

# MPC WEEKLY FRIDAY REPORT

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 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	+ \$.1075	\$2.1000	WEEKLY CHANGE	-\$ .0900	\$2.0950	WEEK ENDING 10/05/19		
Barrels	+.2325	\$2.0225	WEEKLY AVERAGE	-\$ .0715	\$2.0880	NAT'L PLANTS	\$1.0674	23,549,800
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 09/28/19		
Blocks	+.0690	\$2.0610	DAIRY MARKET NEWS	W/E 10/11/19	\$3.500	NAT'L PLANTS	\$1.0568	22,701,160
Barrels	+.1745	\$1.9230	NATIONAL PLANTS	W/E 10/05/19	\$3.551			

## 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
OCT 11 EST	\$19.44 - \$19.94	\$16.65	\$18.64	\$16.37
LAST WEEK	\$19.44 - \$19.94	\$16.81	\$18.31	\$16.45

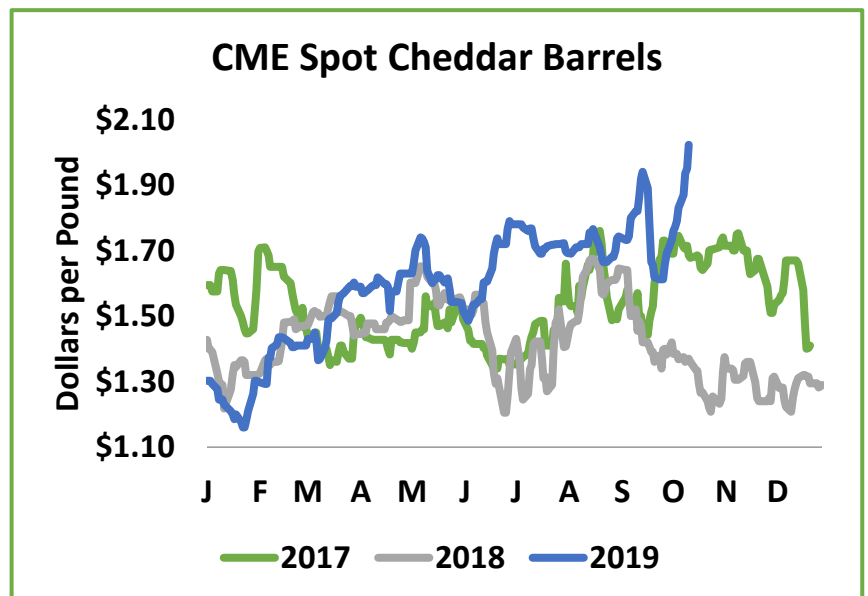


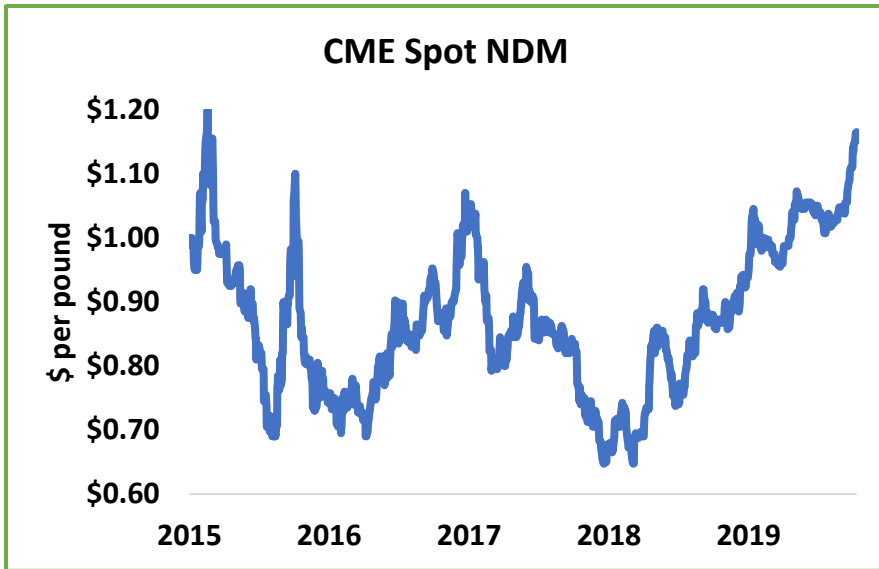
### Milk, Dairy and Grain Market Commentary

