

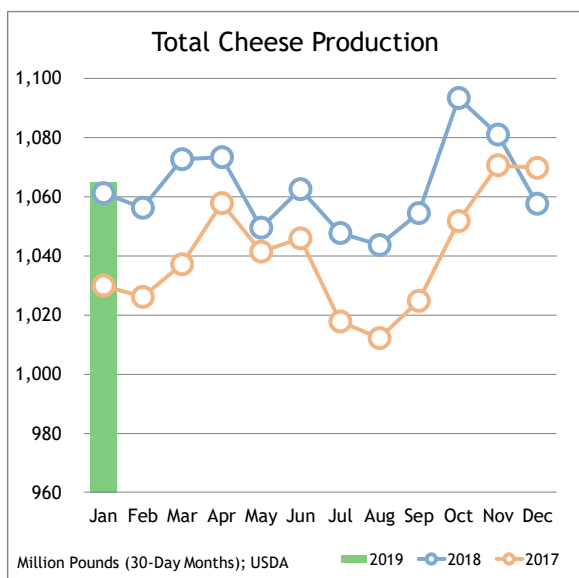
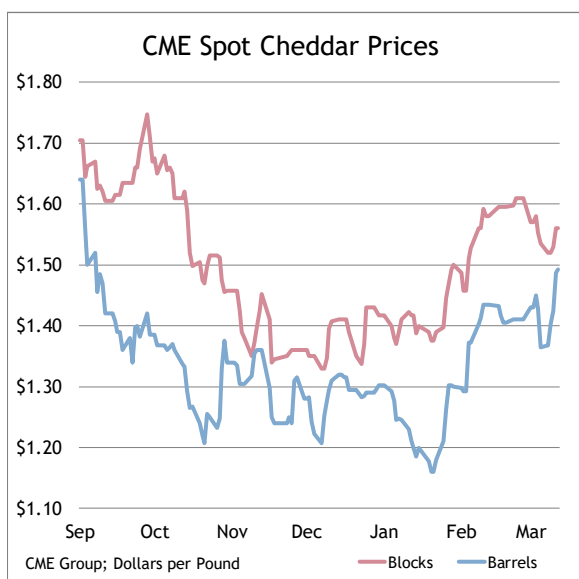
# DAIRY

