



Milk Producers Council

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DATE: October 12, 2018
TO: Directors & Members

PAGES: 4
FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks - \$.0400 \$1.6100
 Barrels - \$.0075 \$1.3600

Weekly Average, Cheddar Cheese

Blocks - \$.0395 \$1.6510
 Barrels - \$.0225 \$1.3660

CHICAGO AA BUTTER

Weekly Change - \$.0400 \$2.2500
 Weekly Average - \$.0580 \$2.2510

DRY WHEY

Dairy Market News w/e 10/12/18 \$.4575
 National Plants w/e 10/06/18 \$.4410

NON-FAT DRY MILK

Week Ending 10/5 & 10/6

Calif. Plants \$0.8492 9,154,239
 Nat'l Plants \$0.8685 13,686,120

Prior Week Ending 9/28 & 9/29

Calif. Plants \$0.8400 10,192,422
 Nat'l Plants \$0.8697 21,344,246

Fred Douma's price projections...

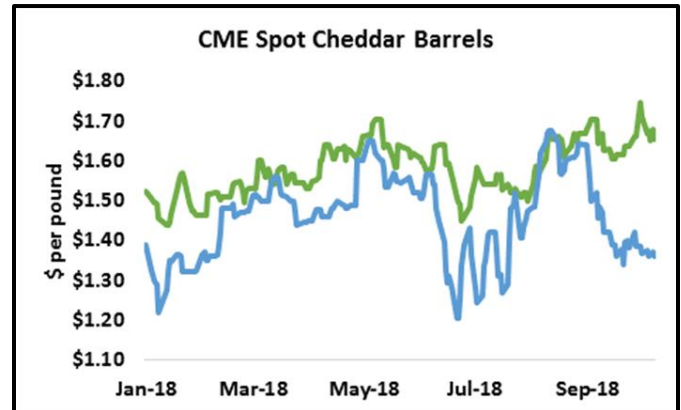
Oct 12 Est: Quota cwt. \$16.87 Overbase cwt. \$15.17 Cls. 4a cwt. \$14.49 Cls. 4b cwt. \$15.75
 Last Week: Quota cwt. \$16.94 Overbase cwt. \$15.24 Cls. 4a cwt. \$14.46 Cls. 4b cwt. \$15.91

Market commentary

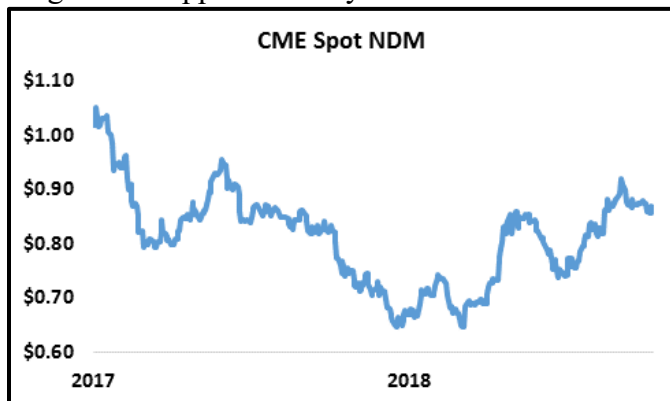
By Sarina Sharp, Daily Dairy Report, sarina@dailydairyreport.com

Milk & Dairy Markets

It was another disappointing week in the dairy markets. CME spot butter dropped 4¢ to \$2.25 per pound. Cheddar blocks also lost 4¢ and closed at \$1.61. Barrels slipped 0.75¢ to \$1.36, an uninspiring price to say the least. Whey powder was steady, at 56.25¢. Only nonfat dry milk (NDM) improved, climbing 0.75¢ to 86.75¢. The nearby Class III and IV futures were hardest hit, with double-digit losses into early next year. Deferred contracts were a little lower.



The world has plenty of milk powder, and perhaps it's too early to hope for NDM to push out of its recent trading range in the upper 80s. Buyers become scarce whenever the market tops 90¢. For years they have found product aplenty both here and abroad, so they wait with confidence for prices to return to more attractive levels.



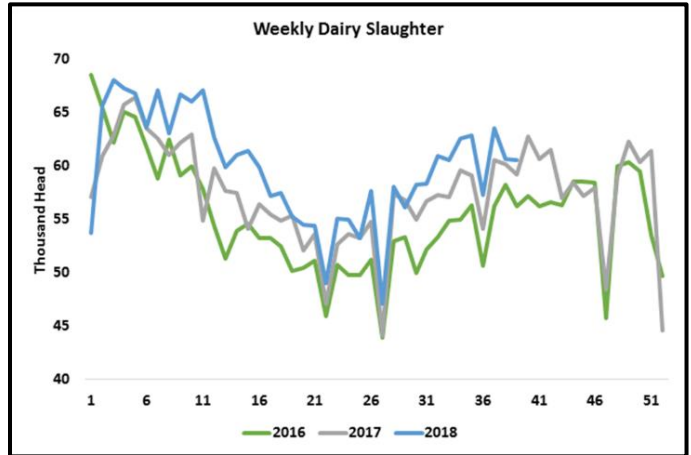
But the supply-demand balance is starting to shift. The European Commission continues to move its stale powder out of the Intervention storage program. The government has withdrawn more than 320 million pounds from its stockpile this year. Intervention inventories are an impressive 40% lower than they were a year ago. In the U.S., robust exports have helped to chip away at

inventories. And milk is tighter, which is surely reducing the flow from the farm to drier. USDA's *Dairy Market News* reports:

“The competition is on among processing facilities in the Midwest in vying for milk. As component levels continue to be reported at low levels, and milk has been diverted from the Upper Midwest and Northeast to Southern and Southeastern regions, a peripeteia [– or a sudden reversal of fortune –] has happened for cooperatives and milk suppliers. Instead of making calls to find prospective buyers, they are being called, and in some cases simply do not have the available milk supplies which were present as recently as a month ago. Milk bottling, in and out of the region, is a large cause for the shortening supplies.”

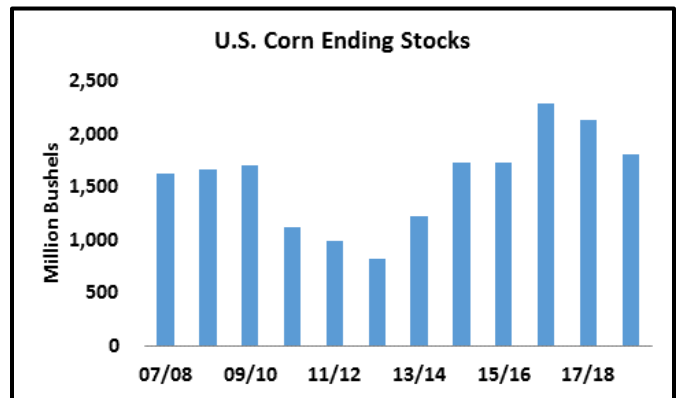
Less milk is headed to cheese vats and butter churns, as processors are buying with less enthusiasm now that they have to pay a premium for spot milk. With low components, cream is getting more expensive. Buttermakers report that they are chipping away at inventories with “consistent, and increasing, demand.”

The dairy industry must still reckon with the stubbornly large milk-cow herd, the overhang of products after years of global oversupply, and continued growth overseas. Those factors are likely to blame for this week's red ink. But demand has changed for the better, and the economy is booming. Slaughter numbers suggest that we will gradually shrink the U.S. dairy herd, and improvements in processing capacity are already helping to staunch the loss of dairy producer premiums. Slowly, slowly, demand seems to be outpacing supply. Dairy producers should not expect another boom, but improved profitability seems likely.

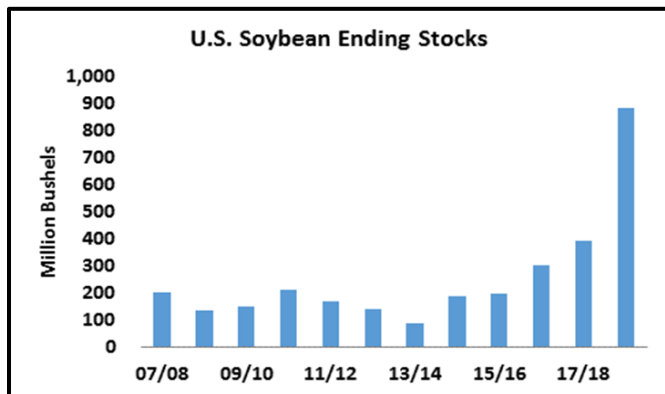


Grain Markets

The grain markets continued to gain this week. December corn settled at \$3.7325 per bushel, up a nickel from last Friday. The market got a boost from USDA's Crop Production and World Agricultural Supply and Demand Estimates (WASDE) reports. Although the reports showed higher end-of-season corn stocks than USDA forecasted a month ago, projected inventories were lower than the market had feared. USDA lowered its estimate of the corn yield from 181.3 bushels per acre down to a still-lofty 180.7 bushels.



The soybean balance sheet held fewer surprises. According to USDA, this year's soybean crop averaged 53.1 bushels per acre, up from the September estimate of 52.8 bushels. However, due to lower acreage, the soybean crop is expected to be slightly smaller than USDA called for in September. Still, farmers are combining their largest harvest ever. At the end of the crop year, USDA projects soybean inventories to total a massive 885 million bushels, which suggests that protein prices will be reasonable for some time. Despite a modest surge in corn prices and hints that the U.S.-China relationship might improve, soybean prices slipped a little. The November contract settled at \$8.675 per bushel, down a penny and a half for the week.



The End...and the Beginning

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

This week, two announcements came from the California Department of Food and Agriculture (CDFA).

On Wednesday October 10, CDFA announced that with the implementation of the California Federal Milk Marketing Order (FMMO) on November 1, 2018, it is terminating the Dairy Marketing Branch, which has been responsible for establishing and enforcing minimum milk prices in California for decades. In the same notice they announced that the Milk Pooling Branch, which has administered the California milk pooling plan since 1969, is also being terminated. Therefore, the assessments that funded both branches were being ended as of milk marketed on October 31, 2018.

