

MPC WEEKLY FRIDAY REPORT

DATE: MARCH 15, 2019
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 5



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE			CHICAGO AA BUTTER			NON-FAT DRY MILK		
Blocks	+ \$.0250	\$1.5600	WEEKLY CHANGE	+ \$.0125	\$2.2800	WEEK ENDING 03/09/19		
Barrels	+ \$.1275	\$1.4925	WEEKLY AVERAGE	-\$.0050	\$2.2785	NAT'L PLANTS	\$0.9616	26,129,216
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 03/02/19		
Blocks	-\$.0235	\$1.5380	DAIRY MARKET NEWS	W/E 03/15/19	\$.4012	NAT'L PLANTS	\$0.9822	16,900,648
Barrels	+ \$.0145	\$1.4350	NATIONAL PLANTS	W/E 03/09/19	\$.4088			

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
MARCH 15 EST	\$17.58 - \$18.08	\$16.61	\$14.94	\$15.79
MARCH 8 EST	\$17.58 - \$18.08	\$16.52	\$14.97	\$15.79

FEBRUARY 2019 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

FEB '18 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT
MINIMUM CLASS PRICE	\$16.90 (TULARE) \$17.40 (L.A.)	\$16.13	\$13.89	\$15.86	\$14.62 (TULARE) \$15.12 (L.A.)	\$14.24 (TULARE) \$14.74 (L.A.)
PERCENT POOLED MILK	23%	5.1%	69%	2.9%	100% (1.83 BILLION LBS. POOLED)	



Milk, Dairy and Grain Market Commentary

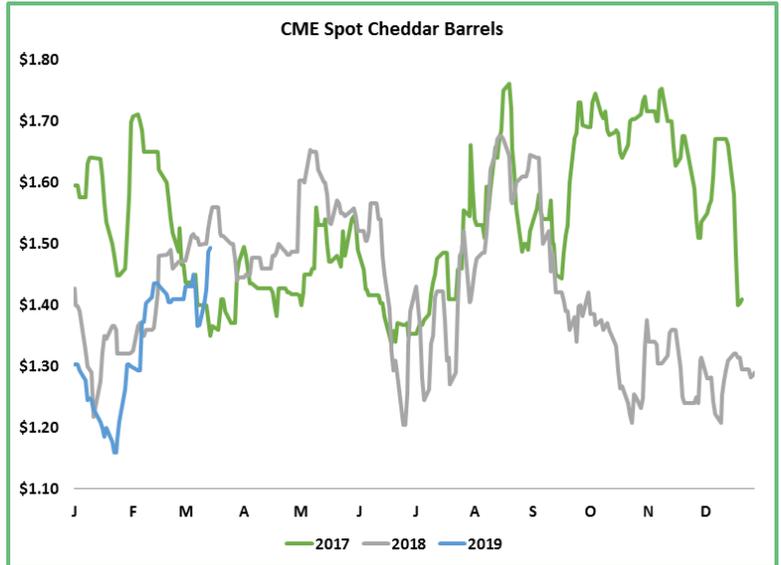
By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

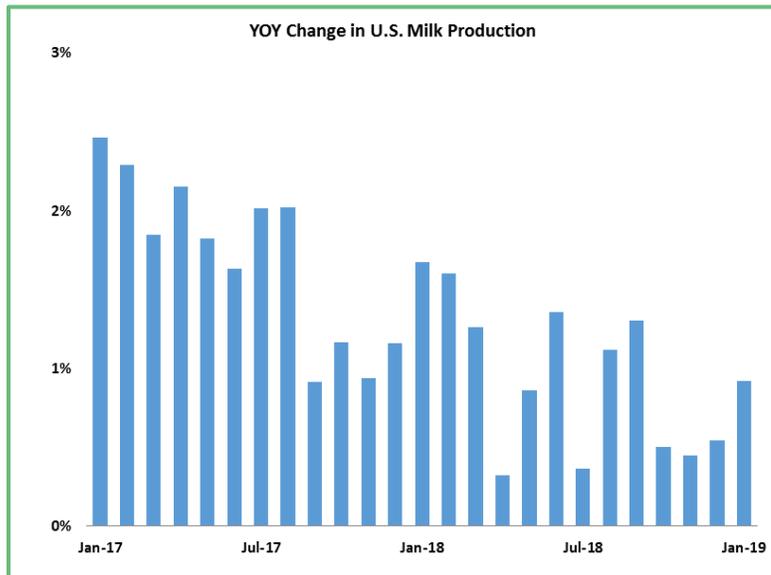
After a long winter, the cheese-market bulls were finally allowed to leave the barn, stretch their legs, and feast on tender green shoots. They were particularly frisky in the CME spot Cheddar barrel market, where prices surged to six-month highs. Barrels closed today at \$1.4925 per