# and grain

Volume 23 • Number 11  
March 15, 2019

vs Last Week	vs Last Year	Market	15-Mar	8-Mar	1-Mar	22-Feb	15-Feb	8-Feb	1-Feb
1%	-6%	Barrel Cheddar (CME average; lb)	\$1.4350	\$1.4205	\$1.4100	\$1.4150	\$1.4240	\$1.3255	\$1.2755
-2%	-2%	Block Cheddar (CME average; lb)	\$1.5380	\$1.5615	\$1.6075	\$1.5950	\$1.5745	\$1.4880	\$1.4610
0%	3%	Butter (CME average; lb)	\$2.2785	\$2.2835	\$2.2690	\$2.2544	\$2.2525	\$2.2850	\$2.2835
-1%	40%	Nonfat Dry Milk (CME average; lb)	\$0.9665	\$0.9775	\$0.9870	\$0.9925	\$0.9925	\$0.9910	\$1.0095
-5%	20%	Dry Whey (CME average; lb)	\$0.3310	\$0.3485	\$0.3510	\$0.3538	\$0.3455	\$0.3725	\$0.3885
0%	29%	WPC (AMS Central/West AOM; lb)	\$0.9025	\$0.9025	\$0.9025	\$0.8988	\$0.8988	\$0.8988	\$0.8988
0%	36%	Dry Buttermilk (AMS West AOM; lb)	\$0.9600	\$0.9600	\$0.9600	\$0.9600	\$0.9600	\$0.9600	\$0.9450
1%	4%	Class III Futures (CME 2nd nearby; cwt)	\$14.88	\$14.80	\$15.13	\$14.90	\$14.53	\$14.59	\$14.39
2%	-1%	Cheese Futures (CME 2nd nearby; lb)	\$1.5390	\$1.5160	\$1.5520	\$1.5180	\$1.4840	\$1.4800	\$1.4560
0%	3%	Cash Butter Futures (CME 2nd nearby; lb)	\$2.2820	\$2.2820	\$2.3093	\$2.2705	\$2.2598	\$2.2750	\$2.2668
-5%	43%	Dry Whey Futures (CME 2nd nearby; lb)	\$0.3828	\$0.4018	\$0.3993	\$0.4225	\$0.4138	\$0.4335	\$0.4330
0%	37%	NDM Futures (CME 2nd nearby; lb)	\$0.9710	\$0.9703	\$0.9808	\$0.9850	\$0.9823	\$0.9930	\$0.9870
0%	19%	Class IV Futures (CME 2nd nearby; cwt)	\$15.88	\$15.92	\$16.05	\$15.92	\$15.80	\$16.00	\$16.00
5%	-2%	Corn (CBOT nearby; bu)	\$3.7325	\$3.5475	\$3.6400	\$3.7525	\$3.7475	\$3.8225	\$3.7825
3%	-13%	Soybeans (CBOT nearby; bu)	\$9.0925	\$8.8375	\$8.9925	\$9.1025	\$9.0750	\$9.2875	\$9.1775
6%	-2%	Wheat (CBOT nearby; bu)	\$4.6025	\$4.3275	\$4.5400	\$4.8500	\$5.0325	\$5.1800	\$5.2450
4%	-17%	Soymeal (CBOT nearby; ton)	\$310.80	\$299.10	\$303.30	\$305.75	\$306.50	\$306.10	\$311.80
0%	-8%	Soyoil (CBOT nearby; lb)	\$0.2943	\$0.2939	\$0.2995	\$0.3051	\$0.2995	\$0.3087	\$0.2989
-2%	-13%	Cocoa (ICE nearby; ton)	\$ 2,204	\$ 2,244	\$ 2,218	\$ 2,269	\$ 2,316	\$ 2,190	\$ 2,174
3%	-1%	Sugar #11 (ICE nearby; lb)	\$0.1252	\$0.1218	\$0.1262	\$0.1336	\$0.1314	\$0.1271	\$0.1260
13%	-9%	Orange Juice (ICE nearby; lb)	\$1.2575	\$1.1155	\$1.1405	\$1.2065	\$1.1520	\$1.2095	\$1.2195
-1%	-19%	Coffee (NYMEX; lb)	\$0.9460	\$0.9525	\$0.9750	\$0.9695	\$0.9760	\$1.0235	\$1.0370
14%	5%	Lean Hogs (CME nearby; lb)	\$0.6880	\$0.6055	\$0.5640	\$0.5545	\$0.5953	\$0.5505	\$0.5635
0%	6%	Live Cattle (CME nearby; lb)	\$1.2910	\$1.2968	\$1.2955	\$1.2868	\$1.2663	\$1.2738	\$1.2545
-2%	-7%	Natural Gas (NYMEX nearby; mmbtu)	\$ 2.795	\$ 2.865	\$ 2.859	\$ 2.717	\$ 2.625	\$ 2.583	\$ 2.734
4%	-1%	Crude Oil (NYMEX nearby; bbl)	\$ 58.52	\$ 56.07	\$ 55.80	\$ 57.26	\$ 55.59	\$ 52.72	\$ 55.26
2%	-5%	Unleaded Gas (NYMEX nearby; gal)	\$1.8454	\$1.8017	\$1.7303	\$1.6112	\$1.5729	\$1.4464	\$1.4369
-2%	3%	Heating Oil (NYMEX nearby, gal)	\$1.9677	\$1.9998	\$2.0010	\$2.0311	\$2.0203	\$1.9085	\$1.9127
2%	4%	Dow Jones Industrials	25,849	25,437	26,026	26,032	25,883	25,106	25,064
4%	3%	NASDAQ	7,689	7,405	7,595	7,528	7,472	7,298	7,265
3%	3%	S&P 500 Index	2,822	2,741	2,804	2,793	2,777	2,708	2,704
1%	-8%	Euro/Dollar	1.13	1.12	1.14	1.14	1.13	1.13	1.15
0%	-2%	Canadian Dollar/Dollar	0.75	0.75	0.75	0.76	0.75	0.75	0.76
0%	-1%	Gold	\$ 1,302	\$ 1,300	\$ 1,293	\$ 1,331	\$ 1,325	\$ 1,318	\$ 1,323

