



Milk Producers Council

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DATE: May 11, 2018
TO: Directors & Members

PAGES: 5
FROM: Kevin Abernathy, General Manager

MPC Friday Market Update

CHICAGO CHEDDAR CHEESE

Blocks	- \$.0325	\$1.6325
Barrels	+ \$.0200	\$1.6200

Weekly Average, Cheddar Cheese

Blocks	+ \$.0220	\$1.6790
Barrels	+ \$.0655	\$1.6445

CHICAGO AA BUTTER

Weekly Change	- \$.0175	\$2.3350
Weekly Average	- \$.0270	\$2.3295

DRY WHEY

Dairy Market News	w/e 05/11/18	\$2.950
National Plants	w/e 05/05/18	\$2.692

NON-FAT DRY MILK

Week Ending 5/4 & 5/5

Calif. Plants	\$0.7287	12,472,381
Nat'l Plants	\$0.7631	20,743,176

Prior Week Ending 4/27 & 4/28

Calif. Plants	\$0.7236	19,171,500
Nat'l Plants	\$0.7290	28,100,760

Fred Douma's price projections...

May 11 Est:	Quota cwt. \$15.69	Overbase cwt. \$13.99	Cls. 4a cwt. \$13.72	Cls. 4b cwt. \$14.79
Last Week:	Quota cwt. \$15.56	Overbase cwt. \$13.86	Cls. 4a cwt. \$13.76	Cls. 4b cwt. \$14.45

