

MPC WEEKLY FRIDAY REPORT

DATE: MAY 3, 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	- \$.0010	\$1.6750	WEEKLY CHANGE	+\$.0025	\$2.2725	WEEK ENDING 04/27/19	
Barrels	+\$.0325	\$1.6625	WEEKLY AVERAGE	+\$.0085	\$2.2720	NAT'L PLANTS	\$0.9777 25,778,260
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 04/20/19	
Blocks	-.0110	\$1.6675	DAIRY MARKET NEWS	W/E 05/03/19	\$.3787	NAT'L PLANTS	\$0.9680 26,257,904
Barrels	+\$.0345	\$1.6365	NATIONAL PLANTS	W/E 04/27/19	\$.3961		

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
MAY 3 EST	\$18.02 - \$18.52	\$16.44	\$16.37	\$16.27
APRIL '19 FINAL	\$17.36 - \$17.86	\$16.38	\$15.96	\$15.72

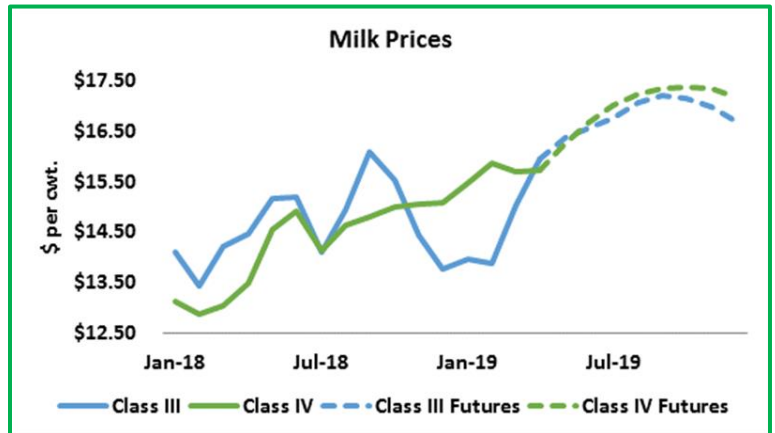


Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

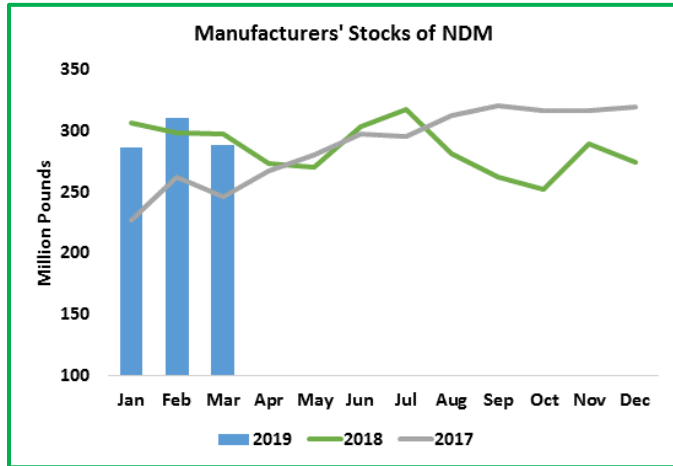
New highs! For dairy producers, those words are like the first glimpse of an oasis after four years wandering in the desert. And, with some better pricing in upcoming milk checks to wet their whistle, dairy producers can have some confidence that it's not a mirage. USDA announced the April Class III price at \$15.96 per cwt., up 9¢ from March and up \$1.49 from April 2018. At \$15.72, the April Class IV price was up, just a penny from March, but it was \$2.24 higher than the paltry level of one year ago.



Those prices are an improvement, but surely not enough to slake dairy producers' thirst. Fortunately, the horizon looks lush. June 2019 through April 2020 Class III futures scored new life-of-contract