- Bouncy...rubber balls...trampolines...cheese market? Barrels jumped to the highest levels since September, finishing the week at \$1.4925 per pound, up \$0.1275. Blocks picked back up to \$1.5600 per pound, \$0.0250 higher. Block trading volume was almost three times greater than last week with 15 lots trading, while 27 loads of barrels changed hands.
- Third quarter futures climbed back to the highest levels since January, but ran out of steam by the end of the week. Prices reached \$1.6687, up \$0.0110 on the week. July through September Class III contracts rose to \$16.15, gaining a penny.
- Demand remains mild. And with still a few weeks to go until the promotional push for Easter, it seems like it could stay that way. The Census Bureau *Retail Sales* report showed January “food and drinking place” sales just 0.7% higher than December but up 5.2% from 2018—the best year-over-year showing since July. By comparison, “food away from home” inflation was running at +2.8% year-over-year in January.
- While there is plenty of cheese in warehouses, there is also an abundance of fresh cheese available. Spot milk prices held steady with last week, trading between 50-cents and \$2.00 under with a \$1.25 below class midpoint. That was up from \$3.00 under last year but off from the \$1.15 below class five-year average.
- USDA’s *Dairy Products* report tallied total January cheese production at 1,100.5 million pounds, up just 0.4% year-over-year. The West helped keep output positive with production rising 3.3% from 2018, while the Central and Eastern regions struggled to keep pace. Cream cheese production suffered, falling to 75.4 million pound, 11.2% lower than last year.
- It is steady as she goes in the EU markets. German Gouda held at €3,025 per metric ton (\$1.55 per pound), unchanged in Euro terms for the eighth consecutive week.

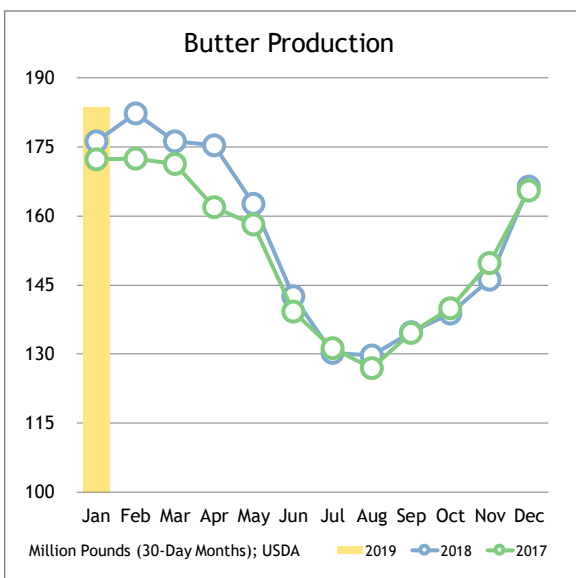
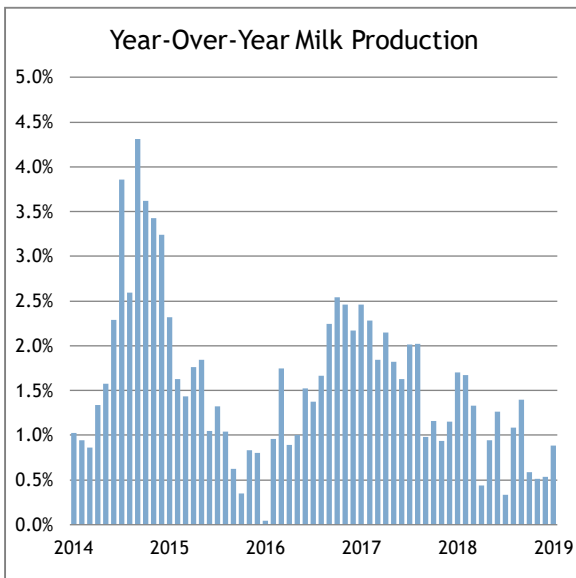


