and whole milk powder (WMP) slipped 0.1%. The European Commission rejected all bids for its third round of SMP Intervention tenders, saying they were too low. The European government remains wary of spooking the market by signaling that it is willing to part with some of its mountain of milk powder at competitive prices.



Butter remains in high demand. At the GDT, butter prices climbed for the eighth straight event and reached their highest average winning price since March 2014, up 1.6% from the previous auction. The GDT price for anhydrous milkfat was up 3.7%; it too is perched at a nearly three-year high. Butter rallied at the CME spot market to \$2.25, up 2.5¢ from last Friday. Class IV futures were steady to 15¢ lower this week. Cream is plentiful in the U.S., but butterfat prices are well-supported.



the trade had assumed that losses in Argentina would be offset by excellent yields in Brazil, but now it seems the flood damage is likely larger than that. Fortunately, the forecast is looking warm and mostly dry.

Grain Markets

The corn market jumped a dime this week. At \$3.6925, March corn stands at six-month highs. Soybean futures are even stronger. The March contract climbed 27¢ to \$10.695. The trade is trying to assess just how much harm excessive rains have done to the Argentine crop. Initially, the

After surveying farmers, Farm Futures magazine expects soybean acreage to jump 8.5% from the 2016-17 season to a record-high 90.52 million acres. If correct, this would put soybean acres in excess of corn for the first time since 1983, when the government incentivized farmers to idle much of their ground. Farm Futures projects that corn area will fall 3.7% to 90.49 million acres. Sorghum and wheat acres are also likely to fall, while cotton area is likely to climb 13.7%.

Growth in global demand for soybeans is so strong that even after several years of good crops, there is little cushion for a downturn in yields or acreage. Despite the prospect of a great crop in Brazil and record-breaking soybean acreage in the U.S. this spring, the soybean market is likely to rally at every hint of bad weather.

CWT LAWSUIT SETTLEMENT – WWW.BOUGHTMILK.COM: (By Rob Vandenheuvel) You may have seen some of the national news stories about www.boughtmilk.com, and the availability of settlement funds for anyone who purchased milk and dairy products since 2003. This is a result of a settled lawsuit filed by animal rights extremists against the Cooperatives Working Together (CWT) program, alleging that their “herd retirement program” constituted illegal price manipulation. As we’ve written about in this newsletter, that case was settled last fall, and there is now an effort to identify members of the “class” who will collect the proceeds from the

settlement. The website expects individuals who register to collect between \$5-15 (it all depends on how many people sign up, the more that sign up the smaller each person's share will be). No proof of purchase is required; you simply self-certify that you purchased milk in one of 15 States (including California) and poof – you're all done!

While I believe it is pathetic that our legal system empowers these extreme activists to pursue meritless lawsuits, I would encourage all of you who live in one of the 15 States identified (AZ, CA, DC, KS, MA, MI, MO, NE, NV, NH, OR, SD, TN, VT, WV or WI) to register for this money. Take whatever funds ultimately become available, and buy some milk, butter, cheese, ice cream, or whatever tasty dairy treat you like! It won't cost the CWT program any more money, as the settlement was for a fixed amount, but let's try to turn some of these dollars back into dairy product purchases!

MY LAST ISSUE AS GENERAL MANAGER AND EDITOR OF MPC'S FRIDAY NEWSLETTER: *(By Rob Vandenheuvel)* Since the Spring of 2007, it has been my honor and pleasure to serve as MPC's General Manager. I have been humbled by the trust and support given to me not only by MPC's Board of Directors, but by all of the California dairy families that have financially supported MPC and our efforts over the years.

In the coming days, I will be stepping down as General Manager of MPC and beginning a new chapter as I take on a role as Vice President of Industry and Member Relations at California Dairies, Inc. (CDI). MPC will be well-served in both the transition and beyond with newly-promoted General Manager Kevin Abernathy stepping in. I can't say enough good things about the value Kevin brings to this industry and how fortunate MPC's members are to have him fighting on your behalf, both as Director of Regulatory Affairs these past five years and now as General Manager going forward.

While I'm certainly looking forward to the new opportunities and challenges that come with a new position, transitions like this also tend to result in historical reflection, and I can say without reservation that I look back on these 9+ years with very fond memories of the efforts we embarked upon amidst extremely challenging times for California dairy families. Among the top of those memories is the opportunity I've had each week to communicate with you all through this newsletter. Each week (with few exceptions around the various holidays), you all allowed me to use this newsletter to provide a glimpse into what California dairy families were experiencing. Whether it was the latest update on challenges with the California State Marketing Order, or the most recent ridiculous new law dreamed up in Sacramento, or any of the other issues and challenges faced by dairies in California, this newsletter was our outlet to communicate those issues to our members and anyone else interested. And of course, it has always included top-notch market analysis that I certainly cannot take credit for – first by John Kaczor in my earlier years and more recently by Sarina Sharp. Those two have been the real heroes of the newsletter, and I've been honored to work side-by-side with them.

This is not an obituary for the newsletter; it will certainly continue, with Kevin taking over the Editor-in-Chief responsibilities and Sarina continuing to provide her outstanding market commentary each week. I just wanted to take the opportunity to thank each of you who I've been communicating with through our newsletter each week. When you publish a newsletter, you always hit "send" wondering if anyone will actually read it. I know at least a couple of you did over the years, because I heard from you when you were upset with something I wrote (haha).

Finally, as I close out this last article I will write as MPC's General Manager, I can't help but reflect on how honored I am to have held this position. I hope I have done right by MPC's members in my time here. You truly are a wonderful group of individuals and families to work for, and deserve nothing short of excellence and hard work from those who you choose to represent you. Please, don't ever settle for less.

Of course, this is not farewell, just the end of a chapter. I look forward to continuing to work with and for many of you in the future, just in a different position. On a day such as today, it seems appropriate to end by saying that together, we will continue to work hard to **"Make California Dairy Farming Great Again!"**