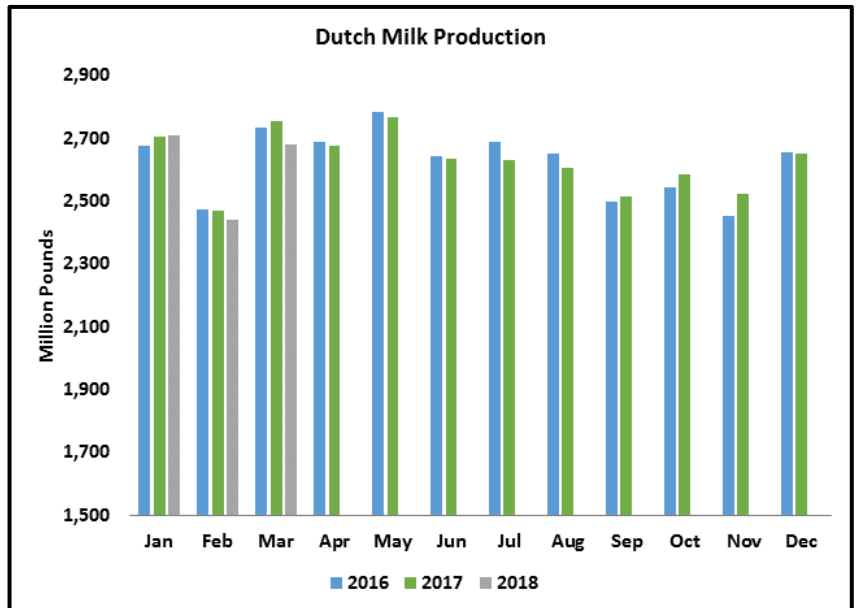
Market commentary

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

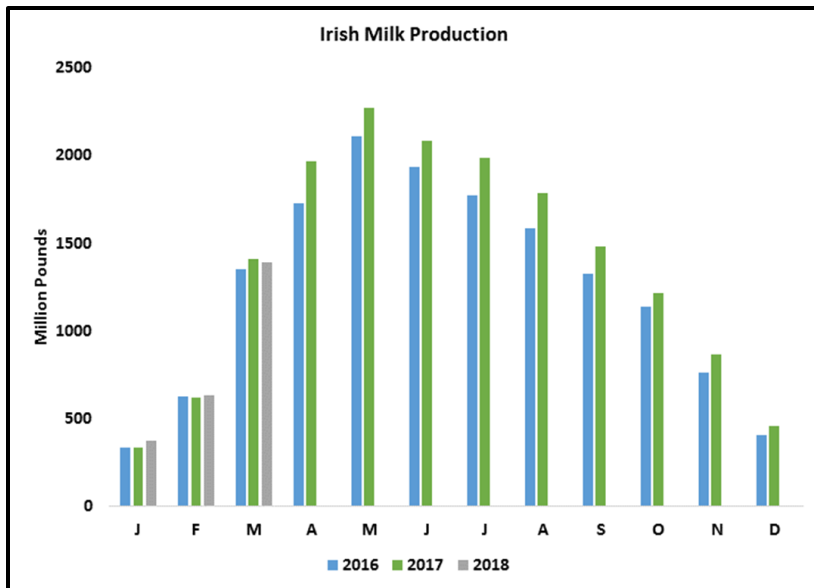
Milk & Dairy Markets

The CME spot Cheddar markets got off to a strong start, scoring fresh 2018 highs on Monday. Blocks climbed to \$1.7025 per pound and barrels reached \$1.6525. But they couldn't hold. Barrels staged a modest retreat and closed at \$1.62, still up 2¢ for the week. Blocks took a more sizeable step back and finished at \$1.6325, down 3.25¢ from last Friday.

Spot dry whey improved to a new high of 32.5¢, up 0.75¢ from last week. Contrary to the spot markets, dry whey futures lost ground this week and cheese futures moved upward. That helped Class III futures to advance yet again. Most contracts added a dime or so, and the June contract jumped 32¢ from last Friday's settlement. Class III futures stand about a dollar higher than they did three months ago.



Like cheese, CME spot nonfat dry milk (NDM) established a new year-to-date high – at 86¢ per pound – and then faded. Spot NDM ended today at a still impressive 85¢, up 0.75¢ from last Friday. Spot butter bounced around but ultimately closed 1.75¢ lower, at \$2.335. Both NDM and nearby butter futures were in the red this week, but

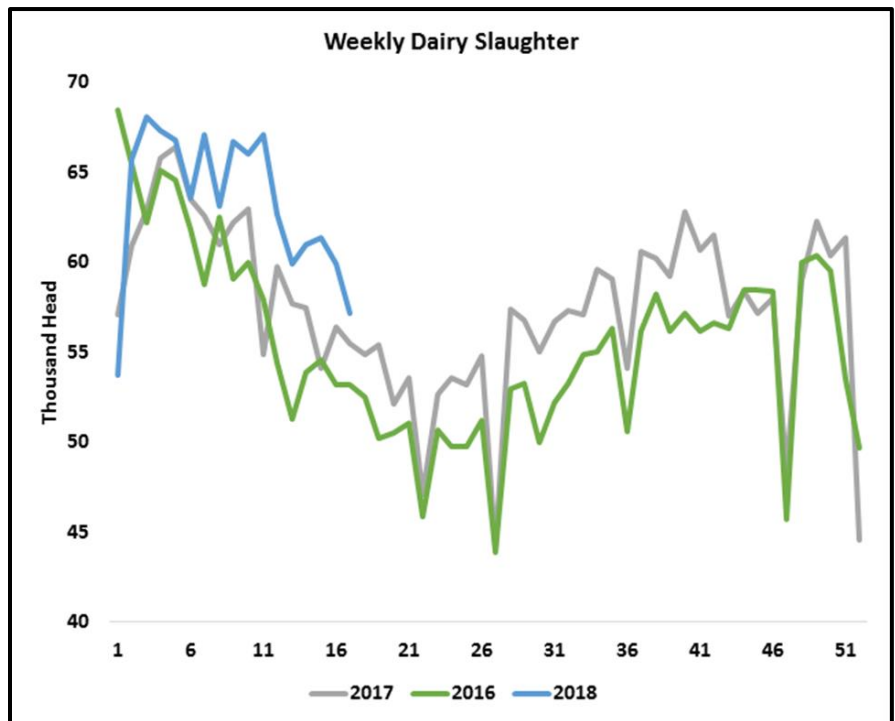


Class IV futures were little changed. In the past three months, most contracts have gained roughly \$1.20 per cwt.

There was not a lot of news for the dairy markets to digest this week. Warmer weather is ushering in cheeseburger and ice cream season and cream multiples are rising accordingly. However, a rainy Midwest forecast might curtail consumption a bit. Warmer spring weather in the Midwest and Europe is boosting milk production and may be keeping prices in check. But the compressed spring flush has reduced aggregate milk production relative to its potential.

