

MPC WEEKLY FRIDAY REPORT

DATE: JUNE 7, 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	+ \$.0375	\$1.7525	WEEKLY CHANGE	+ \$.0375	\$2.3975	WEEK ENDING 06/01/19		
Barrels	-.0050	\$1.5350	WEEKLY AVERAGE	+ \$.0020	\$2.3745	NAT'L PLANTS	\$1.0328	21,907,993
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 05/25/19		
Blocks	+ \$.0424	\$1.7330	DAIRY MARKET NEWS	W/E 06/07/19	\$3.3550	NAT'L PLANTS	\$1.0253	20,815,194
Barrels	-.0303	\$1.5110	NATIONAL PLANTS	W/E 06/01/19	\$3.3715			

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
JUNE 7 EST	\$18.67 - \$19.17	\$17.31	\$16.26	\$16.80
MAY '19 FINAL	\$18.02 - \$18.52	\$16.48	\$16.38	\$16.29



Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

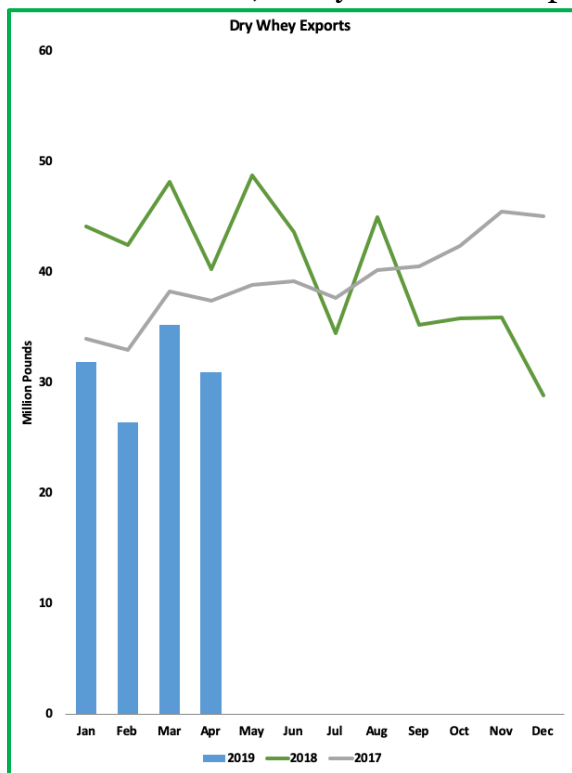
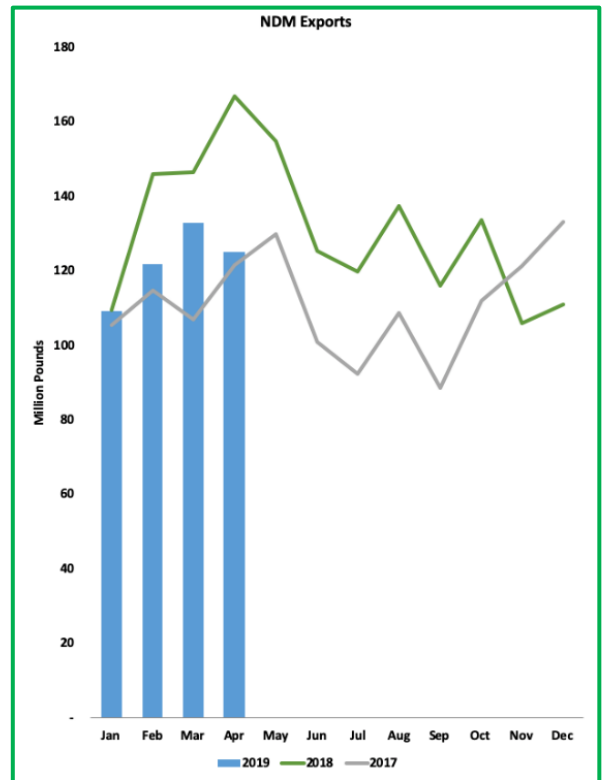
U.S. dairy product exports fell well short of the record-high volumes set in April 2018. Aggregate volumes in April were down 6.2% from March on a daily average basis and down 22% from the prior year. Rising U.S. dairy product prices, the strong dollar, and increasingly acrimonious trade relationships combined to stifle foreign buyers' appetite for dairy products made in America. Still, year-to-date exports are the third-highest ever, trailing only 2018 – when U.S. dairy was moving quickly at rock-bottom prices – and 2014. Exports accounted for 14.4% of U.S. milk solids output in April, just below the five-year average of 14.7%.

