

# MPC WEEKLY FRIDAY REPORT

DATE: MARCH 5, 2021  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 6

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P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018  
 2328 Jonathon Court, Escalon, CA 95320 • (209) 691-8139  
[Office@MilkProducers.org](mailto:Office@MilkProducers.org) • [www.MilkProducers.org](http://www.MilkProducers.org) • Fax (909) 591-7328

## MPC FRIDAY MARKET UPDATE

|                                      |           |                          |                   |                                   |                     |
|--------------------------------------|-----------|--------------------------|-------------------|-----------------------------------|---------------------|
| <b>CHICAGO CHEDDAR CHEESE</b>        |           | <b>CHICAGO AA BUTTER</b> |                   | <b>NON-FAT DRY MILK</b>           |                     |
| Blocks                               | + \$.1150 | \$1.7325                 | WEEKLY CHANGE     | + \$.2200                         | \$1.6900            |
| Barrels                              | + \$.0875 | \$1.5075                 | WEEKLY AVERAGE    | + \$.1955                         | \$1.6815            |
| <b>WEEKLY AVERAGE CHEDDAR CHEESE</b> |           | <b>DRY WHEY</b>          |                   | <b>WEEK ENDING 02/27/21</b>       |                     |
| Blocks                               | + \$.0640 | \$1.6655                 | DAIRY MARKET NEWS | W/E 03/05/21                      | \$1.5475            |
| Barrels                              | + \$.0375 | \$1.4465                 | NATIONAL PLANTS   | W/E 02/27/21                      | \$1.5171            |
|                                      |           |                          |                   | <b>PRIOR WEEK ENDING 02/20/21</b> |                     |
|                                      |           |                          |                   | NAT'L PLANTS                      | \$1.0867 28,921,269 |
|                                      |           |                          |                   | NAT'L PLANTS                      | \$1.1168 17,824,900 |

## CALIFORNIA FEDERAL MILK MARKETING ORDER PRICE PROJECTIONS

| PRICE PROJECTIONS | CLASS I ACTUAL<br>(RANGE BASED ON LOCATION) | CLASS II PROJECTED | CLASS III PROJECTED | CLASS IV PROJECTED |
|-------------------|---|--------------------|---------------------|--------------------|
| MARCH 5 EST       | \$16.80 - \$17.30                           | \$15.30            | \$16.30             | \$14.32            |
| FEB '21 FINAL     | \$17.14 - \$17.64                           | \$14.00            | \$15.75             | \$13.19            |