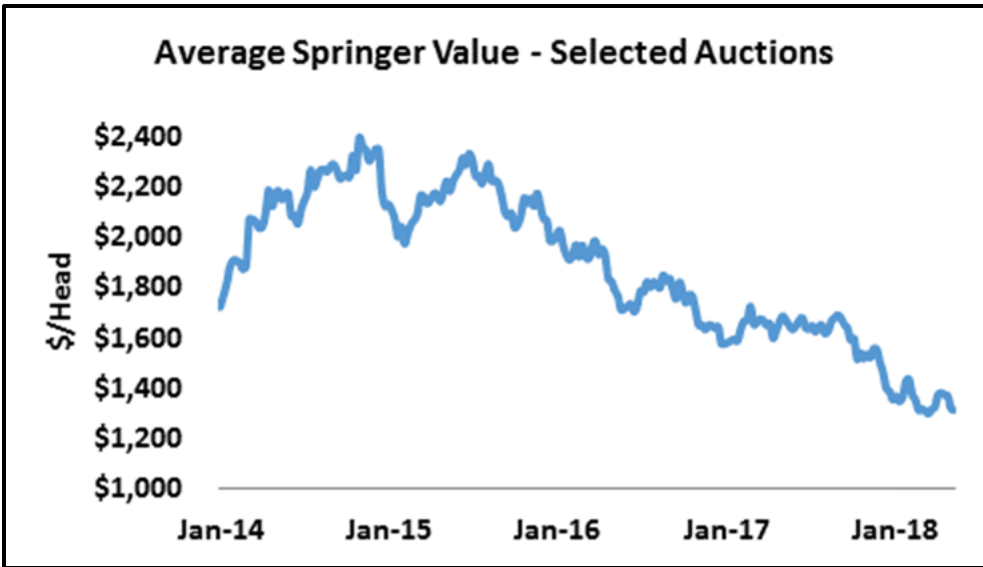
All but two of the 18 European nations who have reported March milk collections show either slower year-over-year growth or greater contraction than they did in the winter months. Germany and France have yet to publish March milk production data, but the United Kingdom showed a 1.3% year-over-year decline in milk output, and production in the Netherlands dropped 2.6%. Fifth-ranked Poland reported 1.6% growth, its smallest advance since November 2016. Collections in Ireland dropped 1.1% from last March, the first year-over-year decline for the Emerald Isle since February 2017.

In the U.S., dairy producers continue to cull aggressively. For the week ending April 28, dairy cow slaughter was 57,226, up 3.1% from the same week a year ago. Year-to-date slaughter is running 5.5% ahead of the 2017 pace. Given rising feed and labor costs, still-low milk prices, and a depressed basis in many areas, slaughter volumes are likely to stay elevated. Falling cow values also reflect tough on-farm finances. In the most recent Ag Prices report, USDA appraised national average milk cows for herd replacement at \$1,360 per head, the lowest value since the three months ending January 2011. Prices at dairy auctions around the country continue to stair-step lower. Dairy product prices are notably higher, but some dairy producers remain in precarious financial straits.



Grain Markets

The feed markets moved sharply lower this week. July corn futures dropped back below the \$4 mark, closing at \$3.965 per bushel, down nearly a dime from last Friday. July wheat futures plunged almost 30¢, which likely weighed on the corn market. Rains in the eastern part of the Southern Plains helped the parched winter wheat crop there, although western Kansas and Oklahoma once again saw very little rain. Moisture also improved the crop in the Black Sea wheat region. Wheat from that part of the world is much cheaper than U.S. supplies, which is throttling U.S. export prospects and prices.