Milk powder and whey product exports were particularly weak in April. U.S. nonfat dry milk (NDM) shipments slipped to 125 million pounds, down 2.6% from the daily average pace in March and down 25.6% from April 2018, when U.S. NDM exports reached the second-highest total on record. The sudden rise in NDM prices at the beginning of the year likely weighed on exports in April, but now buyers have resigned themselves to milk powder above \$1 per pound. Production and stocks data suggest values will remain lofty. Combined output of NDM and skim milk powder (SMP) totaled 210 million pounds in April, down 4% from a year ago amidst a tepid spring flush. Despite unimpressive

exports, manufacturers' stocks of NDM fell 12.3 million pounds from March to April. However, at 277.6 million pounds, they were still 1.6% greater than in April 2018.

Chinese whey demand has slumped as hog farmers struggle to contain the African swine fever. In the long run, the disease will encourage China to modernize and consolidate its hog industry, likely resulting in greater volumes of whey in piglet rations. But for now, the disease is reducing Chinese feed needs, and Chinese tariffs on U.S. dairy products compound the demand destruction. U.S. dry whey exports fell to 30.9 million pounds in April, down 23.1% from a year ago. Whey protein concentrate (WPC) exports fell 54.9% year over year. Slumping whey demand has pressured prices, and it seems that whey values are so low that manufacturers are not bothering to process all of it. Production of dry whey for human consumption fell 13.8% from a year ago in April, and WPC output fell 1.1%.

U.S. cheese exports totaled 71.5 million pounds in April, down 9.9% from the record-setting March pace and down 1.3% from a year ago. Cheese remains a relative bright spot on the trade front, with year-to-date exports up 7% from 2018. But higher prices may reduce sales going



forward, particularly as European milk production rebounds.

Waning Cheddar output will likely continue to support the cheese market. U.S. Cheddar production fell 3.3% from a year ago in April. This was more than offset by a 4% increase in Mozzarella output, and total U.S. cheese production reached 1.08 billion pounds in April, up a slight 0.2% from April 2018. The product shift is positive for cheese prices. Cheesemakers try to match Mozzarella production to immediate demand, so higher Mozzarella output signals strong consumption. Robust Cheddar output often translates to greater offerings at the spot market in Chicago, pressuring Class III prices and reducing dairy producers' milk checks.

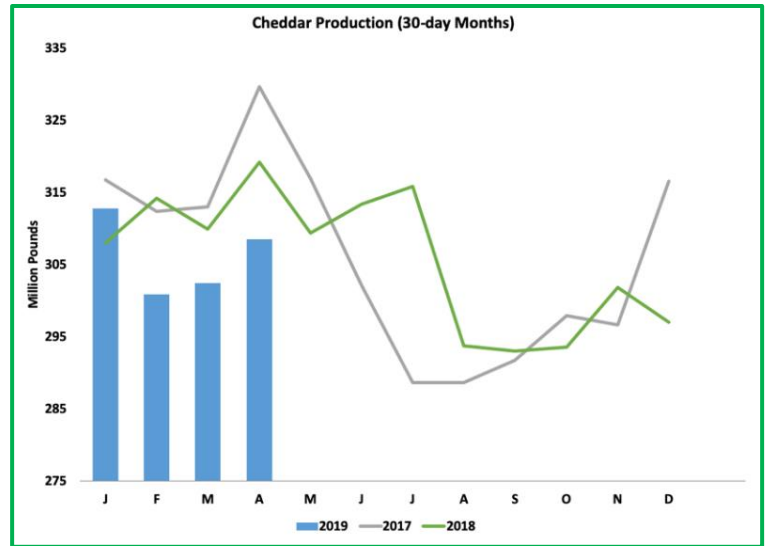
The United States is now home to the most expensive butter in the world, and imports are rising accordingly. The U.S. imported 8 million pounds of butter in April, up nearly 50% from April 2018. U.S. butterfat exports fell 71% from a year ago, to just 3.2 million pounds. Despite cheaper imported butterfat, U.S. butter output fell to 166.7 million pounds, down 4.8% from April 2018. Cream is getting pricey, which

has likely slowed butter churning activity considerably since April. Butter supplies could be tight when demand ramps up later this year.

Prices moved sharply lower at the Global Dairy Trade (GDT) auction on Tuesday. All product values retreated except lactose and casein. NZX futures projected lower values, but the declines were steeper

than anticipated. Butter, buttermilk powder, and Cheddar all suffered double-digit percentage declines. The average winning price for SMP fell 4% from the previous event, and whole milk powder dropped 1.5%.