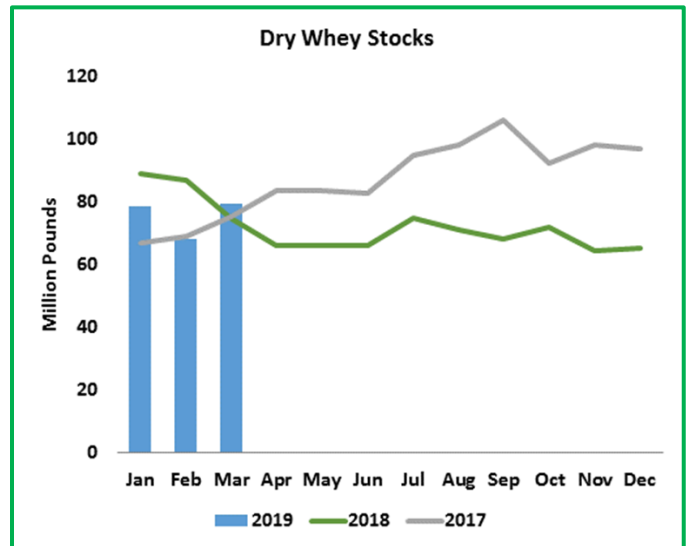
highs. The August through November contracts topped \$17. All Class IV contracts from July forward are also north of \$17. Most Class III contracts climbed 20¢ to 30¢ from last Friday. Class IV futures were generally a nickel or a dime higher.

At long last, lower milk production is translating to higher prices. USDA reinforced this trend with yesterday's Dairy Products report. The March milk production deficit, coupled with strong demand for cream and other Class II products, left less milk available for driers, butter churns, and even cheese vats.

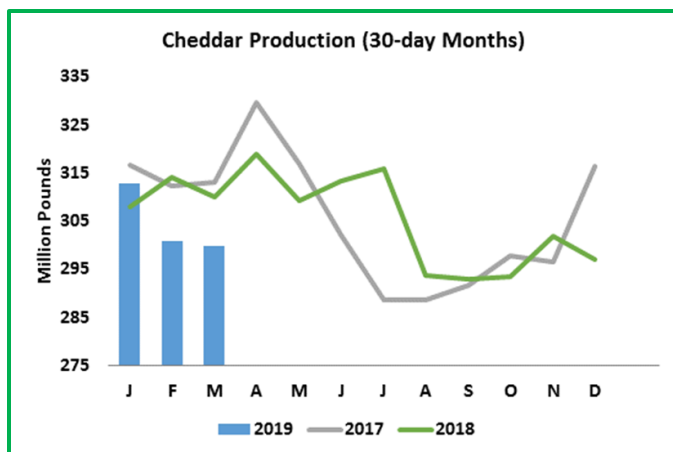


Manufacturers churned out 175 million pounds of butter in March, the lowest volume for the month since 2015 and 3.9% less than last year. Butter and cream buyers may be getting anxious about securing product for later this year. After an early-week selloff, deferred butter futures climbed. CME spot butter held steady at \$2.27 per pound.

Processors dried 163.7 million pounds of nonfat dry milk (NDM) and 49.6 million pounds of skim milk powder (SMP) in March. While SMP output was higher than the prior year, perhaps signaling better export orders, combined production of NDM and SMP fell 3.1% from March 2018. That matched the year-over-year deficit reported in February. After surging in February, manufacturers' stocks of NDM fell back below year-ago volumes in March. Chatter from processors suggest that inventories continue to tighten. USDA's *Dairy Market News* reports "solid" demand from Mexican customers, and most inventories are "highly committed" through the third quarter. Milk powder prices are likely to remain well supported. At the CME spot market, NDM climbed 1.25¢ to \$1.0525, matching the highest price since October 2015.

