



# Milk Producers Council

P.O. Box 4030 ~ Ontario, CA 91761 ~ (909) 628-6018  
2328 Jonathon Court ~ Escalon, CA 95320 ~ (209) 691-8139  
Fax (909) 591-7328 ~ [office@milproducers.org](mailto:office@milproducers.org) ~ [www.MilkProducers.org](http://www.MilkProducers.org)



**DATE: November 2, 2018**  
**TO: Directors & Members**

**PAGES: 4**  
**FROM: Kevin Abernathy, General Manager**

## MPC Friday Market Update

### CHICAGO CHEDDAR CHEESE

Blocks - \$.0575 \$1.4575  
Barrels + \$.0900 \$1.3400

### Weekly Average, Cheddar Cheese

Blocks - \$.0095 \$1.4830  
Barrels + \$.0705 \$1.3050

### CHICAGO AA BUTTER

Weekly Change + \$.0675 \$2.3000  
Weekly Average + \$.0470 \$2.2660

### DRY WHEY

Dairy Market News w/e 11/02/18 \$.4625  
National Plants w/e 10/27/18 \$.4577

### NON-FAT DRY MILK

#### Week Ending 10/26 & 10/27

Calif. Plants \$0.8517 8,519,310  
Nat'l Plants \$0.8771 12,467,797

#### Prior Week Ending 10/19 & 10/20

Calif. Plants \$0.8526 8,117,971  
Nat'l Plants \$0.8756 12,439,683

\*\*\*

## Fred Douma's price projections...

Oct '18 Final: Quota cwt. \$16.72 Overbase cwt. \$15.02 Cls. 4a cwt. \$14.51 Cls. 4b cwt. \$15.43

## Thank you, Fred Douma

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

With the publishing of the October 2018 Final California Quota and Overbase Prices, an era ends. MPC extends its heartfelt thanks to Fred Douma for his diligent California milk price projections over the decades. Fred built a California milk pricing model years ago, regularly sharing his weekly price projections in the MPC Friday Report. I called Fred a few weeks ago to see if he was going to create a California Federal Order milk pricing model and he said it was time to pass on those duties on to someone else.

We owe Fred a great debt of gratitude for his service to the industry. He is still a dairy farmer and a current member of the Producer Review Board (PRB), where his vast experience and wisdom has been put to good use as the PRB created the Quota Implementation Plan that will take effect with the transition to the California Federal Milk Marketing Order. So on behalf of the whole dairy industry, thank you, Fred, for your exceptional service and leadership.

\*\*\*

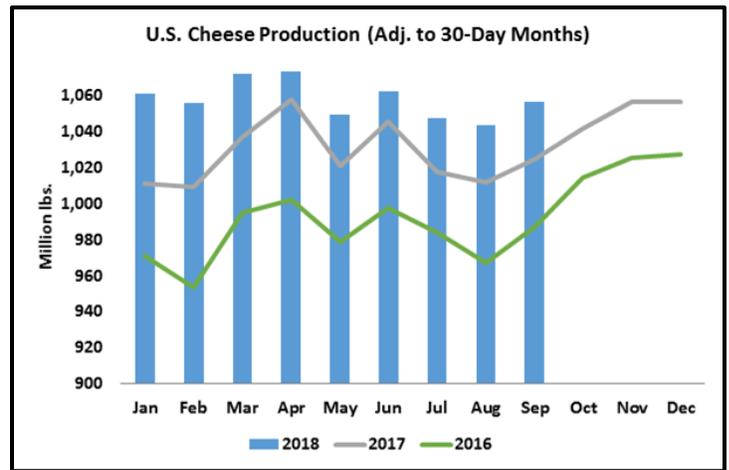
## Market commentary

By Sarina Sharp, Daily Dairy Report, [sarina@dailydairyreport.com](mailto:sarina@dailydairyreport.com)

### Milk & Dairy Markets

A horrendous October has drawn to a close. Since 2010, CME spot Cheddar barrels have traded below \$1.30 per pound a total of 48 times. Of those, half have occurred this year. Barrels floundered below \$1.30 for ten sessions in October and averaged a frightfully low \$1.3152 for the month. But they moved in the right direction this week, closing at \$1.34, up 9¢. Blocks slipped 5.75¢ to \$1.4575. November Class III futures moved sharply lower this week, falling 30¢ to \$14.78 per cwt. However, losses in other months were modest.

Cheese is plentiful and output is strong. USDA reported September cheese production at 1.06 billion pounds, up 3.1% from a year ago and a new record for the month. Improved efficiencies and expanded capacity pushed cheese output up 7.5% in the West and 2% in the Central region. In contrast, cheese production in the Atlantic region fell 6.6% short of year-ago volumes, as tighter milk supplies reduced production. Milk remains snug in the Northeast and Upper Midwest, which may slowly change the dynamics in an otherwise well-supplied cheese market.