In Chicago, the markets were mixed. CME spot dry whey climbed 1.25¢ to 36.5¢ per pound. Cheddar blocks rallied 3.75¢ to a 19-month high at \$1.7525, but barrels slipped a half-cent to \$1.535. CME spot NDM was steady at \$1.055. Butter jumped 3.75¢ to \$2.3975, near the 2019 high set last week. Class III futures settled mostly a little higher than last week, while Class IV contracts were mixed.



USDA announced the May Class III milk price at \$16.38 per cwt., up 42¢ from April and up \$1.20 from a year ago. May Class IV was \$16.29, up 57¢ from April and \$1.72 higher than May 2018. These values represent the highest Class III price since November 2017 and the highest Class IV price since August 2017. The futures project even higher prices. The road back to prosperity will of course feature some potholes. Some of them – like softer exports – are at least partially the result of elevated dairy product prices. But given tighter U.S. milk output and slow growth around the world, the long-term projections point upward.



Grain Markets

The grain markets yo-yoed this week but ultimately prices sagged. July corn settled at \$4.1575 per bushel, down 11.25¢ from last Friday. July soybeans finished at \$8.5625, down 21.5¢. The sun is finally shining, and fields are starting to dry. But millions of acres will not be planted. Crops planted at this late date have the potential for dramatically lower yields. Their shallow root systems will make them more vulnerable to drought, they are more likely to pollinate during a heat wave, and they may not reach maturity before a frost. After this week’s setback, the market does not seem to be pricing in a lot of forward-looking weather risk premium. If the sun stops shining, or the rain stops falling, markets could soar. For dairy producers, feed quality and availability may be a bigger issue, especially for forage. Hay stocks are tight and prices are rising.



Congressman Costa Hosting Fresno and Merced County “Dairy Workshops”

Courtesy Office of Congressman Jim Costa

From Kevin Abernathy, MPC General Manager



Congressman Jim Costa is inviting all dairy farmers in and near Fresno and Merced counties to two Dairy Workshops on June 17. The purpose of this workshop is to ensure that San Joaquin Valley dairy farmers have all the information they need to make informed decisions on the new suite of dairy support programs following implementation of the 2018 Farm Bill. All information is below.

Fresno County:

Monday, June 17, 2019

10:00 AM – 11:00 AM

Fresno County Farm Bureau

1274 W Hedges Ave, Fresno, CA 93728

With Information Provided By:

Russ Friend, Fresno County Executive Director

USDA Farm Services Agency

Merced County:

Monday, June 17, 2019

2:00 PM – 3:00 PM

Merced County Farm Bureau

646 CA-59, Merced, CA 95341

With Information Provided By:

Garrett Pedretti, Merced County Executive Director USDA Farm Services Agency

For either workshop, please RSVP to Christy Bourbon at (559) 495-1620 or

Christy.bourbon@mail.house.gov.

NMPF Cheers EPA Efforts to Exempt Manure Air Emission Reporting Under Emergency Planning and Community Right-To-Know Act

Courtesy of National Milk Producers Federation

On Tuesday, the National Milk Producers Federation commended the Environmental Protection Agency for issuing a final rule to codify its earlier interpretation that air emissions from manure are not reportable under the Emergency Planning and Community Right-To-Know Act. The action successfully concludes a two-year battle in which NMPF was involved at every step.

“We are pleased with the outcome of EPA’s painstaking efforts,” said Jim Mulhern, NMPF president and CEO. “This final rule codifies what’s been the right thing to do all along.”



NMPF has been engaged with this effort since April 2017, filing comments as recently as last December supporting EPA’s efforts last fall to modify its regulations to eliminate the reporting of ammonia or hydrogen sulfide air emissions from manure. EPA concluded in October 2017 that air emissions from manure did not need to be reported under EPCRA while signaling it would explain its thinking on the issue through rulemaking. EPA’s assessment largely was based on the conclusion that the air emissions were a result of “routine agricultural operations” exempt from EPCRA reporting.

EPA’s final actions with EPCRA is consistent with Congress’ recent action to exempt manure emissions reporting requirements under the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA). NMPF supported that approach and noted that EPCRA’s legislative history showed that Congress did not intend for continuous air emissions reports to be filed under EPCRA if they were not required under CERCLA. NMPF has noted in its support for EPA that the emergency response community has said it doesn’t need these reports and that they impede their emergency response function.

NMPF anticipates the rule will be challenged in court.