On Friday October 12, CDFA put out a notice to the industry that announced the establishment of the Quota Administration Program. The notice said that the Marketing Division of CDFA will collect assessments on milk to fund the following programs: The Quota Administration Program, The California Milk Advisory Board, the Dairy Council of California and the California Milk Processor Board.

The notice went on to give the details of how handlers will have to report milk production and components to CDFA for the purpose of calculating the appropriate assessments. CDFA will use the same reporting dates as the FMMO and will combine the protein and other solids information collected by the FMMO for the purposes of calculating an equivalent Solids-Non-Fat test for use in the California state calculations.

And so the transition continues. Orderly, sure and seemingly irrevocable.

CDFA seeks public comments on draft funding solicitations for the Dairy Digester Research and Development Program

The California Department of Food and Agriculture (CDFA) is now accepting public comments on the draft Request for Grant Applications (RGA) for the Dairy Digester Research and Development Program (DDRDP).

The DDRDP provides financial assistance for the installation of dairy digesters on commercial dairy operations in California.

The RGA can be found on CDFA's Office of Environmental Farming and Innovation (OEFI) webpage [here](#).

CDFA will hold two listening sessions and a webinar in October to provide information on how to comment on the draft RGA and answer questions related to the program. Listening sessions are scheduled for:

Tulare – October 23, 2018

9:00 am – 10:30 am

Agricultural Commissioner/Sealer Auditorium

4437 S. Laspina Street, Suite A

Tulare, CA

Modesto – October 24, 2018

9:00 am – 10:30 am

Stanislaus County Agricultural Commissioner's Office

3800 Cornucopia Way, HI Room

Modesto, CA

Webinar – October 26, 2018
 9:00 am – 10:30 am
 Webinar link can be found [here](#).

Comments on the draft RGA must be submitted to cdfa.oefi@cdfa.ca.gov by November 5, at 5 p.m. PDT.

The DDRDP is part of California Climate Investments (CCI), a statewide program that puts billions of cap-and-trade dollars to work reducing GHG emissions, strengthening the economy, and improving public health and the environment – particularly in disadvantaged communities. The cap-and-trade program creates a financial incentive for industries to invest in clean technologies and develop innovative ways to reduce pollution. CCI projects also include affordable housing, renewable energy, public transportation, zero-emission vehicles, environmental restoration, recycling, and much more. At least 35 percent of these investments are located within disadvantaged communities and low-income communities, and they benefit low-income households across California.

For more information, visit the California Climate Investments [website](#).

CMAB announces 2018 annual information/nomination meetings

WHAT: The California Milk Advisory Board (CMAB) and CMAB CEO, John Talbot, invite all California dairy families to attend annual meetings this fall, held in each district throughout the state of California. At the meeting, attendees will learn about ongoing activities to promote California dairy. The meeting will highlight the 2019 plan, performance of the Return to Real campaign and the continuing marketing activities the CMAB conducts to promote dairy products made with your California milk in the state, across the U.S. and around the world. Dairy farmers will also vote on open board member seats.



Look for the Seal
 California Milk Advisory Board

WHEN/WHERE:

CMAB District	Date	Time	Venue
7	October 17	No-Host reception - 6:00 p.m. Dinner - 7:00 p.m.	KINGS COUNTRY CLUB 3529 12th Avenue Hanford, CA 93230
8	October 18	No-Host reception - 6:00 p.m. Dinner - 7:00 p.m.	COPPER RIVER COUNTRY CLUB 2140 E Clubhouse Drive Fresno, CA 93730
10	October 23	No-Host reception - 6:00 p.m. Dinner - 7:00 p.m.	LUIGI'S 725 E 19th Street Bakersfield, CA 93305
9	October 24	No-Host reception - 6:00 p.m. Dinner - 7:00 p.m.	TULARE GOLF COURSE Pitching Wedge 5300 S Laspina Street Tulare, CA 93274

11	November 1	No-Host reception - 5:30 p.m. Dinner - 6:30 p.m.	MISSION INN Spanish Art Gallery 3649 Mission Inn Avenue Riverside, CA 92501
4	November 6	No-Host reception - 6:00 p.m. Dinner - 7:00 p.m.	ROLLING HILLS CASINO 2655 Everett Freeman Way Corning, CA 96021
6	November 13	No-Host reception - 6:00 p.m. Dinner - 7:00 p.m.	TURLOCK GOLF & COUNTRY CLUB 10532 N Golf Link Road Turlock, CA 95380
5	November 15	No-Host reception - 6:00 p.m. Dinner - 7:00 p.m.	WINE & ROSES 2505 W Turner Road Lodi, CA 95242

To RSVP for the Annual Meeting in your district, please email promotions@cmab.net, contact the office at 209.690.8248, text 209.678.3466 or online at <https://www.teamcmab.net/annualmeetingsvp>. Please be sure to RSVP no later than seven days prior to meeting date.



California Water Bond 2018

Missed Geoff Vanden Heuvel's article last week about the California Water Bond? Read it [here](#).



California Dairy Sustainability Summit

November 27–28, 2018
Sacramento, CA

Save with Early Bird Rates!



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Learn more at www.cadairysummit.com. Register [here](#).