## Milk Production

- The latest USDA/NASS *Milk Production* report showed January cow numbers at 9.355 million head, up 2,000

cows from December but still down 83,000-head from 2018. Milk production itself increased 0.9% year-over-year—the strongest showing in four months. The Western part of the country continues to see the most output growth, up 2.1% from 2018, while the East remains in contraction-mode, down 0.3%. And for the first time since June, Midwest production topped 1% with output up 1.3%.

- The month-to-month cow number uptick was curious considering sustained heavy slaughter rates. More than 300,000 cows were culled in January—the highest number for any month in more than 30 years. And high cull rates didn't stop there. The most recent four-week rolling average totaled 70,990 head, up 9.0% from the same period last year and the highest rate going back to at least 2008.

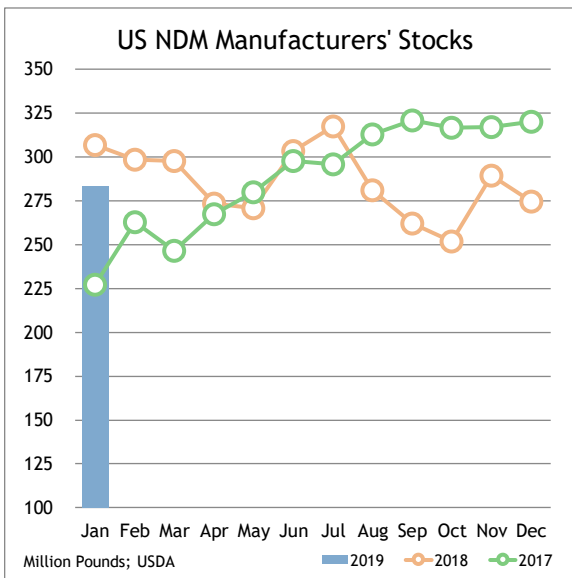


## Butter

- The spot butter market fell back into its usual rangebound routine. Prices trended toward the higher end of the range by Friday, reaching \$2.2800 per pound, up \$0.0125 week-over-week. Volume dipped with just five lots trading.
- March is shaping up to be another big production month. Contacts noted cream offers are prevalent, though multiples are getting a bit pricier in spots. USDA data implied Midwest Class II multiples steady with the five-year average at 120, up two points from last week, but off three points from last year. Implied Northeast Class II multiples were steady at 117, while the West was up three points to 112.
- USDA's *Dairy Products* report confirmed churns have been running hard for a while now. Thursday's report showed butter production at 189.8 million pounds, up 4.2% (7.7 million pounds) versus 2018.
- German butter dropped to €4,100 per metric ton (\$2.03 per pound at 80% test), 1.8% lower in Euro and off 2.9% in USD terms. The Dutch butter quotation held steady at €4,070 per metric ton (\$2.05). EEX futures climbed to €4,466 per metric ton, €166 higher. This places the US at a competitive disadvantage, with third quarter futures trading at \$2.3290 per pound, off \$0.0010.