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

It was another rollicking week on LaSalle Street. CME spot Cheddar barrels soared 19.25¢ to \$2.0225 per pound, the first-time barrels have topped the \$2 mark since November 2014. Blocks jumped 11¢ to \$2.10. Class III futures followed cheese higher, but they are clearly wary that the latest gains are unsustainable. The bulls are still bruised after getting walloped in mid-September, when spot cheese staged an invigorating climb followed by an equally dramatic collapse. Pricy spot Cheddar and cheap whey add up to a Class III value far north of \$19/cwt. Today, October Class III

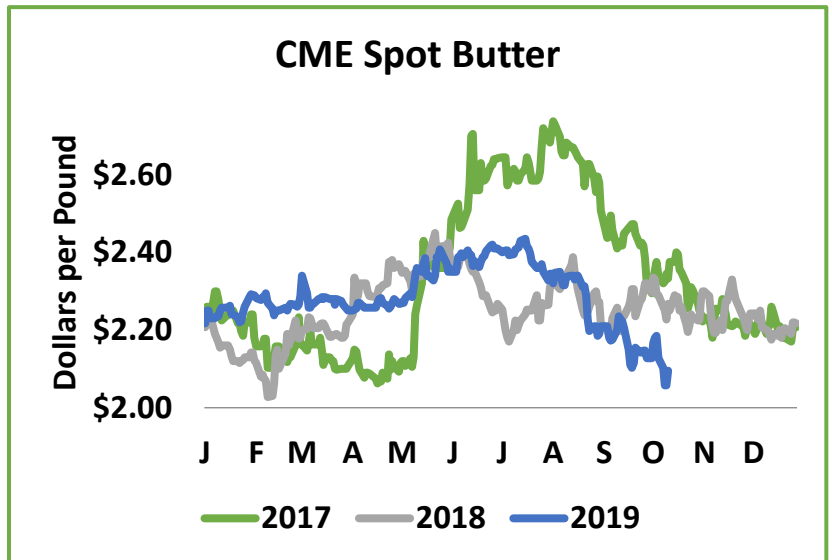




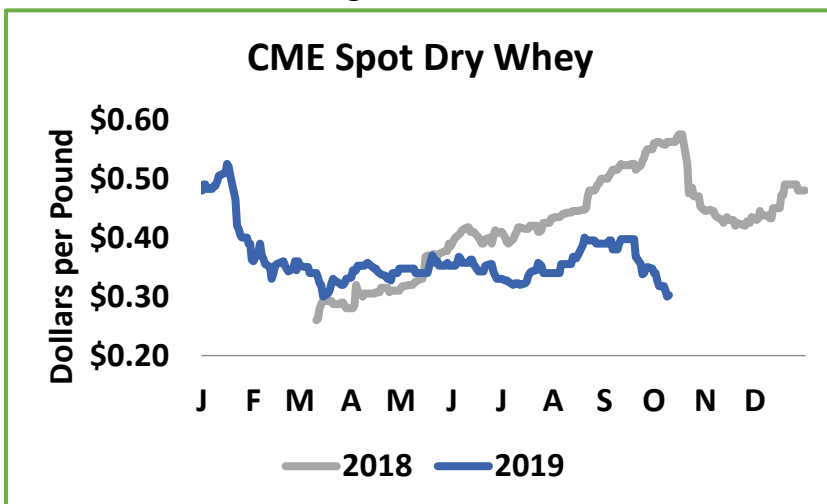
futures settled at \$18.64, and November closed at \$18.71, suggesting that futures traders expect a setback in the spot cheese markets. Nonetheless, today's values are considerably higher than those of last Friday. 2019 Class III contracts climbed 50¢ on average this week, and first-half 2020 contracts gained a dime or so.

Tight milk in the Midwest has slowed cheese output compared to years past. Cheesemakers still have enough milk to run at or near capacity, but they are not working overtime to push as much milk as possible into the vat. Judging

by the spot market, that's helped to tighten up the supply of fresh Cheddar barrels. Demand remains strong, despite higher prices. However, cheesemakers are understandably anxious that buyers will vanish as values climb. According to *Dairy Market News*, "End users are generally not interested in taking on extra loads with market prices near the \$2 mark. Instead, they prefer to work through inventories, but only as needed and delay larger purchases until after the winter holidays, when they hope market prices might ease back. Export sales are also challenging." However, "domestic retail accounts, food service businesses and pizza sales are engaged enough to keep U.S. cheese moving and market prices supported... Cheese stocks are heavy, but not burdensome."



