

# MPC WEEKLY FRIDAY REPORT

DATE: NOVEMBER 8, 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	- \$.1400	\$2.0150	WEEKLY CHANGE	- \$.0425	\$2.0375	WEEK ENDING 11/02/19	
Barrels	+ \$.0050	\$2.3300	WEEKLY AVERAGE	- \$.0315	\$2.0510	NAT'L PLANTS	\$1.1335 24,503,292
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 10/26/19	
Blocks	- \$.0495	\$2.1100	DAIRY MARKET NEWS	W/E 11/08/19	\$ .3350	NAT'L PLANTS \$1.1213 20,208,896	
Barrels	+ \$.0750	\$2.3530	NATIONAL PLANTS	W/E 11/02/19	\$ .3085		

## 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
Nov 1 EST	\$19.74 - \$20.24	\$16.99	\$20.02	\$16.74
LAST WEEK	\$19.74 - \$20.24	\$17.03	\$20.19	\$16.78



### Milk, Dairy and Grain Market Commentary

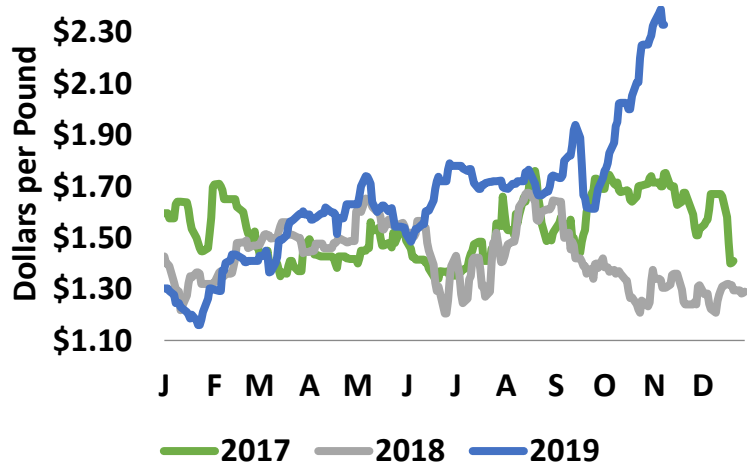
By Sarina Sharp, Daily Dairy Report  
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#### Milk & Dairy Markets

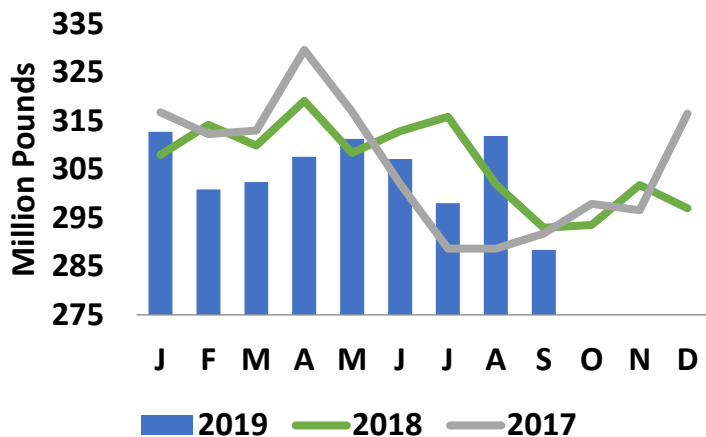
CME spot Cheddar barrels reached a fresh five-year high on Wednesday at \$2.39 per pound. But then the bids dried up. Barrels fell 6¢ yesterday, their most convincing setback in the past seven weeks. Class III futures moved sharply lower. The December contract traded as much as 75¢ in the red, at the lower daily trading limit, although it regained some ground before the close.

Earlier this fall, when barrels were still inexpensive, cheesemakers continued to move milk to other cheese varieties. U.S.