## Nonfat Dry Milk

- Spot nonfat dry milk slid back to the lowest level since early January. Prices slumped to \$0.9675 per pound by Friday, down \$0.0075 on the week. Third quarter futures hit the lowest levels since mid-December. Prices closed at \$1.0375, down \$0.0044 from last week.
- Supply remains ample as more milk seasonally finds its way into dryers – especially in the West. USDA's *Dairy Products* report showed there is a growing volume of product in warehouses. Manufacturers' stocks climbed to 283.6 million pounds between December and January, up 8.9 million pounds (3.2%). But that was still down 7.6% from 2018 levels. Combined NDM and SMP production totaled 203.1 million pounds, down 1.5% compared to January 2018.
- Offers are reportedly a bit more aggressive into Mexico, but contacts are not hearing of any big bites even at these lower price levels. Where did the buyers go? Did they buy ahead? Or from somewhere else? Has the Venezuela situation slowed down supplemental purchases? For now, there are more questions than answers.
- Oceania SMP prices could start to find some greater support as New Zealand's largest cooperative dropped milk production expectations for the season. The cooperative cut estimates from 1,530 million kilograms of milk solids to 1,510 million on drought-related concerns. It also cut SMP offer volumes by 500 metric tons for next Tuesday's GDT auction. Even so, SMP futures dropped backed, with third quarter contracts closing at \$2,395, \$97 lower. The Dutch quotation, meanwhile, held steady at €1,970 per metric ton (\$1.01 per pound), unchanged in Euro terms.



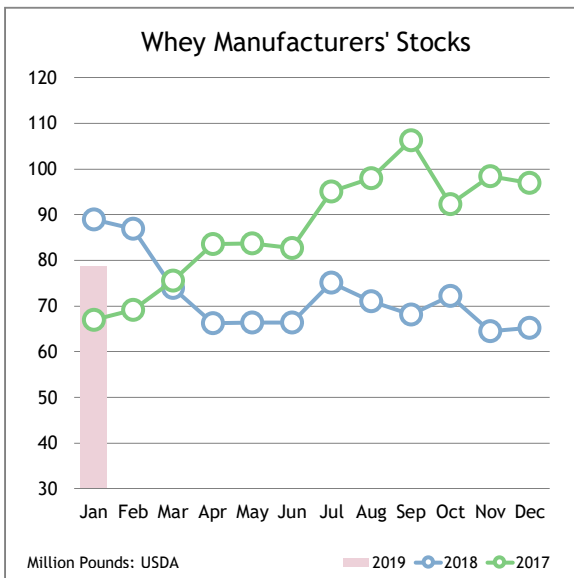
## Dry Whey

- The CME spot whey market celebrated its one-year anniversary this week. Prices have been all over the place in the past year—as low as 26-cents the day it opened to as high as \$0.5750 in October. A total of 449 cars have traded since March 12, 2018. The most volume to ever trade was 15 lots on three different instances, all of which occurred in the last two weeks of February. Today, prices

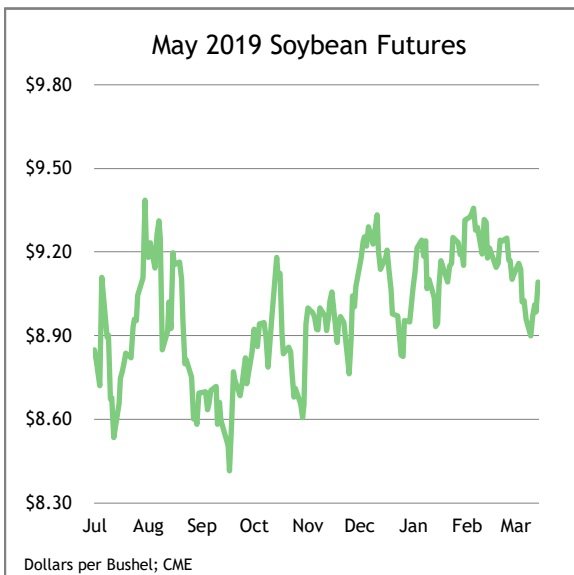
are back to May 2018 levels. The market slipped to \$0.3200 per pound, off two-cents.