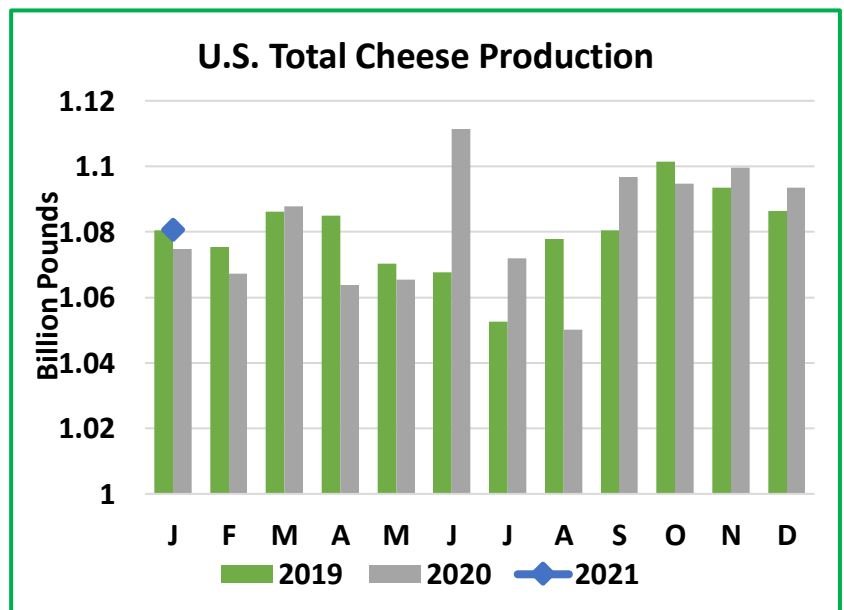


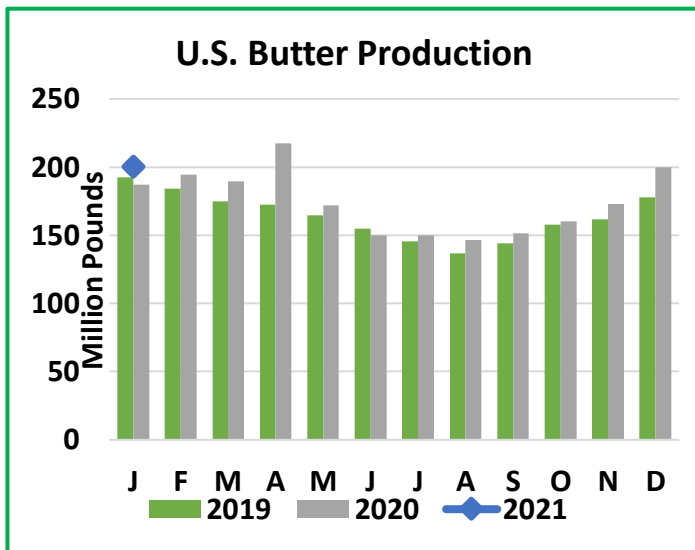
## Milk, Dairy and Grain Market Commentary

By Monica Ganley, Daily Dairy Report  
[Monica@DailyDairyReport.com](mailto:Monica@DailyDairyReport.com)

### Milk & Dairy Markets

If there were any doubts about China's appetite for dairy products, these were put to rest on Tuesday with an eye-popping result at the day's Global Dairy Trade (GDT) auction. Driven principally by aggressive bids from Chinese buyers, the GDT index soared by 15.0% - the eighth consecutive increase and the largest gain in a single session since September 2015. Whole milk powder saw the largest increase, with prices galloping upward by 21.0% versus the prior event. Seemingly insatiable demand for fats pulled the price for anhydrous milkfat and butter up by 7.4% and 13.7%, respectively. Even with gains at the CME this week, spot butter in the U.S. maintains nearly a 90¢ discount to the GDT price after adjusting for fat content.

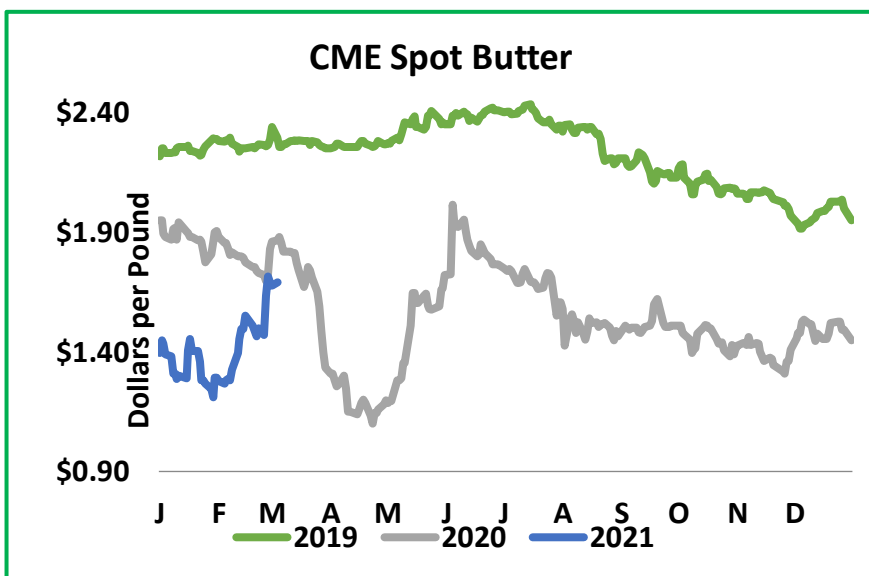




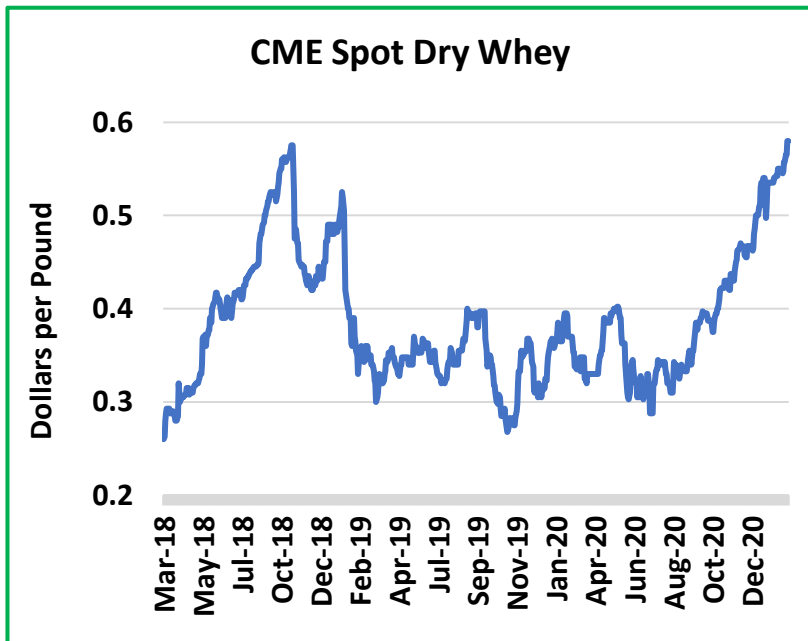
Back in the United States, many of the complications caused by February’s inclement weather have largely been overcome, with manufacturers and haulers reporting that a sense of balance has nearly been achieved. Though more accurate figures will continue to surface in the coming weeks, USDA’s Dairy Market News quotes that estimates of the milk lost during the cold spell may be as high as millions of pounds. However, with a sense of normalcy restored, and the spring flush rapidly approaching, milk is still plentiful. Abundant milk has resulted in copious dairy product production as seen in USDA’s Dairy Products report released on Thursday.