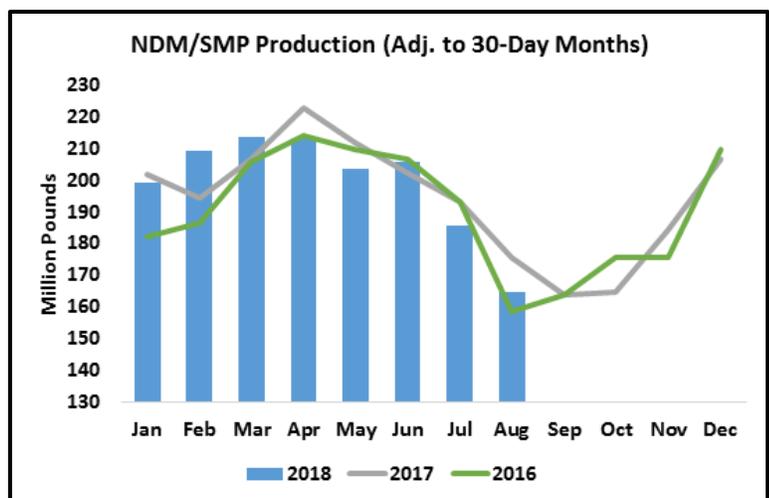
Mexico’s higher tariffs on U.S. cheese are not helping matters. U.S. cheese exports slumped to 54.2 million pounds in September, the lowest volume since January 2017. Exports were down 9% with shipments south of the border down 10%. Sales to China plummeted 63% compared to last year. U.S. cheese is a bargain, so exports may bounce back, but the industry must still contend with higher across-the-board border taxes in China and retaliatory cheese tariffs in Mexico.



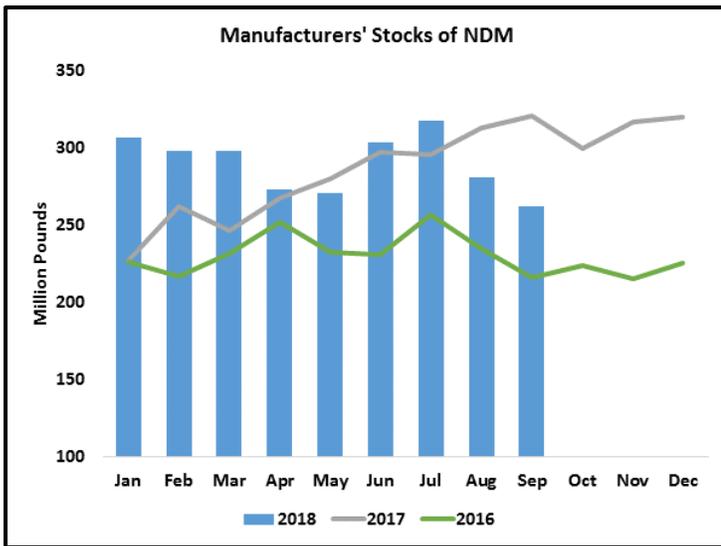
They struggled again this week. Active trading at the CME spot market pushed dry whey down 2.5¢ to 44.5¢ per pound. The futures forecast cheaper whey next year. The Dairy Products report showed lower whey output and declining stocks in September. However, USDA’s *Dairy Market News* reports that, more recently, “production and inventories have increased,” and “there are reports of demand softening.” Exports disappointed in September. A 14% decline in shipments to China dragged total exports down 13% from a year ago.

The Class IV markets fared much better this week. Class IV futures added between 14¢ and 31¢ this week. USDA announced October Class IV at \$15.01, up 16¢ from a year ago and up 20¢ from September. Dairy producers have not earned \$15 for the Class IV portion of their milk check since September 2017, but every Class IV contract on the board is \$15 or higher. In November, Class IV milk is currently the “higher of” and there is little daylight between Class III and Class IV prices in December.

Milk powder prices gained ground in Chicago. CME spot nonfat dry milk (NDM) climbed 3.25¢ to 90¢, a value not seen since early October. There is very little excess milk East of the Mississippi and driers have slowed accordingly. Combined production of NDM and skim milk powder (SMP) dropped to just 155 million pounds in September, a four-year low and down 5.3% from September 2017. Manufacturers’ stocks of NDM ebbed to 262.1 million pounds, 18.3% below prior-year inventories.