- Third quarter futures declined to \$0.3824 per pound, down \$0.0133 on the week.
- USDA/NASS reported manufacturers' stocks of dry whey pushed up to 78.7 million pounds in January, a 20.8% (13.6 million pounds) increase from December but still 10.3 million pounds lower than in 2018. Production rose to 79.7 million pounds, 8.9% higher than December.

## Grains



- News of the African swine fever's toll on China's pig herd further stoked the flames of concern about soybean demand. China's pig herd sank 16.6% year-over-year in February, according to the Ministry of Agriculture and Rural Affairs. The sow herd alone was down 19.1% from 2018. The same month, China's soybean imports dropped to 4.46 million tons, down 17.0% from February 2018—the lowest monthly level in four years.
- Futures did not seem to care. May soybean futures closed at \$9.0925 per bushel, \$0.1350 higher. May corn futures rose to \$3.7325 per bushel, up nine-cents from last week.



**Our hope is we are in the final weeks of having an agreement... If [lingering] issues are not resolved in favor of the United States, we won't have a deal.**

**—Robert Lighthizer**

Price and Volume Data					CME Spot Markets						
vs Last Week	vs Last Year	Week Ending	9-Mar	2-Mar	Block Cheddar	11-Mar	12-Mar	13-Mar	14-Mar	15-Mar	Total
3%	3%	NDPSR Block Cheddar (lb)	\$1.6098	\$1.5653	Settle	\$1.5200	\$1.5200	\$1.5300	\$1.5600	\$1.5600	\$1.5380
1%	-4%	NDPSR Barrel Cheddar (lb)	\$1.4371	\$1.4178	Volume	7	-	5	3	-	15
1%	5%	USDA/NDPSR Butter (lb)	\$2.2797	\$2.2612	Barrel Cheddar	11-Mar	12-Mar	13-Mar	14-Mar	15-Mar	Total
-2%	36%	USDA/NDPSR NDM (lb)	\$0.9616	\$0.9823	Settle	\$1.3675	\$1.4025	\$1.4250	\$1.4875	\$1.4925	\$1.4350
-3%	61%	USDA/NDPSR Dry Whey (lb)	\$0.4088	\$0.4214	Volume	-	1	11	5	10	27
6%	-3%	NDPSR Block Cheese Sales (mil lbs)	11.4	10.7	Grade AA Butter	11-Mar	12-Mar	13-Mar	14-Mar	15-Mar	Total
3%	-20%	NDPSR Barrel Cheese Sales (mil lbs)	11.6	11.3	Settle	\$2.2675	\$2.2800	\$2.2800	\$2.2850	\$2.2800	\$2.2785
55%	76%	NDPSR NDM Sales (mil lbs)	26.1	16.9	Volume	-	2	-	3	-	5
vs Last Week	vs Last Year	Week Ending	15-Mar	8-Mar	Grade A NDM	11-Mar	12-Mar	13-Mar	14-Mar	15-Mar	Total
11%	-19%	Class III Futures Volume	4,316	3,871	Settle	\$0.9750	\$0.9625	\$0.9650	\$0.9625	\$0.9675	\$0.9665
2%	1%	Class III Futures Open Interest	23,208	22,785	Volume	-	-	4	1	5	10
-23%	-15%	Cash-Settled Cheese Futures Volume	1,843	2,396	Dry Whey	11-Mar	12-Mar	13-Mar	14-Mar	15-Mar	Total
62%	28%	Cash-Settled Cheese Open Interest	33,918	20,963	Settle	\$0.3400	\$0.3400	\$0.3325	\$0.3225	\$0.3200	\$0.3310
-41%	-14%	Cash Butter Futures Volume	676	1,140	Volume	-	-	2	7	2	11
3%	11%	Cash Butter Futures Open Interest	8,056	7,836							
-4%	218%	Nonfat Dry Milk Futures Volume	2,099	2,187							
5%	8%	Nonfat Dry Milk Futures Open Interest	8,702	8,306							
377%	104%	Dry Whey Futures Volume	348	73							
-2%	-9%	Dry Whey Futures Open Interest	3,280	3,333							