According to the Dairy Products report, a total of 1.117 billion pounds of cheese was produced in January, the largest amount ever for the month and an increase of 0.5% year-over-year. Manufacturers continued to opt for products that could be used in ageing programs, pushing the production of American style cheeses, and especially Cheddar, upward. January output of Cheddar cheese jumped by 5.7% year-year-over year to 337.6 million pounds while Mozzarella production slipped by 1.9% versus January 2020.

Robust cheese production has persisted into recent weeks as manufacturers continue to report busy production schedules. Spot milk remains readily available, and manufacturers can pick up these loads at comparable discounts to those seen in recent weeks. Nevertheless, some cues may be emerging that the market is firming. Domestic demand appears to be improving as Covid-19 restrictions are rolled back and vaccination campaigns progress. This cautious optimism likely helped to support gains at the CME this week as spot Cheddar blocks saw prices move steadily upward over the course of the week. By Friday, spot Cheddar blocks reached \$1.7325/lb., an increase of 11.5¢ versus last week. Barrels began the week unchanged before finding some traction on Thursday and Friday, adding 8.75¢ over the week to close Friday’s session at \$1.5075/lb.



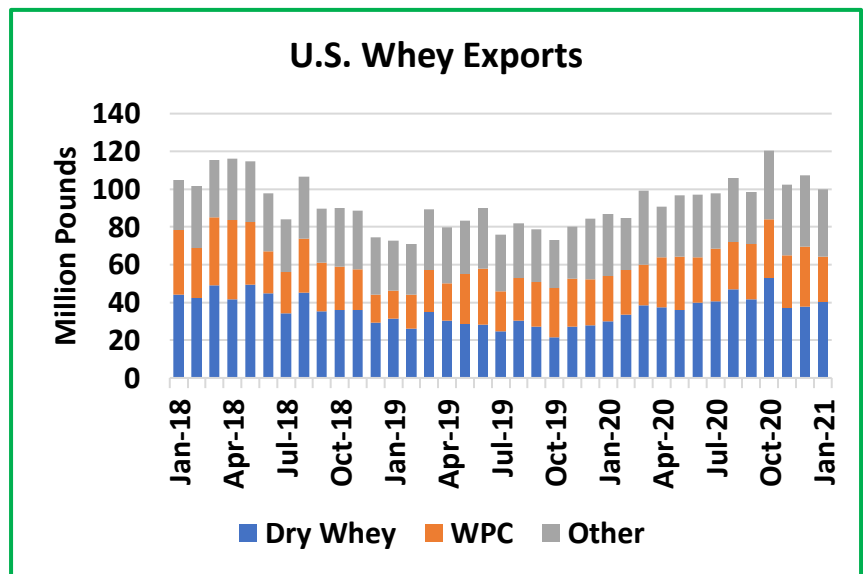
If cheese vats were busy in January, the butter churns were even more so. Butter production for the month increased by 7.0% year-over-year to 206.9 million pounds – record production for the month of January. Butter exports were also strong during the month, rising by 81.9% year-over-year to 6.2 million pounds. In the first week of trading for new crop butter, and emboldened by the aggressive GDT result, spot butter prices bounded upward early in the week, adding 24.5¢ between Monday and Tuesday to reach \$1.715/lb. on Tuesday, the highest price since July. The price was coaxed down on Wednesday and Thursday before rebounding on Friday, ultimately ending the week at \$1.69/lb. Even as the spot butter price ended this week 22¢ higher than the prior week, it nevertheless maintains a significant discount to global competitors.