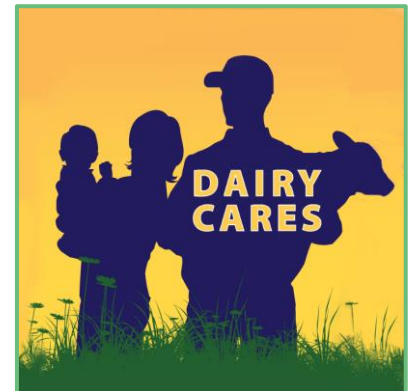
California’s Dairy Farmers on Their Way Toward Planet-Smart Goals

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 how California’s dairy families are world leaders in planet-smart farming.

From Dairy Cares

California’s dairy families are world leaders in planet-smart farming. As Time magazine put it, “[California already has a Green New Deal](#),” and it includes the state’s family dairy farms. Through a collaborative effort, the state is working to demonstrate dairy’s important role in a low-carbon future—nourishing a growing population while ensuring the health of people and our planet. Dairy farmers are not only reducing their dependence on fossil fuels, but also working to reduce methane emissions to unprecedented levels. Great progress is being made to tackle the state’s ambitious dairy methane reduction goal.



Reductions are being achieved largely through the state’s incentive programs—the [Dairy Digester Research and Development Program](#) (DDRDP) and the [Alternative Manure Management Program](#) (AMMP)—with funding from California’s cap-and-trade program. A total of 64 grants for dairy digesters totaling \$114 million have been awarded, with projects either operating or under construction. An additional 17 dairy digesters are currently operating in California. The AMMP has awarded a total of \$31.2 million for 57 projects. Through the DDRDP and AMMP, an estimated total of 28.5 million metric tons of greenhouse gas emissions will be reduced over the next 20 years. Ninety percent of those reductions will come from dairy digesters while 10 percent is expected to come from alternative manure management projects.

Both the DDRDP and AMMP are among the most cost-effective of California's 60 climate investment programs. According to the [March 2019 California Climate Investments Report](#), the DDRDP ranks second in cost-effectiveness, providing one ton of greenhouse gas (GHG) reduction for every \$9 invested by the state. The AMMP follows as the seventh most cost-effective, providing one ton of GHG reduction for every \$43 invested by the state. Other programs cost as much as \$1,000 to more than \$4,000 per ton of GHG reduced. Private dollars are matching the grants on a heavy two-to-one basis. Later this year, the California Department of Food and Agriculture (CDFA) anticipates awarding a total of up to \$94 million—the same amount that was awarded in 2018—which will likely be able to accommodate more than 40 projects in each of the two programs.

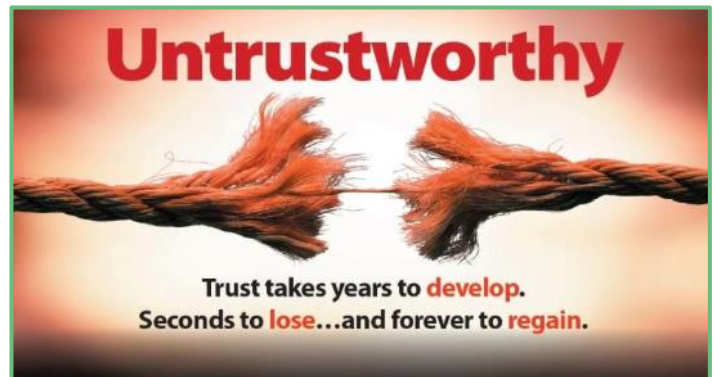
Read the full newsletter [here](#).

AECA: Legislators Must Hold PG&E Accountable

Courtesy of Agricultural Energy Consumers Association

MPC holds a seat on the Agricultural Energy Consumers Association (AECA) Board of Directors, which represents the interests of more than 40,000 agricultural operations from Redding to San Diego. The primary goal of AECA is controlling the rising costs of energy. This piece is courtesy of AECA.

Unfortunately, Californians do not have forever to wait for PG&E to finally get it right. PG&E has broken the public's trust time and time again. Five of the ten more destructive fires since 2015 have been linked to PG&E's mismanagement of its electrical system. During this same period the utility lavished shareholders with \$4.5 billion in cash dividends, money that should have been spent ensuring the safety of their system and preventing wildfires.



New York Times

March 18, 2019

“They have simply been caught red-handed over and over again, lying, manipulating or misleading the public...They cannot be trusted.”

Governor Gavin Newsom

Now they want ratepayers to pay for their mismanagement. How much worse does it have to get before legislators hold PG&E accountable?

Policymakers Must Hold PG&E Accountable
Time for REAL Reform

