



Milk Producers Council

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DATE: June 1, 2018
TO: Directors & Members

PAGES: 4
FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	- \$.0125 \$1.5975	Weekly Change	- \$.0375 \$2.3775	Week Ending 5/25 & 5/26	
Barrels	- \$.0250 \$1.5200	Weekly Average	- \$.0150 \$2.4025	Calif. Plants	\$0.7629 13,097,125
Weekly Average, Cheddar Cheese		DRY WHEY		Nat'l Plants	\$0.8255 16,459,836
Blocks	- \$.0204 \$1.6081	Dairy Market News	w/e 06/01/18 \$3.225	Prior Week Ending 5/18 & 5/19	
Barrels	- \$.0116 \$1.5444	National Plants	w/e 05/26/18 \$2.729	Calif. Plants	\$0.7675 13,834,053
				Nat'l Plants	\$0.8171 15,147,109

Fred Douma's price projections...

June 1 Est: Quota cwt. \$16.05 Overbase cwt. \$14.36 Cls. 4a cwt. \$14.32 Cls. 4b cwt. \$14.62
May '18 Final: Quota cwt. \$15.83 Overbase cwt. \$14.13 Cls. 4a cwt. \$13.97 Cls. 4b cwt. \$14.90

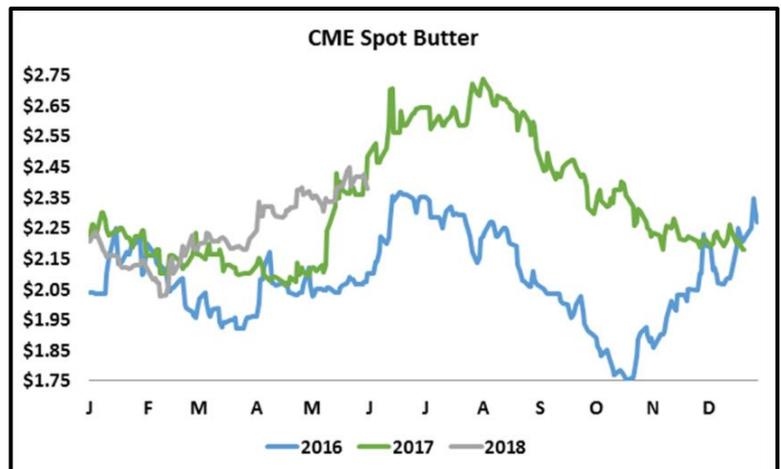
Market commentary

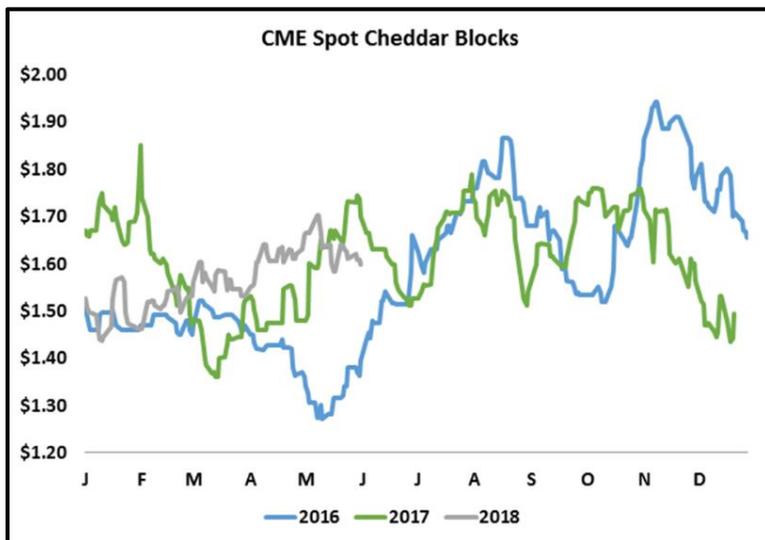
By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com

Milk & Dairy Markets

Refreshed after a long weekend, the dairy markets moved higher across the board on Tuesday. Record-breaking heat in the Upper Midwest and triple digit temperatures in the Southern Plains surely did not help milk yields in what has been an unusually uncooperative spring flush. Hot weather plagued Europe as well. It's been cool in California, but cows are stressed in a number of major dairy areas.