Ample butter production resulted in lots of condensed skim for dryers in January as production of nonfat dry milk (NDM) also set a January record of 196.9 million pounds, an increase of 11.7% compared to the same month prior year. Despite sustained international interest, skim milk powder production declined 8.0% year-over-year to 36.9 million pounds during the month. Demand has been active from both domestic and international sources which has helped to put modest upward pressure on prices. Despite a dip during Wednesday's trade, spot NDM prices moved up over most of the week, finishing Friday's session at \$1.1775/lb., an increase of 4.5¢ versus last week with 33 loads trading hands.

Continuing the trend seen over the last few weeks, whey markets once again belonged to the bulls as spot prices moved up to 58¢/lb. on Thursday, the highest price ever since the spot market began trading in 2018. Even though cheese production is active, a preference for the production of whey permeate, whey protein concentrates (WPC) and whey protein isolates has limited the availability of dry whey. USDA's Dairy Products report showed that in January while dry whey production for both human and animal use slipped by 0.4% year-over-year, output of WPC and WPI increased by 6.6% and 11.8%, respectively. Export demand also continues to surge with January whey exports rising 34.4% year-over-year to 40.3 million pounds, anchored by strong demand from Southeast Asia.

Milk futures rode the spot market gains, moving upwards during the week. Class III milk futures found the most traction on Tuesday and Wednesday before most nearby contracts retreated slightly on Thursday and Friday. Nevertheless, the MAY21 through NOV21 Class III contracts settled on Friday above \$18/cwt. Nearby Class IV contracts also moved upward, buoyed by the spot butter and GDT rally early in the week.



**Grain Markets**

High feed costs continue to cast a shadow over dairy producer profitability. Dairy ration costs as calculated by the Dairy Margin Coverage program rocketed up to \$10.36/cwt. in January, an increase of 64¢/cwt. versus December and the highest value since the program calculations began to be published in 2019. Rising corn and soybean prices are the culprit for the increase. In USDA's Agricultural Prices report, released last week, corn and soybean prices were raised to \$4.24/bu. and \$10.90/bu., respectively, the highest prices for these commodities since 2014.



## Quota Referendum Ballots Mailed Out This Week

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs  
[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)

On March 4, the California Department of Food and Agriculture (CDFA) mailed ballots to all eligible California dairy producers, giving them the opportunity to vote in a referendum to approve or disapprove of what is called the “Quota Sunset” plan. This plan was developed through nearly a year-long process that was organized by a group called United Dairy Families of California (UDFC) and sponsored by cooperatives California Dairies, Inc., Dairy Farmers of America, Land O’ Lakes and by trade associations California Dairy Campaign, Milk Producers Council and Western United Dairies. The advocacy group STOP QIP was also part of the sponsoring group.

Throughout the process, many different opinions and ideas about Quota were shared and several specific options and proposals were analyzed and debated. In the end, a single option was identified as the most likely to gain the support of the super-majority of California producers that would be required to make a change in the current system. That proposal is quite simple. It immediately changes the Regional Quota Adjuster in the current Quota payment to equalize the payment at \$1.43 per cwt. This change would reduce the Quota assessment by a little over 2 cents per cwt. The second part of the plan is that the payments to Quota holders would continue until March 1, 2025, at which time, the program would cease to exist.

At \$1.43 per cwt., each pound of Quota solids earns \$5 per month, so if you count the months until March 1, 2025 you can calculate how much remaining revenue would be earned by each pound of Quota solids. March 1, 2025 was chosen as the termination date because when the plan was officially announced at the Tulare Farm Show in February of 2020, the intent was to give Quota holders five years of revenue in exchange for the ultimate termination of the program. It has taken from February of 2020 until now for petitions from producers to be gathered, for CDFA to verify the validity of the petition, for a meeting of the Producer Review Board to consider the petition to take place, for a hearing to be held on the petition, for the Judge to render a decision on the petition, for the Secretary to accept the decision of the Judge, and for a referendum to be scheduled. Much has been written about this process in the Friday Report and you can find a compilation of those article [here](#).

It is now decision time. Producers have three choices. They can vote yes. They can vote no. Or they cannot vote. CDFA mailed 931 ballots this week. 51% of those ballots must be returned correctly to have a valid referendum. That is, 475 ballots must be returned for the results of the referendum to take effect. Each individual ballot has a number. The ballot will also include the pooling number and the name and address of the producer. January’s milk production for the dairy will also be on the ballot. A preaddressed, postage-paid return envelope will be provided. The voting period will run from March 4 until June 1, 2021 with no extensions. CDFA will not be opening any ballots until June 11 – 10 days after the mailing deadline. They will not be monitoring, reporting, or publishing percentages of ballots received. But if a producer calls, they will confirm for that producer if their ballot has been received.