#### CME Spot Cheddar Barrels



### Cheddar Production (30-day Months)



cheese production totaled 1.08 billion pounds in September, up 2.1% from a year ago. Output of Swiss, Italian, and Hispanic-style cheeses jumped 2.8%, 4%, and 9.1%, respectively. In contrast, Cheddar output fell 3.1% from September 2018. But the meteoric rise in barrel values likely convinced cheesemakers to move more milk into Cheddar last month, and some of that fresh cheese is likely just making its way to Chicago for the first time this week. The trend for higher barrel production is likely to continue. USDA's *Dairy Market News* reports that cooler weather in the Southeast has boosted milk yields and slowed the flow of tankers from the Mid-Atlantic and Midwest states. For the first time in months, some spot milk

is selling at a discount in the Upper Midwest, which has encouraged cheesemakers to work longer hours and top up their vats.

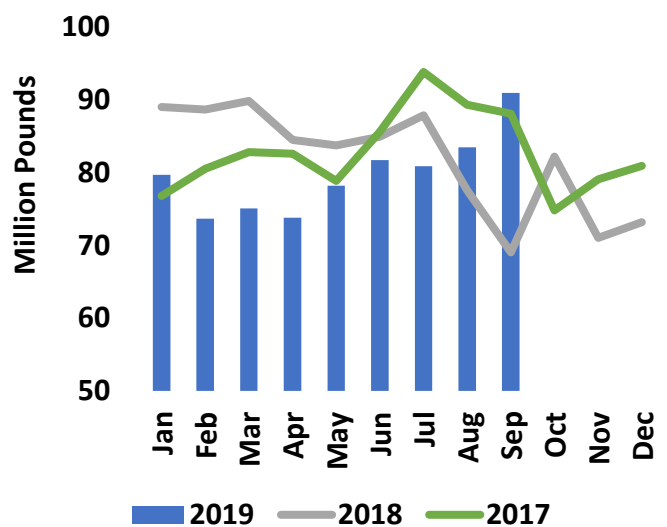
This week's sales signal that barrels have gotten a little easier to source. But they are still far from plentiful. There were no offers at the spot market today. The futures shrugged off another retreat in block prices and focused instead on the soothing silence in the barrel market. Both Class III and cheese futures moved higher after the spot trade today. Barrels closed at a still sky-high \$2.33, steady with yesterday and up a half-cent from last Friday. Blocks dropped to \$2.015, down 14¢ for the week. Nearby futures gave back some – but not all – of last week's massive gains. The November contract settled at \$20.02 per cwt., down 17¢. December closed at \$19.09, down 61¢. Early 2020 contracts finished in the red, while deferred contracts moved roughly a nickel higher.

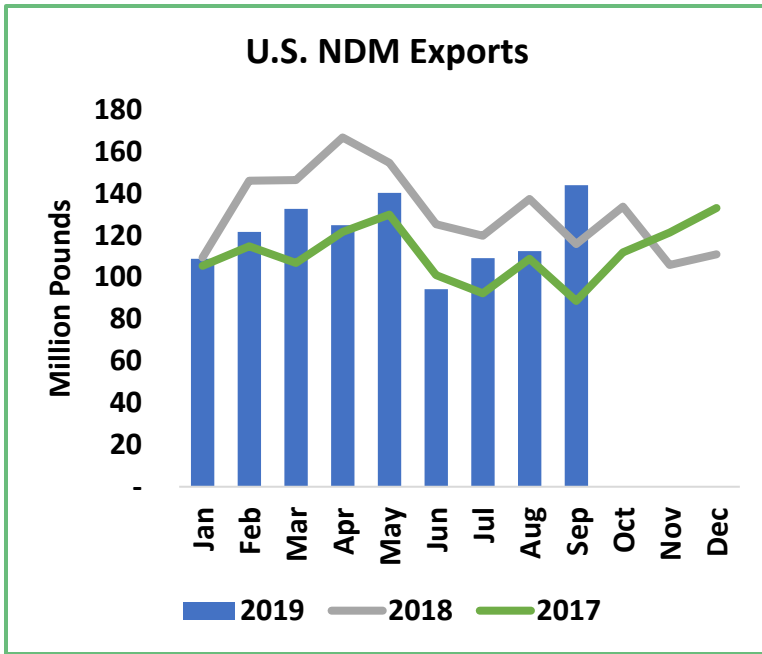
Whey remains in the doldrums. Spot whey powder slipped 0.75¢ this week to 27.5¢. In September, dry whey output jumped to a two-year high of nearly 91 million pounds, 31.8% higher than the perplexingly low volumes of September 2018. Manufacturers' stocks of dry whey climbed to the highest level since January. Exports remain anemic, as China turns its attention elsewhere.