pound, up 12.75¢ from last Friday. Spot Cheddar blocks posted a more modest but still encouraging 2.5¢ gain and finished at \$1.56. Spot butter climbed 1.25¢ to \$2.28. The powders softened. Spot nonfat dry milk (NDM) slipped 0.75¢ to 96.75¢. Dry whey fell 2¢ to 32¢. Class IV futures lost a little ground, while first-half Class III futures were mostly higher.

The markets had two perplexing reports to digest this week. The Milk Production report showed January milk output at 18.6 billion pounds, up 1% from 2018. That was greater than expected after just 0.5% growth in the fourth quarter. The increase was driven by a 1.8% jump in production per cow compared to a year ago.



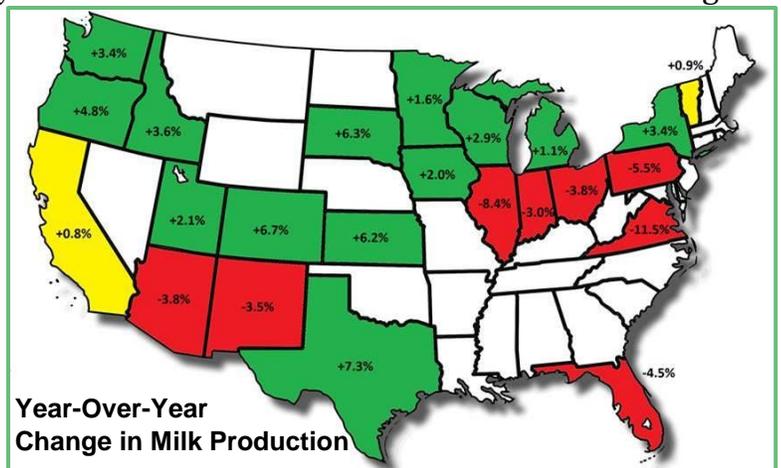
USDA’s estimates of the size of the milk cow herd came as a surprise. Dairy cow slaughter reached a 32-year high in January, and yet the agency reports that there were more than 2,000 milk cows in January than there were in December. USDA also revised upward its estimates of the dairy herd throughout 2018. According to USDA’s latest assessment, there were 9.438 million milk cows when the herd peaked in January 2018, some 30,000 head more than the agency previously reported. At 9.355 million head, the dairy herd was 83,000 head smaller in January 2019 than at the start of 2018, but it was still greater than expected in light of recent slaughter volumes and the frequency of herd dispersals.