vs Last Week	vs Last Year	Market	15-Mar	8-Mar	1-Mar	22-Feb	15-Feb	8-Feb	1-Feb	25-Jan
0%	53%	Skim Milk Powder (Dutch Dairy Board)	€ 1,970	€ 1,970	€ 1,970	€ 1,970	€ 1,930	€ 1,930	€ 1,950	€ 1,910
1%	17%	Whole Milk Powder (Dutch Dairy Board)	€ 3,020	€ 3,000	€ 2,950	€ 2,950	€ 2,900	€ 2,900	€ 2,870	€ 2,820
0%	-15%	Butter (Dutch Dairy Board)	€ 4,070	€ 4,070	€ 4,100	€ 4,170	€ 4,300	€ 4,360	€ 4,390	€ 4,390
-1%	23%	Whey (Dutch Dairy Board)	€ 790	€ 800	€ 810	€ 820	€ 820	€ 840	€ 840	€ 860
0%	33%	Skim Milk Powder (Kempten, Germany)	€ 1,730	€ 1,730	€ 1,740	€ 1,715	€ 1,685	€ 1,685	€ 1,685	€ 1,685
0%	8%	Whole Milk Powder (Kempten, Germany)	€ 2,820	€ 2,830	€ 2,880	€ 2,925	€ 2,913	€ 2,900	€ 2,900	€ 2,850
-2%	-15%	Butter 25 kg (Kempten, Germany)	€ 4,100	€ 4,175	€ 4,175	€ 4,300	€ 4,375	€ 4,425	€ 4,450	€ 4,500
0%	14%	Edamer, 40% (Hannover, Germany)	€ 3,025	€ 3,025	€ 3,025	€ 3,025	€ 3,025	€ 3,025	€ 3,025	€ 3,025
	20%	Skim Milk Powder (GlobalDairyTrade)	\$ 2,464	\$ 2,464	\$ 2,580	\$ 2,580	\$ 2,534	\$ 2,534	\$ 2,405	\$ 2,405
	-1%	Whole Milk Powder (GlobalDairyTrade)	\$ 3,186	\$ 3,186	\$ 3,022	\$ 3,022	\$ 3,027	\$ 3,027	\$ 2,777	\$ 2,777
	-7%	Anhydrous Milk Fat (GlobalDairyTrade)	\$ 5,837	\$ 5,837	\$ 5,620	\$ 5,620	\$ 5,579	\$ 5,579	\$ 5,294	\$ 5,294
	3%	Cheddar Cheese (GlobalDairyTrade)	\$ 3,888	\$ 3,888	\$ 3,667	\$ 3,667	\$ 3,565	\$ 3,565	\$ 3,504	\$ 3,504
	-12%	Butter (GlobalDairyTrade)	\$ 4,657	\$ 4,657	\$ 4,495	\$ 4,495	\$ 4,445	\$ 4,445	\$ 4,262	\$ 4,262
	78%	Buttermilk Powder (GlobalDairyTrade)	\$ 3,480	\$ 3,480			\$ 3,158	\$ 3,158		
	10%	Rennet Casein (GlobalDairyTrade)	\$ 5,649	\$ 5,649	\$ 5,740	\$ 5,740	\$ 5,596	\$ 5,596	\$ 5,047	\$ 5,047
0%	9%	Rennet Casein (AMS US; lb)	\$2.5800	\$2.5800	\$2.5925	\$2.5925	\$2.5638	\$2.5688	\$2.4250	\$2.4250
0%	-3%	Acid Casein (AMS US; lb)	\$3.0850	\$3.0850	\$3.0825	\$3.0825	\$3.0775	\$3.0963	\$3.0575	\$3.0575
0%	68%	Lactose Edible (AMS Central/West AOM; lb)	\$0.3650	\$0.3650	\$0.3650	\$0.3650	\$0.3650	\$0.3600	\$0.3700	\$0.3700

All figures are per metric ton unless otherwise noted.