Spot butter faded to a new 2019 low at \$2.0375, down 4.25¢. Cream remains cheap and plentiful, and inexpensive foreign product continues to pour in. U.S. butter production declined seasonally in September to 136.6 million pounds. Still, that was 1.2% higher than September 2018 and the greatest output for the month since 2011.

Milk powder values continue to rally around the world. At the Global Dairy Trade (GDT) auction on Tuesday, skim milk powder (SMP) values leapt 6.7% to their highest average price since March 2015.

### Production of Dry Whey for Human Consumption





GDT SMP now stands at the equivalent of nonfat dry milk (NDM) at \$1.42 per pound. At the CME spot market, NDM advanced 2.25¢ to \$1.205, a five-year high. Combined production of NDM and SMP reached 171.8 million pounds in September, a new high for the month and 6.9% more than September 2018. But demand is more than keeping pace. Cheesemakers are fortifying their vats with NDM, and importers are shopping for SMP. U.S. exports of NDM/SMP advanced to 144 million pounds, up 24.2% year-over-year. That's the highest volume so far in 2019 and a record high for the month of September. Now that Europe has worked through its stockpile, there may be room for U.S. exports to keep improving. Optimism about milk powder prospects pushed Class IV futures higher this

week, aside from a 4¢ loss in the November contract. Most 2020 contracts gained 15¢ to 20¢ from last Friday's settlement.

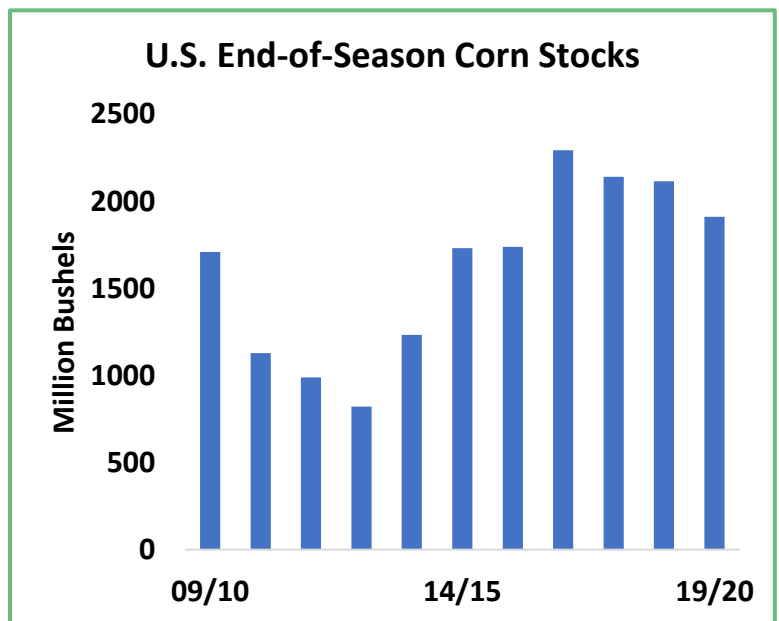
Strong milk powder, cheese and fluid milk/cream sales propelled overall U.S. dairy product exports above 2018 volumes for the first time in 11 months despite dreadfully low butterfat sales. Total export volumes were up 2% from a year ago in September, and the value of aggregate dairy exports jumped 17%.