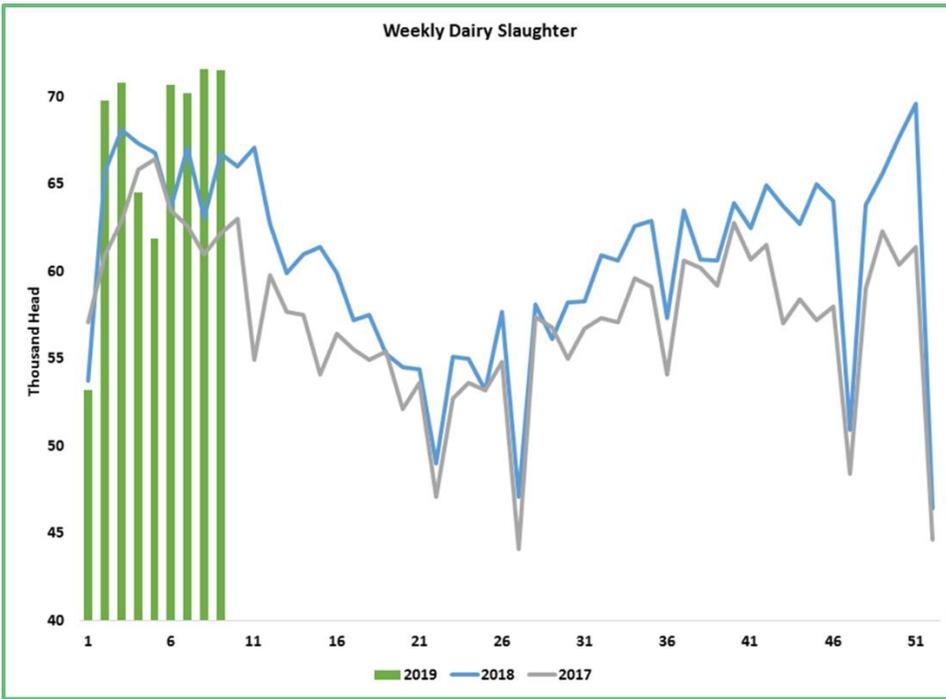


Those disappointed in these somewhat bearish figures should take heart; USDA will

offer a look at February milk production early next week. Harsh weather and accelerated slaughter volumes surely impacted milk output and cow numbers in February. Dairy cow slaughter has topped 70,000 head in each of the past four weeks and is running 3.8% ahead of the 2018 pace. The declines are noticeable. The spring flush is here, and while milk is abundant, it is far from overwhelming.

USDA’s Dairy Products report was also a head-scratcher. It showed cheese production at 1.1 billion pounds in January, up just 0.4% from the prior year. That doesn’t jibe with the Milk Production report, which showed

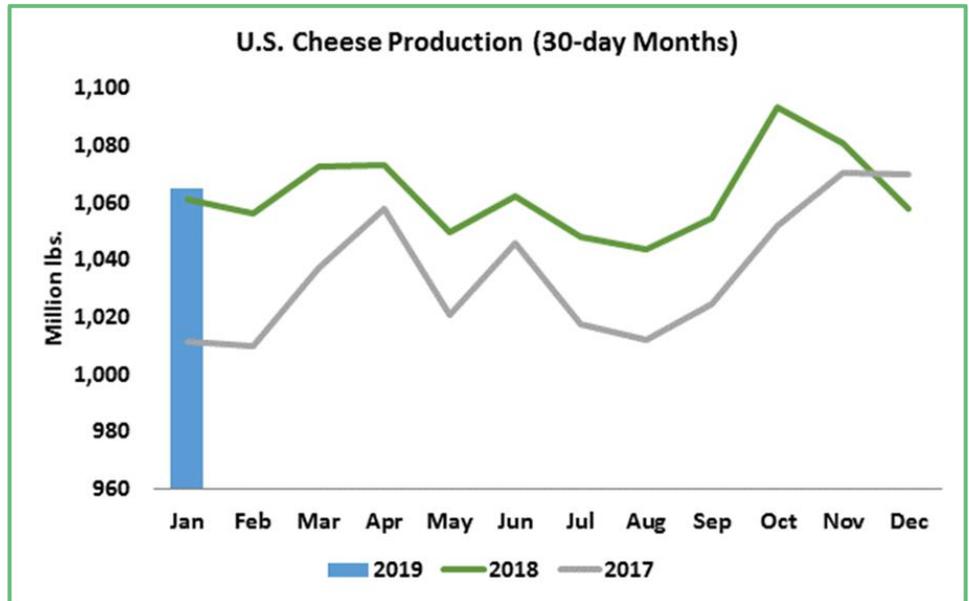




surprisingly large growth in milk output in the cheese states. While Wisconsin's milk production jumped 2.9% year-over-year in January, cheese output in America's Dairyland fell 4%. The *Daily Dairy Report* suggests this may indicate just how much discounted milk moved out of the other Great Lakes states into Wisconsin last year. The Michigan milk surplus has largely evaporated under the strain of low prices and a punitive basis. There will be significantly fewer trucks making the expensive trek from Mideastern dairies to Wisconsin's cheese plants this year.

Butter output jumped 4.2% in January to 189.8 million pounds. This was expected; churns were busy at the turn of the year processing imported butterfat and plentiful domestic cream. The strong increase affirms that the December-to-January decline in butter inventories is evidence of robust demand.

