Milk, dairy and grain market commentary
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Milk & Dairy Markets
This was the worst week on Wall Street since 2008, and the major indices suffered their largest daily losses since Black Monday in 1987. At the closing bell, the S&P 500 Index settled 8.7% lower than last Friday. Oil futures plummeted more than 23%. Saudi Arabia and Russia are in a lose-lose faceoff; both have abandoned oil production cuts and are now boosting output with abandon. They are in a bidding war for a larger share of a shrinking market.
Plunging stocks, cheap oil, and a strong dollar would normally spell disaster in the dairy markets. Indeed, there was a lot of red ink of LaSalle Street, but the damage was not nearly as extreme as feared. Losses in April through December Class III futures ranged from 13 to 50¢, posting declines of between 0.8% and 3.1%, respectively. Class IV fared far worse, with most contracts 60 or 70¢ in the red. April through December Class IV contracts suffered an average decline of 4% this week. The April and May contracts settled at a disappointing $14.75 per cwt. Nearby contracts, which will most quickly translate into dairy producer milk checks, were the most resilient. March Class III futures slipped just 3¢ to $16.34, and April closed at $15.90, down 13¢ this week. At $15.11, March Class IV futures settled 44¢ lower than last Friday.

CME spot butter gave back some of its recent gains, slipping to $1.8125 per pound. That is 4.25¢ lower than last Friday, but well above the trading range for much of the last month. Butter demand is ramping up, as befits the season. Retailers have stocked up on butter and they are advertising frequently to keep product moving. Due to the coronavirus (Covid-19), butter makers expect to lose sales from food service and restauranteurs while retail demand climbs.

Unlike butter, spot nonfat dry milk (NDM) is weighed down by both the virus and the calendar. Driers are running hard and the spring flush is accelerating. As consumers stock up on pantry items, higher packaged food sales could boost demand for domestic milk powder eventually. But export sales have dried up and logistics are a major hurdle even for those export sales that are on the books. Buyers are ordering only enough to meet immediate needs and are mostly watching from the sidelines to see how low prices will go. This week
CME spot NDM slipped 6.25¢ to $1.0525, a six-month low. Still, the world’s milk powder stocks are far from burdensome, and milk powder prices stand about a dime higher than they were a year ago.

The Class III markets had a relatively good week, all things considered. CME spot whey powder went nowhere at all and closed once again at 34.75¢ per pound. That’s a victory when most other markets suffered a complete rout. Amazingly, CME spot Cheddar managed to gain ground this week. Blocks jumped an impressive 12.25¢ to $1.8725. Barrels climbed 2.25¢ to $1.50. Cheese demand has so far thrived amidst Covid-19. Pizza sales are going strong, with consumers preferring foods they can pick up or have delivered. And the grocery rush favors cheese as well. Retailers are hurrying to restock as the shelves are quickly emptied. Cheese is packed with protein and calcium and offers a long shelf life in a convenient package. Consumers love it. A surge in retail sales is starting to tighten fresh supplies, as evidenced by the spot market. The uptick may be temporary, but it is having an impact.

Around the nation, conferences, concerts, and sporting events have been cancelled to slow the spread of Covid-19. Many schools and churches will be closed for a time. As consumers distance themselves from one another, they are likely to spend less time in restaurants and more time at home. There are a lot of dairy-laden foods – nachos, pizza, cheeseburgers, sauced vegetables, creamy soups, and baskets of bread and butter – that will not be sold in stadiums and at restaurants. School milk programs will be put on hold. But people are still hungry, and there is plenty of dairy available at your local market. Several major grocery chains are preparing for a 50% increase in sales of fluid milk, although such a spike is obviously temporary. Yogurt, cheese, and frozen foods – including frozen pizza, ice cream, and prepared meals – are flying off the shelves. Dairy demand will depend on how long Covid-19 persists and the severity of the economic impact around the globe. The net impact is likely to be negative. But, as retail trends show, not every dairy category will suffer a steep loss in consumption, and some could even stand to gain.

If dairy product prices continue to languish, dairy producers are in for a rough few months, a situation that is unfortunately familiar. But it can’t go on forever. Sustained prices like these would almost surely forestall expansion and bring on another wave of selloffs. That will slowly reduce supplies and help markets to find a floor. How low can we go and how long can we stay there? These are uncertain times.