After nine months in deficit, milk output is starting to climb around the world. But those nine months helped to whittle dairy product inventories and set the industry on much firmer footing. Dairy product supplies are no longer burdensome, demand is healthy, and the market can withstand a modest increase in milk output without sending prices back to painfully low values. Given strained farm finances, variable feed quality, and a smaller milk-cow herd, growth in milk output is unlikely to stymie the rally anytime soon.

**Grain Markets**

Row crop values faded this week. December corn settled at \$3.7725 per bushel, down 12¢ from last Friday. January beans lost 6.25¢ and closed at \$9.31. The bean market was batted back and forth by the trade headlines once again. Chinese officials stated that the U.S. and China planned to de-escalate tariffs, which boosted commodity and stock values. However, when the White House contradicted those claims, the markets reversed course. Investors were reminded once again that they should be skeptical of all comments regarding the trade deal until the ink is dry.

Winter has already arrived in the Corn Belt, and nearly half of the corn crop remains in the



field. Farmers are frustrated with sub-par yields, impassable fields, and variable quality. In today's World Agricultural Supply and Demand Estimates report, USDA lowered its assessment of the corn yield by a sizeable 1.4 bushels per acre. At 167, the national average corn yield is the lowest since the 2013-14 season. U.S. corn production is projected to drop to a four-year low, and global corn stocks are expected to tighten noticeably this year, marking their fourth consecutive year-over-year decline. Nonetheless, there is plenty of grain in the world and demand for U.S. corn is fading. Corn exports are projected to fall to their lowest level since 2012-13, when the drought pushed corn prices above \$8 per bushel and throttled foreign demand. Unless ethanol production or exports perk up, U.S. corn values could remain under pressure despite this year's disappointing harvest.

## CDQAP e-Newsletter Update: Manure Spreading Checklist, Bovine Monitoring Program Sign-up, California Dairy Sustainability Summit



The California Dairy Quality Assurance Program's (CDQAP) [latest e-newsletter](#) provides tips courtesy of Dr. Deanne Meyer of UC Davis for manure hauling and corral grading. Also included is a reminder for bovine facilities (beef feedlots, calf ranches and stand-alone heifer facilities) to sign-up for the representative groundwater

monitoring program offered by the Central Valley Dairy Representative Monitoring Program. Information about the California Dairy Sustainability Summit on March 25-26, 2020 is also included.

## Bears Nutrition Named Winner of Real California Milk Accelerator Competition; Awarded \$250,000 to Bring Kid's Nutritional Drinks to Market

*Courtesy of California Milk Advisory Board*

[Bears Nutrition](#) and its innovative, milk-based nutritional shakes for children was named the grand prize winner of yesterday's [Real California Milk Accelerator](#) dairy startup competition. The competition, sponsored by the [California Milk Advisory Board](#) (CMAB) and powered by leading innovation consultancy [VentureFuel, Inc.](#), will provide Bears Nutrition with \$250,000 in resources and funding to bring their fortified milk beverages to market.

As presented by co-founders David Sheu and Kevin Yeung, Bears Nutrition focuses on helping active kids grow. The winning product is a daily milk-based beverage fortified with protein, vitamins, minerals, and omega 3's designed specifically for children aged three and older. It was created when Yeung's son, Bear, stopped growing when his hockey performance started to take off. When a clinical nutritionist prescribed milk, and "lots of it", with some added nutrients, Bears Nutrition's shakes were born. The products currently



have limited distribution in Europe and China but the founders look forward to expanding throughout the U.S. with Real California Milk at the core.

“Our mission at Bears is to help kids reach their full growth potential and we believe milk is a cornerstone to achieve that mission,” said David Sheu, CEO and co-Founder of Bears Nutrition. “With the help of the CMAB, we look forward to making milk a staple in kids’ routines again.”