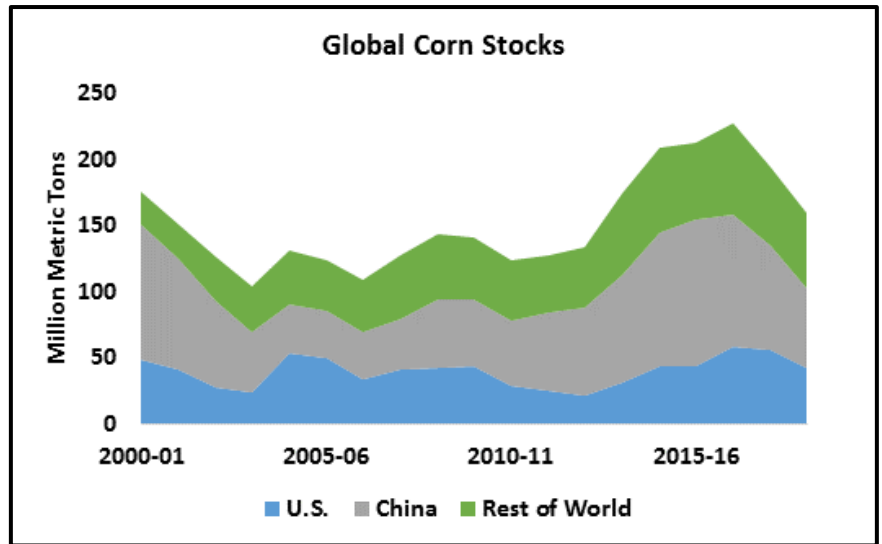


Planters were rolling throughout the Corn Belt this week, but they've since been parked in the shed. It's wet and rains are expected to continue off and on for the next two weeks at least. The bulls express concern about slow planting progress. The bears are certain that the lack of a drought threat in the Corn Belt should sap some weather risk premium.

July soybeans settled at \$10.0325 today, down 33.5¢. The soybean market is likely weakening due to

concerns about the souring trade relationship between the U.S. and China. The world's largest soybean buyer added to the pressure this week. China's Agricultural Ministry forecast a slight year-over-year decline in soybean imports in the 2018-19 crop year. If correct, this would be the first such decline in 15 years. China expects increased domestic soybean and DDG output and warns that "falling profits for pig farming will lead to reduced use of protein in feed."

USDA's monthly update to its World Agricultural Supply and Demand Estimates (WASDE) held no surprises. But the May issue offers the agency's first outlook for the 2018-19 crop year, and provides an opportunity to reflect on robust global demand for feedstuffs. USDA adopted acreage figures from the March Planting Intentions survey and trend-line yields. For corn and soybeans, both figures were lower than last year, resulting in a projected 3.9% year-over-year decline in U.S. corn production and 2.6% drop in soybean output. After a tough year in South America, much depends on U.S. crop yields. If the weather suggests they could fall below the current projection, the crop markets will be quick to rally.



In the long run, feed costs are likely headed higher. Even if the U.S. enjoys a bumper harvest, global crop inventories are expected to decline. USDA projects that world corn stocks at the end of the 2018-19 crop year will total 159.15 million metric tons. That's down 30% from the peak at the end of the 2016-17 season. Over the same two-year period, inventories of corn in China are projected to drop 40%, with a 27% decline in U.S. corn inventories, and an 18% decrease in the rest of the world. Meanwhile, demand for grain and oilseeds is marching relentlessly upward.

From *The Wall Street Journal* Editorial Board: One More Immigration Try

Courts this year have deferred the end of the Deferred Action for Childhood Arrivals (DACA) program, but the issue will return soon enough. So bravo to 19 Republicans who have signed a discharge petition to debate a fix for the so-called Dreamers, which would be an instructive exercise.

Many Republicans want to duck a vote on immigration that divides the party. And there's no urgency since federal courts have ordered the Trump Administration to renew DACA work permits while they consider the legality of President Trump's 2017 decision to end the program.

But the issue of what to do with the 800,000 or so young adults who were brought to the U.S. illegally as children, many of whom have no memory of their home country, isn't going away. These Dreamers remain in legal limbo, and Democrats will use them as a cudgel against Republicans in the fall.

House Judiciary Chairman Bob Goodlatte has introduced legislation to legalize Dreamers. But the bill is riddled with poison pills including an e-Verify mandate for employers, self-deportation of undocumented farm workers and stringent limits on family-based immigration. This would effectively force Republicans to choose between legalizing Dreamers and selling out employers.

This is why Republicans in competitive districts with large Hispanic populations are supporting a "Queen of the Hill" rule that would set up four immigration votes on the House floor. The bill with the most votes that passes would go to the Senate. Democrats could offer a bill that only legalizes Dreamers. The bipartisan USA Act, which pairs border security provisions with legal status, would be debated. Mr. Goodlatte would get a vote on his bill, and House leaders would offer their own.