Combined production of NDM and skim milk powder (SMP) totaled 203.1 million pounds in January, down 1.5% from the prior year. Production shifted into NDM and away from SMP, suggesting that manufacturers did not anticipate strong demand from overseas. While NDM production (excluding SMP) was stronger than it was a year ago, stocks fell. Manufacturers' stocks of NDM on January 31 ebbed to 283.6 million pounds, down 7.6% from a year ago.



Grain Markets

After weeks of decline, the grain markets rebounded. May corn settled today at \$3.8225 per bushel, nearly 20¢ higher than last Friday. May beans closed at \$9.23, up 27.25¢ for the week. Rumors that China will buy U.S. corn sparked the rally, while concerns that soggy soils will slow spring planting stoked the embers.



What's Going on With Quota?

By Geoff Vanden Heuvel, Director of Regulatory & Economic Affairs
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There is a lot of discussion going on right now among California producers about quota. It is an issue where producers have different views and a lot of money and history is involved. The Board of Milk Producers Council is discussing this as well. The Board membership reflects the broader producer community with some Board members owning a lot quota and some owning no quota and many somewhere in between. There are those who would prefer that no changes ever be made to the existing program, and there are those who think change is appropriate. If you are open to change, the question then becomes what kind of change and how fast. I am sure this conversation is going to continue for some time, but for today, what I want to offer up for your consideration are some reading materials.

Here are several documents that are worth looking at. First is a History of the California Milk Pooling Program last updated by CDFA in October of 2012. You can read it [here](#). The Second is a document written in 1972 that gives the comprehensive history of what led up to the development of the pooling/quota system. You can read that [here](#). The third covers some of the same ground in a very thorough Legislative analysis done in 1975. You can read that [here](#).

There is more history of important things that happened after these documents were written. There was "equalization" that took place in 1978 where a large amount of "blue sky" quota was issued to certain producers who were still short of quota nine years after the program started. Then there is the history of the \$1.70 fixed differential that came into effect in 1994. I was very involved in that effort and at some point, in the future I may write a history of what led up to that important change. But I am going to leave that for another day.

For right now, it is important to acknowledge that the milk pooling/pricing/quota systems that are currently in place are there because producers acted collectively to put them there. Changes have been made to these programs when enough pressure emerged to make changes, but it was never a quick process. We have just undergone a very major change in the adoption of a Federal Milk Marketing Order. Now there is agitation for further major change. This time the discussion is **"in the family"** and there are producers on all sides. The benefit of reading the history is to understand that our industry has faced these challenges before and has found solutions that most producers supported. It's worth a little investment of time to get that perspective. Happy reading.

CDQAP March 2019 e-Update: Dairy Stockmanship Workshop, Tips for Managing Rain Water

Courtesy of California Dairy Quality Assurance Program

The March edition of the CDQAP update includes tips from Dr. Deanne Meyer of UC Davis for managing rain water. Also included is information about the upcoming Stockmanship Train-the-Trainer Workshop on March 20-21 in Tulare. Read more [here](#).



Register today ...

Stockmanship Train-the-Trainer Workshop

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Register Online: www.stockmanshipandstewardship.org/events/tulare-ca

Attendance is FREE for producers and/or herdsmen with the coupon code: **TULARE19**

Tentative Two-Day Agenda (subject to change):

Wednesday March 20, 2019

2:30 p.m.	Opening Remarks
3:00 p.m.	Employee Training Tools (Videos, Tablets, Cultural Strategies & More) - Dr. Robert Hagevoort
5:30 p.m.	Closing Remarks & Day-Two Preview
6:00 p.m.	Tri-Tip Dinner

Thursday March 21, 2019

8:00 a.m.	Coffee and Pastries
8:30 a.m.	Low-Stress Cattle Handling - Curt Pate & Dr. Ron Gill
9:30 a.m.	Pen-Side Hands-On Training (Rotating 45-Minute Sessions with Each Expert)
Noon	Lunch and Discussion
1:00 p.m.	Optional Tour of VMRTC Diagnostic Lab

Questions? Contact Dr. Mike Payne at (530)304-9306 or mpayne@ucdavis.edu