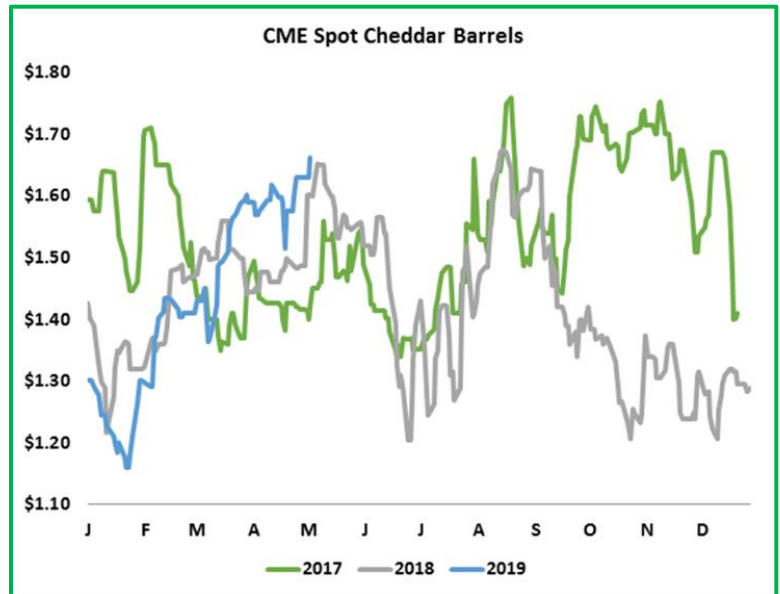


Production of dry whey for human consumption slumped to 77.3 million pounds, down 13.9% from a year ago. Output of whey protein concentrates and isolates also plunged by double-digit percentages. But demand remains poor, particularly amidst a trade war and a virulent hog virus that are decimating shipments to China. Stocks of whey powders jumped 16.5% from February to March; they stand 6% higher than they did a year ago. Whey prices are likely to be an anchor on the Class III market for some time. Nonetheless, CME spot whey rallied 2¢ this week to 34.75¢.



USDA revised upward its estimate of 2018 cheese production, implying that demand was higher than

previously reported. The changes also mean that cheese output fell short of year-ago levels in January and February, breaking a 28-month streak of year-over-year increases in U.S. cheese output. The deficit widened further in March, when production totaled 1.1 billion pounds. That's 0.7% less than in March 2018. Cheddar production dropped to 309.9 million pounds, down 3.9% from a year ago. Lower cow numbers and expanded processing capacity has tightened the milk market, particularly in the Great Lakes states. This will likely continue to reduce barrel Cheddar output and boost prices. This week, CME spot Cheddar barrels logged a new 2019 high at \$1.6625, up 3.25¢ from last Friday. Blocks slipped a penny to \$1.675.



Slaughter volumes and auction dockets suggest that milk will only get tighter, particularly as the spring flush wanes. The flush has looked fairly typical in the West, but in the Midwest milk volumes have not impressed. In years past, cooperatives struggled to find a home for the deluge of spring milk. This year, the spring flush has “yet to shift the needle” in the Central region, according to *Dairy Market News*. Prices are heating up accordingly.

Grain Markets

September 2018 through March 2019 was the wettest fall and winter on record in the Midwest. Farmers are anxious to start planting corn, but their equipment remains parked in the shed. Fields are muddy and the forecast is cloudy. With modern equipment, farmers can plant a huge volume of acreage in a hurry, but they will need several days of sunshine before they can get started. Traders and farmers are growing increasingly anxious that the window for planting corn will close before the weather cooperates. If so, some farmers will likely shift acreage intended for corn into soybeans. If fields remain soggy well into June, some acreage may lay fallow all season.

The world will not run short of grain even if U.S. corn acres drop substantially. But recent lows in the futures market assumed a sizeable U.S. crop, so there is room for a rally as acreage concerns grow. The market will be highly sensitive to the forecast. This week July corn futures jumped nearly a dime to \$3.7075 per bushel. Soybeans are poised to gain acreage they do not need, so prices retreated. July soybeans settled at \$8.4225, down 24.75¢ than 40¢ over the past two weeks.

Alert: New Discharge Permit for Southern California Dairies
 By Betsy Hunter-Binns, Southern California & Central Valley Representative
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The Santa Ana Regional Water Quality Control Board (RB8) adopted a new discharge permit for dairies and related facilities on December 7, 2018. One condition of the permit is that facilities operating under the prior permit must complete a new "Notice of Intent."

If you have not submitted your Notice of Intent, please do so ASAP. If you need assistance completing the form, please contact MPC staff member Betsy Hunter-Binns at 661-205-6721.



Recapping the U.S. House Agriculture Committee Hearing Reviewing State of Dairy Economy

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

As mentioned [last week](#), the Livestock and Foreign Agriculture Subcommittee held a hearing on Tuesday, April 30 titled, “Reviewing the State of the Dairy Economy.” This hearing was called by Congressman Jim Costa (D-Fresno), Chairman of the subcommittee and member of the U.S. House of Representatives’ Committee on Agriculture. MPC extends its appreciation to Congressman Costa for elevating this critical issue in Congress.