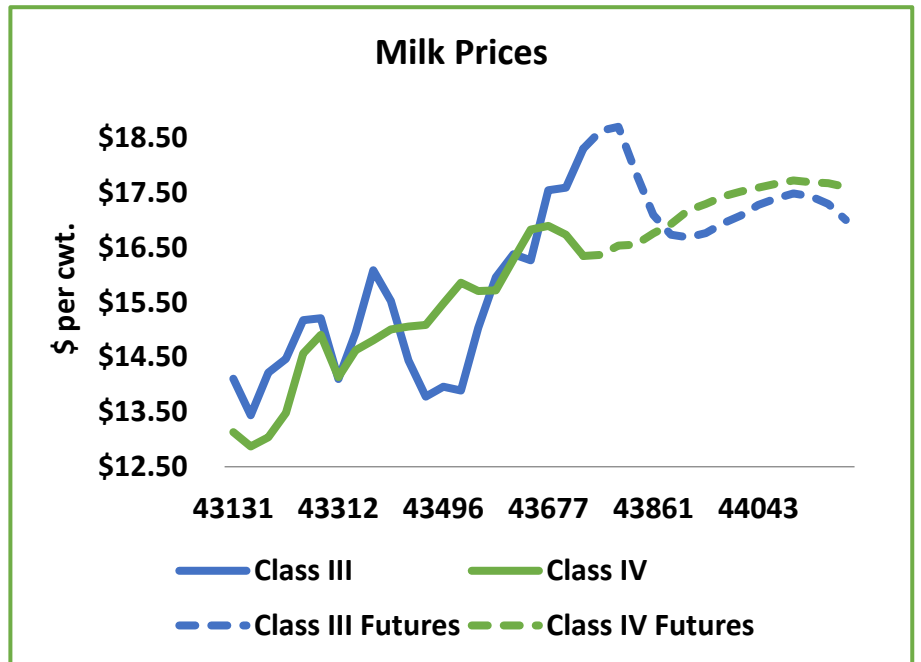
The milk powder market continues to benefit from slow growth in global milk output and formidable demand from both foreign and domestic users. In the U.S. a rising share of milk powder is making its way to cheese vats, further tightening stockpiles. CME spot nonfat dry milk (NDM) climbed to a fresh multi-year high at \$1.165 per pound, up 1.5¢ this week.



The butter market continues to languish. CME spot butter slipped 3.25¢ to \$2.095. At mid-week, spot butter fell to a 20-month low. Despite a robust milk powder market, weak butter is dragging Class IV futures lower. Compared to last Friday, most Class IV contracts were roughly 15¢ in the red. October Class IV was \$16.37. Butter is likely to remain inexpensive.

U.S. butter is still too high-priced to compete for exports, and cream is plentiful. *Dairy Market News* reports, “The western region is swimming in a pool of cream.”

Whey just keeps getting cheaper. CME spot whey fell 1.5¢ this week to 30.25¢, the lowest value since April 2017. Traders continue to bring huge volumes to sell in Chicago; another 71 lots changed hands at the CME this week. For a few months, the whey market seemed convinced that the worst news was in the rear-view mirror, and that whey values had fallen far enough. But that was a false comfort. Although lagging indicators of whey market fundamentals are not bearish, the market is under pressure. For weeks, *Dairy Market News* has reported an unsettled market and largely satisfied domestic buyers. The recent declines suggest that whey sales continue to disappoint.



### Grain Markets

USDA shocked the feed markets once again this week. The agency raised its estimate of the corn yield slightly, from 168.2 bushels per acre in September, to 168.4 bushels this month. The increase was unexpected after weeks of complaints about too much rain, lagging maturity, and a frustratingly slow harvest. Feed futures plummeted Thursday on the heels of the Crop Production report.

USDA’s yield estimates incorporate objective data about yields that look backward, and crop condition ratings improved slightly over the past month. The market must look forward and price in the risks that the laggard crop will not be given the opportunity to develop to its full potential. The forecast calls for a blizzard in the Dakotas this weekend, along with sub-freezing temperatures across the Northern Plains. Hundreds of millions of bushels are at risk of damage from the elements. It’s been exceptionally wet, and in many areas farmers will not be able to get their crops in ahead of adverse weather. Muddy fields are the latest irritation in an altogether frustrating season. The cold, wet forecast and hopes that China would agree to purchase more U.S. crops boosted the grain markets today, erasing Thursday’s losses and then some. December corn settled at \$3.9775 per bushel, up 15¢ from last Friday. November soybeans closed at \$9.36, up nearly 20¢.

So far, most dairy producers report that corn silage yields have been better than feared but lower than last year. Feed quality could be a major issue in the year to come. Dairy producers with low-quality forage may struggle to increase milk yields despite powerful economic incentives to do so. Higher milk prices will surely encourage higher milk output. However, between feed quality issues, depleted bank accounts, lower heifer inventories, and a smaller dairy herd, the U.S. dairy producers’ ability to add a lot of milk may be limited. U.S. dairy markets are likely to remain well supported.