The markets were also buoyed by the news that New Zealand's Ministry for Primary Industries (MPI) plans to force the slaughter of roughly 150,000 cattle – about half of which are likely to come from the milking herd – in an attempt to eradicate *Mycoplasma bovis*. The MPI is confident that New Zealand is contending with only one strain of *Mycoplasma bovis* and that the infection's spread has been "limited to a network of farms connected by animal movements." The MPI has not historically tracked domestic cattle movements thoroughly, so it is poorly positioned to eradicate the disease, but "if we don't try now, we will never get another chance." As the *Daily Dairy Report* notes, "the MPI's approach toward eradication is paradoxically both aggressive and timid. Extensive culling and an expected cost of \$1.2 billion (NZ), or \$830 million (U.S.), are certainly ambitious. But to preserve dairy producers' cash flows, the MPI has demurred and will allow producers to continue milking through the upcoming season. Culling of infected herds is assured, but it will not be immediate." Eradication is far from certain.



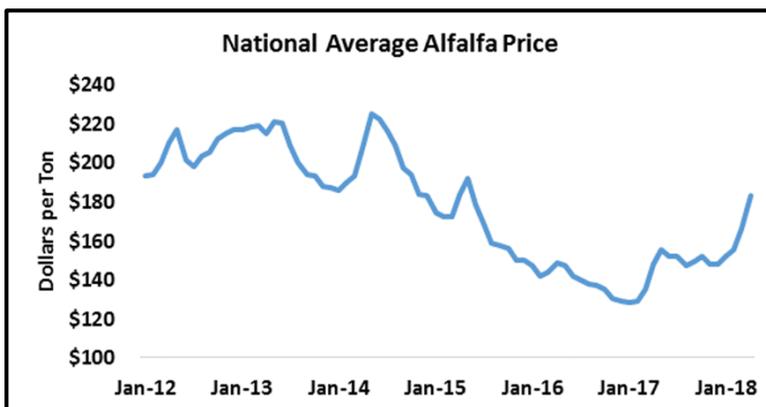


The early-week enthusiasm, fed by milk producers' woes around the world, quickly waned. The dairy markets settled lower this week. CME spot butter slumped 3.75¢ to \$2.3775 per pound. Spot nonfat dry milk (NDM) slipped 1.75¢ to 82.5¢. With that, Class IV futures shed between 12¢ and 35¢.

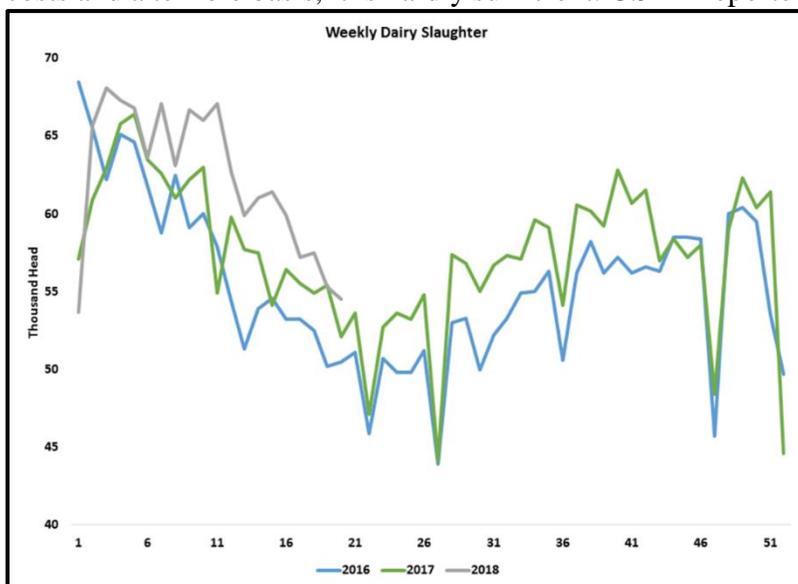
The cheese markets lagged as well. CME spot Cheddar blocks dropped 1.25¢ to \$1.5975. Barrels lost 2.5¢ and closed at \$1.52, a one-month low. The whey powder market remains resilient. According to USDA's *Dairy Market News*, "Inventories are generally tight throughout the country. As a result, buyers are paying higher

prices in the spot market." CME spot dry whey rallied 1.25¢ this week to fresh highs at 38.5¢. Class III futures posted a mixed performance, but the June and July contracts logged double-digit losses.

It seems that the dairy markets have gotten a bit ahead of themselves. The relentless gains of recent weeks may have been overly aggressive in such a well-supplied market. The stronger dollar represents a stiff headwind, and escalating trade tensions are further roiling the waters. In response to U.S. tariffs on steel and aluminum imports, Mexico named "certain cheeses" as one target of retaliatory duties. Canada will enact tariffs on yogurt, pizza, and quiche, among other products, all of which help U.S. dairy products to make their way into a very restricted market.