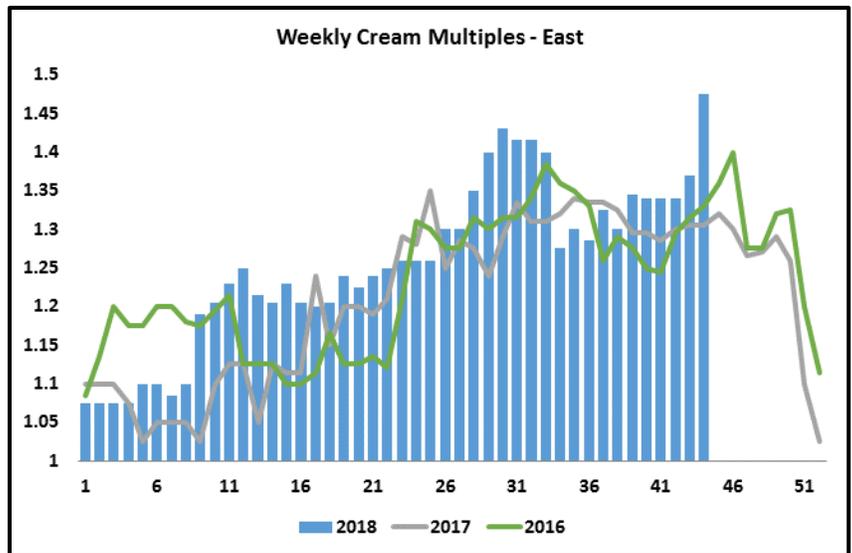
U.S. NDM exports looked stellar in comparison to last year, with shipments up 31% from the very low



volumes of September 2017. Exports to Mexico jumped 43%. However, at 115.9 million pounds, NDM exports in September represent the lowest monthly volume since January. In light of slower output, that is still a respectable total. Exports accounted for 75% of U.S. NDM/SMP output for the month.

Butter exports jumped almost threefold in September. The U.S. exported nearly 8.3 million pounds of butter and milkfat, up from less than 3.1 million pounds in September 2017. However, the U.S. continues to bring in Irish butter in huge volumes, making the U.S. a net butter importer.

Buttermakers churned out 134.4 million pounds of product in September, down 0.1% from a year ago. Production has likely slowed since. In recent weeks, cream has gotten pricey. Cream multiples in the East and Midwest have jumped to more than three-year highs. According to *Dairy Market News*: “Whipping cream, sour cream and cream cheese production, amongst other holiday staples, are being produced at a clip. Some butter churns are idle.” As production moves down, prices are moving up. CME spot butter jumped 6.75¢ this week to \$2.30. European butter values inched lower.



Cow values and slaughter volumes continue to reflect dairy producers’ financial duress. For the week ending October 20, dairy cow slaughter was 64,924 head, up 5.5% from the same week a year ago. Dairy slaughter is running 4.4% ahead of the 2017 pace. The accelerated pace of sellouts in much of the nation and wet weather in Texas has likely slowed growth in milk output.

Grain Markets

Those wishing to speculate in the soybean market should ignore all fundamental indicators and just follow the Trump Twitter feed. President Trump used his favorite medium to hint at progress on trade discussions with China, and soybean futures soared. President Trump and Chinese President Xi Jinping will meet at the G-20 later this month. In the meantime, there are no details about a potential trade pact and the personalities involved are mercurial, with differing domestic priorities. A trade pact is far from assured. Nonetheless, November soybeans jumped more than 30¢ this week to \$8.7525 per bushel. December corn climbed 3.5¢ to \$3.7125. U.S. soybean exports are abysmal and South American crops are off to an excellent start. Corn and soybean inventories are large, and the U.S. soybean stockpile is expected to grow substantially even if China backs down on soybean tariffs. For now, it doesn’t matter. The bulls are charging in Chicago.

\*\*\*

# October 2018 California Dairy Quality Assurance Program Newsletter

By Kevin Abernathy, MPC General Manager



The October e-update from the California Dairy Quality Assurance Program (CDQAP) provides tips for groundwater well and lagoon management, along with highlighting the importance of the upcoming California Dairy Sustainability Summit.

Dr. Deanne Meyer with the UC Davis Department of Animal Science reminds dairy farmers of the importance of groundwater well management in compliance with the Dairy General Order. Dr. Meyer details the necessity for annual water samples along with addressing issues concerning backflow prevention. Lagoon management is also highlighted considering the approaching seasonal rains. Weekly observations of lagoon depth are recommended. Central Valley dairies need to take photos of lagoon depth markers on or near the first of the month for proper management.

The newsletter also provides details to on the inaugural California Dairy Sustainability Summit, showing how industry cooperation and sustainable practices can insure the continuation and growth of the California dairy industry.

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

\*\*\*



November 27–28, 2018  
Sacramento Convention Center



Hosted by:



Look for the Seal  
RealCaliforniaMilk.com

Organized by:



Learn more at [www.cadairysummit.com](http://www.cadairysummit.com).

Register [here](#).



California Water Bond 2018

Learn more [here](#).