## MPC Co-Hosts Congressional Delegation on Diepersloot Dairy in Madera

By Kevin Abernathy, MPC General Manager  
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Congressman Jim Costa (CA-16), Chairman of the Subcommittee on Livestock and Foreign Agriculture, hosted a workshop last Friday in Madera that focused on immigration and the challenges facing the agriculture labor workforce. Joining the Congressman to discuss this vital issue for our dairy families were fellow House Representatives Zoe Lofgren (CA-19), Jimmy Panetta (CA-20), and TJ Cox (CA-21).



Rob Diepersloot (second from right) and his dairy management team host House Representatives TJ Cox (second from left), Zoe Lofgren (third from left), Jim Costa (center) and Jimmy Panetta (third from right).

Prior to the workshop, MPC member Rob Diepersloot hosted the Congressional delegation at his dairy, giving House Members a firsthand look at the critical role labor plays on a California dairy. Also accompanying the delegation were MPC members Jeff Troost (Board Member) and Dustin Van Tol. Rob, his team, along with Jeff and Dustin, highlighted the importance of including provisions for non-seasonal workers in future immigration guest worker reform proposals. The Congressional delegation also got a look at the nuances of dairy labor and how it differs from seasonal agricultural work. Rob, his family and his dairy team did a magnificent job of showcasing his dairy and demonstrating the longstanding and valuable relationship he shares with his workers.

The MPC staff thanks the Diepersloot family for hosting the Congressional delegation and representing California dairy families on this important topic. We also appreciate MPC members Jeff Troost and Dustin Van Tol for taking the time to attend the tour and add their perspective. Thank you to Representatives Costa, Lofgren, Panetta and Cox for taking time to visit with our dairy families in the Central Valley about how we can make progress on immigration reform.

MPC staff will continue to work with our Congressional representatives and their staffs to develop an immigration reform package that ensures access to a qualified and diverse pool of reliable dairy labor.



House Representatives and staff visit with Diepersloot Dairy workers during the tour.



## Routine Producer Review Board Meeting Held This Week

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs  
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On October 8, the Producer Review Board (PRB) held its regularly scheduled meeting to consider budget issues and other topics of interest.

The budget presented by the California Department of Food and Agriculture (CDFA) staff was approved and the assessment rate, which had been adjusted a few months ago, was kept in place. The collection of those assessments seems to be proceeding without much difficulty. CDFA staff reported one minor enforcement issue that they were working on.

There was a report from the legal people on concerns expressed about PRB members voting on issues in which they had a financial interest, the so called “conflict of interest” issue. CDFA’s lawyer had done some research on this and cited some relevant case law on the issue. She concluded that when it came to policy decisions that the PRB might make, since every member of the PRB is a producer and therefore affected by any policy change that might be made, it is unreasonable to disqualify a PRB member from voting because of a conflict of interest on an issue that affects all producers. There was some discussion by the board on this but no action was taken.

There was some talk about a producer survey on the Quota Implementation Plan, but no action was taken on that either.

The next regular meeting of the PRB will be in March of 2020.

## World Dairy Expo 2019 Dairyman of the Year: Steve Maddox

*Courtesy of Progressive Dairy*

*From Kevin Abernathy, MPC General Manager*

*MPC congratulates dairy farmer and MPC member Steve Maddox for being named "Dairyman of the Year" at the 2019 World Dairy Expo in Madison, Wisconsin! Steve has been a tremendous leader for the California dairy community over the past three decades, serving on numerous boards and being on the leading edge of issues ranging from animal care to the environment and sustainability to advanced genetics. Steve's passion for family and cows is admirable and we're thankful for the contributions he continues to make across the country and here at home. Well done and well deserved, Steve and family!*

It is evident Steve Maddox of RuAnn and Maddox Dairies is committed to all facets of the dairy industry – his family’s dairy operation, the larger dairy industry, genetic progress, family connections and World Dairy Expo.



Read full article [here](#).

## The California Milk Advisory Board Announces 2019 Annual Information/Nomination Meetings

*Courtesy of CMAB*



Please join CMAB's marketing team for the 2019 Annual Information and Nomination Meetings near you.

CMAB CEO John Talbot will share the ongoing activities in place to promote California dairy. The meeting will highlight our new consumer communications campaign, business development initiatives in domestic retail and foodservice channels, export market development efforts, and a preview of our 2020 plan.

Find the full list of the meetings here. To RSVP for the Annual Meeting in your district, please email [promotions@cmab.net](mailto:promotions@cmab.net), contact the office at 209.690.8248 or online at [here](#).