But this week's setback does not undercut the long-term fundamentals of the dairy markets, which remain largely positive. Global dairy demand is robust and is generally outpacing growth in supplies. The dairy trade may be underestimating the extent of the pain on the farm and the likelihood that growth in U.S. – and possibly foreign – milk production will be stubbornly subdued. Milk at \$15 or \$16 is certainly better than \$13 or \$14 milk, but with rising feed and labor costs and a terrible basis, it is hardly sufficient. USDA reported the national average All-Milk price at \$15.80 per



cwt. in April, up 20¢ from March. However, using the Margin Protection Program to estimate feed costs, national average income over feed margins actually declined 15¢ per cwt. Corn and soybean meal prices climbed to nearly two-year highs in April, while national average alfalfa prices reached a three-year high. Milk prices are up, but dairy producers with operations of all sizes in all parts of the country are exiting the business. For the week ending May 19, dairy cow slaughter totaled 54,460 head, up 4.6% from the same week a year ago. Year-to-date slaughter is 5.1% ahead of the 2017 pace. Today's pruning is preparing the industry for a healthier future.

Grain Markets

It was a rough week in the grain markets as well. July corn futures settled at \$3.915 per bushel, down 14.5¢. July soybeans closed at \$10.2125 per bushel, more than 20¢ lower than last Friday. Soybean meal futures dropped \$6.10 this week to \$374.20 per ton, at the low end of the recent trading range.

USDA issued its first assessment of the corn crop, rating 79% of U.S. corn in good or excellent condition. That ties 1994 for the second-best initial reading on record. However, much depends on the weather in July and August and the U.S. trade relationship with China. Drought withered Argentina's crops and Brazil's second corn crop is suffering from a lack of moisture, putting more pressure on U.S. crop yields. The first sign of adverse weather could send prices racing higher again. For now, though, it feels like a greenhouse in the Corn Belt, and the weather premium is leaking out of the feed markets.

CARB One-Stop Diesel Truck Event – Imperial, CA

Get answers to all your California Air Resources Board (CARB) compliance questions, find out about new technologies and learn about funding opportunities and rule updates at one location. CARB experts will be on hand to provide one-on-one assistance and to demonstrate heavy-duty vehicle inspections.

On Thursday, June 21, 2018, join the California Air Resources Board, local agencies, and vendors to discuss diesel equipment requirements and ways to comply.

Register for the event online [here](#).

FREE ADMISSION & FREE PARKING

Date: Thursday, June 21, 2018

Time: 9 AM to 1 PM

(Registration Starts at 8:30AM)

Location:

Plaza de las Culturas Building

200 East Second Street

Imperial, CA 92251

Topics:

- One-on-One Compliance Assistance
- Overview of California Diesel Rules*
- Funding Opportunities
- Mock Truck Inspection
- New Technology Demonstrations
- CHP BIT Inspection Overview
- Vendor Displays

*Diesel Rules include Truck & Bus and Off-Road.

To Register:

1. Simply click [here](#) to register online.
2. Call the CARB Training Registrar line at (916) 322-3937 (select option 1)
3. Email the CARB Training Registrar to arbtrain@arb.ca.gov

REGISTER NOW!

ARB IS HOLDING A ONE-STOP TRUCK EVENT IN YOUR AREA

Join ARB, local agencies, and vendors to discuss diesel equipment requirements and ways to comply using current and new technology.

Free

ONE-STOP TRUCK EVENT

For more information and to register, visit:
ARB.CA.GOV/TRUCKSTOPEVENTS or call toll-free 916-322-3937 (option 1)
Hay información disponible en Español

Additional dates and information is also available by clicking [here](#). To register as a vendor (space is available), please complete a vendor [request form](#).

May 2018 California Dairy Quality Assurance Program Newsletter

By Kevin Abernathy, MPC General Manager

The May e-update from the California Dairy Quality Assurance Program (CDQAP) provides information on preparing your dairy facility for the summer months, important tips on filling out annual reports, and helpful information on boosting farm security. Dr. Michael Payne of UC Davis' School of Veterinary Medicine details the importance of preparing both employees and cows for the summer heat. These tips include ways to cool down cows while preventing disease along with other information like how to schedule certain jobs during cooler parts of the day. The e-update also provides important information on how to properly fill out your annual reports so that follow-up information from the Central Valley Regional Water Quality Control Board is not necessary.



The entire CDQAP e-newsletter is available [here](#).