A panel of dairy farmers, and those working with dairy farmers in the processing and educational sectors, provided testimony to the Committee. They included Andrei Mikhalevsky, CEO of California Dairies, Inc., Sadie Frerick of Blue Diamond Dairy located in Minnesota, Mike McMahon of EZ Acres Dairy located in New York, Dr. Scott Brown of the University of Missouri, Columbia, and Dave Smith, a dairy farmer in Pennsylvania and Executive Director of the Pennsylvania Dairywomen’s Association

If you would like to watch a taping of the hearing, the entire session can be viewed [here](#).



Attorney Greg J. Norys to Offer Guidance on Social Security “No-Match” Letters

By Kevin Abernathy, General Manager
Kevin@MilkProducers.org

Gregory J. Norys is a partner with Coleman & Horowitz, LLP in the litigation department of the firm’s Fresno Office. Next week, Norys will be writing an article about Social Security “No-Match” letters referenced in the [4/12/2019 newsletter](#).

I was introduced to Greg through Lee Smith, another lawyer at Coleman & Horowitz. Smith has been a great partner to MPC and the dairy industry as a whole. I was getting calls and inquiries from members about these “No-Match” letters and decided to call Lee. Lee told me they had just the person for the job: Greg Norys. Norys is considered an expert in this field and can provide strategic advice navigating issues pertaining to “No-Match” letters.

Norys joined Coleman & Horowitz in 2014 and was admitted to practice in 2005. Prior to joining the firm, Greg was a partner and preferred shareholder of the Fresno firm Dowling Aaron Incorporated. Prior to that, Mr. Norys worked in the food manufacturing sector for approximately twenty years for such notable companies as Leprino Foods, Ruiz Food Products, Haagen Dazs, and Thomas' English Muffins (Best Foods Baking Group). Norys is a graduate of California State University, Fresno, where he received a Bachelor of Science degree in business administration, finance option, and his J.D. from San Joaquin College of Law. Norys represents clients in commercial, construction, real

estate, professional liability defense, tort defense, as well as municipal law, real estate transactions, and land use matters. Greg served as deputy City Attorney for the city of Sanger. Norys is a member of the Fresno County and Tulare County Bar Associations as well as the Association of Business Trial Lawyers. Greg is also co-chair of the Fresno County Bar Association, Construction Law Forum, with another of the firm's associates, Paul Parvanian.

If you have any questions regarding “No-Match” letters, you can contact Greg directly at his office at 559-248-4820 or by his cell at 559-908-6932.

Dairy Cares e-Newsletter: Recommendations for Advancing Water Quality Protection

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. This month's Dairy Cares e-newsletter highlights California dairy families' leadership in advancing water quality protection via the Central Valley Dairy Representative Monitoring Program (CVDRMP).

From Dairy Cares

On April 2, Central Valley dairies reached an important milestone in their efforts to protect groundwater. After several years of monitoring, research, and consultation with leading experts, a coalition of Central Valley dairy farmers released a comprehensive, landmark report containing recommendations to further improve groundwater quality protection. The 2019 report demonstrates

dairy farmers' commitment to work with one another, regulators, scientists, and their neighbors to improve environmental protection and ensure safe drinking water supplies.

Formed in 2010, the Central Valley Dairy Representative Monitoring Program (CVDRMP)—comprising nearly all of the dairy farms in the Central Valley—has created and maintained the largest dairy groundwater monitoring effort in the world. The monitoring program was established as a way for dairy farmers to pool resources and create a strategic network of more than 430 monitoring wells on 42 dairies from the Sacramento Valley to Bakersfield. In 2012, the CVDRMP began conducting well-monitoring and soil and plant-tissue testing—regularly reporting results to the Central Valley Regional Water Quality Control Board (Regional Board). The CVDRMP has invested more than \$20 million per year to monitor water quality, fund research, and gather expertise.

Continue reading [here](#).

California Milk Advisory Board Winter Update

Courtesy of CMAB

From Kevin Abernathy, MPC General Manager

All dairy producers received a copy of the California Milk Advisory Board (CMAB) Winter Update via mail earlier this year. An electronic version of the report can be read [here](#).

Topics covered in the report include updates on E-Commerce efforts with partners like Amazon and Instacart, the CMAB's participation in the Disney California Adventure Food & Wine Festival, a recap of 2018 highlights and a letter from CEO John Talbot regarding the continuing effort of communicating sustainability in the dairy industry.

If you have any questions regarding the report, you can contact Kris Costa, Director of Producer Relations at CMAB at kcosta@cmab.net.