It's unlikely that the Democratic or Goodlatte bills would command a majority. But the USA Act, which has 59 cosponsors including 29 Republicans, stands a chance. Paul Ryan and Kevin McCarthy might also offer a bill that wins the support of most Republicans and perhaps some moderate Democrats.

House Republicans would show they're sincere about solving the DACA problem, and voting would give vulnerable Members some inoculation against liberal attacks. This could be the difference between winning or losing for Carlos Curbelo (Florida), John Faso (New York), Mike Coffman (Colorado), Mark Amodei (Nevada) and Steve Knight (California).

House leaders are reluctant to give up control of the floor, and they don't want to ask Members to vote on controversial bills that President Trump might not sign. But the worst scenario is that no bill gets a majority, in which case Members still get to show voters where they stand. In the best case, the Senate would pass its own bill, and the two chambers would go to conference where the White House could work out a signable compromise.

If Republicans lose the House, they will have less influence when courts eventually rule on DACA. And if the courts let DACA stand as is, Republicans will have lost a bargaining chip for other immigration priorities.

One hundred and ninety-six Democrats have backed the Queen of the Hill resolution. So assuming every Democrat signs the discharge petition, six more Republicans would need to join. A vigorous floor debate would empower a Congressional majority, rather than a minority of the GOP majority.

Appeared in the May 11, 2018, print edition as 'One More Immigration Try.'

Get help with new regulations.



RUNNING A HEIFER OPERATION?



CDQAP is supporting heifer and feedlot operators as they comply with new regulations.

Last June, the Central Valley Water Quality Control Board (RB5) adopted a General Order for confined bovine feeding operations. Heifer operations and feedyards that confine animals more than 45 days per year are covered by this Order and **include: calf ranches, dairy heifer operations, and other cattle confinement facilities**. What is **not included?**: Corrals associated with pasture operations *and* heifer operations associated with dairy facilities covered under the Dairy General Order.

The California Dairy Quality Assurance Program (CDQAP) is hosting two workshops to help operators understand requirements, complete the Notice of Intent (due July 1), and plan to meet upcoming deadlines.

The workshop will cover

- Overview of Bovine Order
- Basic requirements and timeline
- Discussion of Notice of Intent Due July 1, 2018
- Questions and answers

Join us for one of the

BOVINE GENERAL ORDER WORKSHOPS

Tulare Location

Tuesday, June 12

9:00 - 11:00 a.m.

UCCE Classroom, 4437 S Laspina St

Modesto Location

Thursday, June 14

9:00 - 11:00 a.m.

Stanislaus Ag Center, "HI" Rm
3800 Cornucopia Way, Stanislaus Bldg

Questions? Contact Denise Mullinax at (209) 585-6744 or mullinax@cdrf.org.



Got certification?



ANNUAL ENVIRONMENTAL STEWARDSHIP CERTIFICATION CLASSES

Coming to Fresno June 20 - 21

CDQAP's free classes are the first step in seeking environmental certification for your farm.

The California Dairy Quality Assurance Program (CDQAP) is offering its annual in-person classes on environmental stewardship at the Fresno County Farm Bureau office.

For producers interested in certifying their facility, the same representative from the facility must attend all six hours of water quality education. See next page for more details about classes and certification requirements.

Benefits of Environmental Stewardship Certification

- Third-party verification from a non-regulatory, environmental expert
- 50% reduction in annual water quality permit fees (State Water Resources Control Board)
- "Environmentally Certified" facility roadside sign

This year, all certification classes will be held at...

Fresno County Farm Bureau, 1274 W. Hedges Ave, Fresno, CA

AIR QUALITY CORE CLASS

Wednesday, June 20 from 2:00 p.m. to 4:00 p.m.

WATER QUALITY SHORT COURSE

Class One - Thursday, June 21 from 9:00 a.m. to 12 noon

Class Two - Thursday, June 21 from 1:00 p.m. to 4:00 p.m.

To complete the requirement, the same person must attend both classes, unless they already have a class credit.

Questions? Contact Denise Mullinax at (209) 585-6744 or mullinax@cdrf.org.