## VALLEY QUEEN CHEESE YIELD BIDS

<i>Month</i>	<b>MON</b> 11-Mar <i>Bid</i>	<b>TUE</b> 12-Mar <i>Bid</i>	<b>WED</b> 13-Mar <i>Bid</i>	<b>THU</b> 14-Mar <i>Bid</i>	<b>FRI</b> 15-Mar <i>Bid</i>
May-19	\$ 1.4120	\$ 1.4318	\$ 1.4245	\$ 1.4391	\$ 1.4172
Jun-19	\$ 1.4505	\$ 1.4661	\$ 1.4578	\$ 1.4723	\$ 1.4526
Jul-19	\$ 1.5004	\$ 1.5149	\$ 1.5087	\$ 1.5211	\$ 1.5014
Aug-19	\$ 1.5294	\$ 1.5378	\$ 1.5326	\$ 1.5430	\$ 1.5253
Sep-19	\$ 1.5513	\$ 1.5575	\$ 1.5544	\$ 1.5606	\$ 1.5492
Oct-19	\$ 1.5471	\$ 1.5533	\$ 1.5533	\$ 1.5544	\$ 1.5430
Nov-19	\$ 1.5419	\$ 1.5450	\$ 1.5409	\$ 1.5450	\$ 1.5315
Dec-19	\$ 1.5284	\$ 1.5294	\$ 1.5263	\$ 1.5305	\$ 1.5191
Jan-20	\$ 1.4931	\$ 1.4962	\$ 1.4879	\$ 1.4858	\$ 1.4889
Feb-20	\$ 1.4796	\$ 1.4806	\$ 1.4806	\$ 1.4806	\$ 1.4723
Mar-20	\$ 1.4837	\$ 1.4785	\$ 1.4806	\$ 1.4868	\$ 1.4868
Apr-20	\$ 1.4578	\$ 1.4526	\$ 1.4806	\$ 1.4858	\$ 1.4941
May-20	\$ 1.4889	\$ 1.4889	\$ 1.4910	\$ 1.4972	\$ 1.4972
Jun-20	\$ 1.4609	\$ 1.4609	\$ 1.4858	\$ 1.4910	\$ 1.4962
Jul-20	\$ 1.4972	\$ 1.4972	\$ 1.4972	\$ 1.5014	\$ 1.5035
Aug-20	\$ 1.5336	\$ 1.5336	\$ 1.5336	\$ 1.5336	\$ 1.5336
Sep-20	\$ 1.5357	\$ 1.5357	\$ 1.5357	\$ 1.5357	\$ 1.5357
Oct-20	\$ 1.5170	\$ 1.5170	\$ 1.5170	\$ 1.5170	\$ 1.5170
Nov-20	\$ 1.5076	\$ 1.5076	\$ 1.5076	\$ 1.5076	\$ 1.5076
<b>6 Month</b> May '19 - Oct '19	\$ 1.4984	\$ 1.5102	\$ 1.5052	\$ 1.5151	\$ 1.4981
<b>6 Month</b> Nov '19 - Apr '20	\$ 1.4974	\$ 1.4971	\$ 1.4995	\$ 1.5024	\$ 1.4988
<b>12 Month</b> May '19 - Apr '20	\$ 1.4979	\$ 1.5036	\$ 1.5023	\$ 1.5088	\$ 1.4984

- Published bids are an indication only; actual bids are quoted in "real time" based on prevailing market activity
- Valley Queen producers can secure contracts for a minimum of 100,000 pounds, up to 75% of their average monthly production
- Indicator bids are available each day on the Valley Queen website ([www.vqcheese.com](http://www.vqcheese.com)) by approximately 4:00 p.m.
- Zero-cost collar/min-max contracts now available
- Producers can contract between 8:00am and 2:00pm Central Time
- Information about the program, current bids and contract execution are available by calling

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