**Grain Markets**

Like nearly all other markets, the grains retreated this week. May corn settled at $3.6575 per bushel, about a dime lower than last Friday. At $8.4875, May soybeans finished 42.5¢ in the red. May soybean meal closed at $299.50, down $5.60 per ton. New crop futures are similarly inexpensive, with December corn at $3.73 and November beans at $8.645. At those values, farmers are likely to plant a lot of corn this year, which suggests that, barring a crop problem, grain could get even cheaper.
I spent this past week in Washington, D.C., where the National Milk Producers Federation (NMPF) hosted its board of directors and steering committee meetings. MPC is an associate member of NMPF, and much of my time was spent in the Environmental Steering Committee meeting, focused on issues related to the national dairy industry’s goal of achieving “net zero” climate impact.

On Wednesday, March 10, I attended a hearing hosted by the House Agriculture Subcommittee on Livestock and Foreign Agriculture, which is chaired by Congressman Jim Costa (CA-16). Representative Costa opened the hearing stating, "Trade is what drives demand and sustains markets for so much of what we produce in California and across the country."

Costa continued by expressing his support of the US-Mexico-Canada Agreement (USMCA), saying "I hope that means big things for each of your businesses and countless more like them."

The hearing featured five witnesses representing different agricultural commodities from across the country, who gave their perspectives regarding the state of U.S. agricultural trade. Dairy farmer James Jacquier, who operates a 1,500-cow dairy in Connecticut, testified on behalf of NMPF.

Jacquier stressed the critical need for maintaining trade relationships and expanding market access for U.S. dairy products, calling on Congress to work together to expand equitable trade relationships with trading partners. He laid out several key priorities – which MPC supports – for the U.S. government to achieve better trade deals for dairy farmers and the agricultural industry. They included:

- Giving careful and proactive attention to the implementation and enforcement of negotiated trade agreements, particularly USMCA;
- Pursuing a focused and global strategy designed to uproot the European Union's misuse of geographical indications that create de facto barriers to trade; and
- Removing all retaliatory tariffs on dairy in China so that the U.S. dairy industry can reap the full benefit of the Phase One trade agreement.

You can read Jacquier's full testimony [here](#).

In preparation of the hearing, we worked with the office of Congressman Josh Harder (CA-10) to provide background information about the state of California dairy farming and progress that needs to happen in the trade arena to help our family farmers. We appreciate the fact that Congressman Harder’s...
staff looks to MPC as a resource, and I specifically want to thank Jessica Ilaria, who works on trade issues in Mr. Harder’s office.

I also had a chance to meet with elected representatives and staff members to continue discussions about issues important to you – our members – such as international trade, labor, water, the need for sensible and effective regulations, farmer profitability and policies that will improve the economic wellbeing of our rural communities.

As the week unfolded, the Capitol turned its attention to discussing the coronavirus outbreak and the government’s response to the situation. MPC continues to monitor that situation as well, and we will share any news relevant to our industry.

MPC plans on being back in Washington, D.C. later this year to continue advocating for our members. Please contact me with any questions you may have or issues you would like to bring to the attention of your elected representatives.

California Dairy Sustainability Summit postponed due to COVID-19 concerns

Your health and safety are our main priority. Earlier this week, we notified you that we were moving forward with the California Dairy Sustainability Summit on March 25 & 26 and implementing precautions to ensure a safe environment for attendees.

We are reaching out with a new update. This morning, California Governor Gavin Newsom joined state health officials in recommending the cancellation of gatherings of 250 or more people across the state as a precautionary measure to slow the spread of COVID-19 (also called novel coronavirus). In response to this new guidance, we have decided to postpone the California Dairy Sustainability Summit.

We are disappointed we won’t see you this month but are working with Cal Expo on new dates for later this year. We will have an update for you regarding when the California Dairy Sustainability Summit will be held very soon.

All sponsor/exhibitor commitments and event registrations will be transferred over to the new event date and a notice will be sent out with revised confirmation details. We will work with each organization individually that may have a conflict with the new event dates.

We sincerely apologize to all attendees, vendors, and speakers, especially those who have already made travel plans. Please note that many airlines are currently providing special accommodations to travelers who need to cancel or change their flight plans. If you booked a hotel room, please remember to call and cancel your reservation in advance to avoid fees.

Thank you for understanding and for your ongoing support of the California Dairy Sustainability Summit.