The Milk Accelerator competition was designed to inspire innovation and investment in fluid milk products, packaging and capacity within California by connecting manufacturers, producers, investors, ideas and entrepreneurs for high quality, sustainable dairy beverages. Alongside eight other

finalists, Bears Nutrition was judged on taste, nutritional value, packaging innovation, sustainability, and the ability to scale by a live panel of judges from the dairy, consumer packaged goods, and investor communities including business, industry and academic influencers. Bears Nutrition was one of nine finalists that each received up to \$25,000 of support to develop protocepts while receiving elite mentorship from marketing, packaging, and distribution experts.

“The innovation we’ve seen from these nine incredible finalists has shown that we’ve barely tapped the natural goodness of dairy milk and what can be done to create products relevant to consumers today,” said John Talbot, CEO of the CMAB. “Not only are we excited to provide consumers with a healthy, great-tasting new beverage option by helping to bring Bears Nutrition shakes to market, but we also look forward to seeing what the other finalists are able to achieve with the support they’ve received through this program.”

“This collaboration between VentureFuel and the CMAB is a great demonstration of the heights that are possible when influential organizations in major industries collaborate with startups; we can accelerate growth and jump-start innovation in new ways that can not only influence consumer perception, but help redefine an industry,” said Fred Schoenberg, CEO and Founder of VentureFuel.

Read more about each finalist from event judge Donna Berry on her “Berry on Dairy” blog [here](#).

**CMAB Milk Accelerator Judges**

 <b>DONNA BERRY</b> Editor & Food Scientist Dairy & Food Communications, Inc.	 <b>ELIF CEYLAN</b> Director of Strategic Partnerships SVG Thrive	 <b>DAVID CHERRIE</b> Director, Portfolio Expansion Saputo
 <b>YANNIV DORONE</b> Investor & Associate AgFunder	 <b>LEE FAN</b> Chief Financial Officer GrubMarket	 <b>NOEL ROSA</b> President Rosa Brothers Milk Company
 <b>JOHN TALBOT</b> CEO California Milk Advisory Board	 <b>HAOTIAN ZHENG</b> Assistant Professor California Polytechnic State University	 <b>PAUL ZIEMNISKY</b> EVP Global Innovation Partnerships Dairy Management Inc.



Calling all California college students passionate about dairy science!

## Dairy's Future Leaders College Student Writing Contest

### Win a \$1,000 Scholarship!

The grand-prize winner will receive a \$1,000 scholarship and will be invited (expenses paid) to share their story with attendees at the California Dairy Sustainability Summit, taking place March 25-26, 2020 at Cal Expo in Sacramento. This important event brings together hundreds of dairy farmers and processors, state officials, researchers, dairy service/technology providers, and others **who all want to hear from you!**

**First Place: \$1,000 scholarship and invitation to speak**

**Second Place: \$500 scholarship**

**Third Place: \$250 scholarship**



The scholarships are **sponsored by Milk Producers Council.**

The top ten essays will be shared on the Summit website after the event.

To learn more about the event, visit [CADairySummit.com](http://CADairySummit.com).

### Your Essay Should Tell Us...

- What has inspired you to be a part of the California dairy community?
- What does “sustainability” mean to you?
- How do you envision the future of California dairy?
- Why is dairy an important part of a sustainable, nutritious global food system?
- What are you most excited about as you think about your future in dairy?

### Submitting Your Entry

Email your essay to [Events@DairyCares.com](mailto:Events@DairyCares.com). The deadline is **midnight, Friday, December 13**. Send with the email subject line, “Dairy’s Future Leaders.” Include your name, year in school, and the name of the university or community college you attend. Essays must be 1,000 words or less.

The California Dairy Sustainability Summit is Hosted by



Look for the Seal  
California Milk Authority Board

What  
Does  
**SUSTAIN-  
ABILITY**  
Mean  
to You?