### Quota Coverage

*Since adoption of the Federal Milk Marketing Order, Geoff Vanden Heuvel has provided extensive analysis, background and coverage of the Quota issue. Read his collection of Quota-related articles at [MilkProducers.org/Quota](http://MilkProducers.org/Quota).*



This is a very personal decision for each producer. For those who own little or no Quota, this decision does put an end date on the program, that for the most part, is a cost to them. But it does mean the assessments will continue for another nearly four years. For producers who have invested in Quota, this program has been an important part of their operation and represents the starting of a clock on the termination of a valuable asset. Many producers are somewhere in the middle and could probably go either way. The Sunset Proposal is a compromise which means neither side is exactly happy with its terms. But one thing we can all acknowledge is that Quota is a controversial issue and will continue to be a source of conflict in our industry until there is a permanent resolution. If it is not the Sunset Proposal, then what will the solution be? Each producer has the right to weigh in on the answer. Getting that ballot filled out correctly and mailed back to CDFA soon, before it gets buried on your desk, is probably a good idea. Milk Producers Council has remained committed to not taking sides during this process, but our commitment has been to serve as a conduit for useful information about the Quota issue to the industry. The issue is now in the hands of producers where it belongs.

## Referendum Notice Regarding Proposed Amendments to the Quota Implementation Plan

*Courtesy of the California Department of Food and Agriculture (CDFA)*

On December 11, 2020 Judge Timothy J. Aspinwall, Administrative Law Judge (ALJ) with the Office of Administrative Hearing (OAH) issued a Recommended Decision regarding a petition to amend and terminate the Quota Implementation Plan submitted by the United Dairy Families on June 25, 2020. See OAH No. 20200850708. The petition proposes to change the regional quota adjusters such that the quota premium in all counties equal \$1.43/cwt.; it also proposes to terminate the Quota Implementation Plan effective March 1, 2025. The ALJ recommended holding a referendum vote among eligible producers. After due review and consideration, the Secretary adopted the ALJ's proposed Order of Decision. The signed Order can be found [here](#).

To ensure full participation by California market milk dairy farmers, the referendum voting period will be March 4, 2021 – June 1, 2021, the maximum time allowed for a producer referendum. A copy of the referendum notice can be viewed [here](#).

## Farm Workforce Modernization Act of 2021 Introduced in U.S. House of Representatives

*By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs*  
[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)

On Wednesday, U.S. Representatives Zoe Lofgren (D-CA) and Dan Newhouse (R-WA) reintroduced the Farm Workforce Modernization Act, H.R. 1537. This bill originally [passed the House of Representatives in 2019](#), but failed to advance out of the U.S. Senate and onto the President's desk. The 2021 version of this bill is substantially the same as its previous version, which:

- Establishes a program for agricultural workers in the United States to **earn legal status through continued agricultural employment** and contribution to the U.S. agricultural economy.
- **Reforms the H-2A program to provide more flexibility for employers**, while ensuring critical protections for workers.
- Focuses on modifications to make the program more responsive and user-friendly for employers and **provides access to the program for industries with year-round labor needs**.

The National Milk Producers Federation put together this [short document](#), which provides more information about the bill introduced this week.

Milk Producers Council is strongly supportive of this legislation, as we were in 2019 when we [hosted Representatives Lofgren, Jim Costa, Jimmy Panetta and TJ Cox on MPC member Rob Diepersloot's dairy](#). The visit provided our elected leaders a firsthand look at the critical role labor plays on a California dairy and the key differences between dairy labor and seasonal agricultural work.

According to a statement from Representative Lofgren's office, the bill provides a compromise solution to make meaningful reforms to the H-2A agricultural guestworker program and creates a first-of-its-kind, merit-based visa program specifically designed for the nation's agricultural sector.



MPC member Rob Diepersloot (second from right) and his dairy management team hosted House Representatives TJ Cox (second from left), Zoe Lofgren (third from left), Jim Costa (center) and Jimmy Panetta (third from right) in 2019 to discuss labor issues on California dairies.

“The men and women who work America’s farms feed the nation. But many of them do so while living and working in a state of uncertainty and fear, which has only been heightened by the COVID-19 pandemic,” said Representative Lofgren. “Stabilizing the workforce will protect the future of our farms and our food supply. The Farm Workforce Modernization Act accomplishes this by providing a path to legal status for farmworkers and updating and streamlining the H-2A temporary worker visa program while ensuring fair wages and working conditions for all workers. I look forward to working with my colleagues on both sides of the aisle and in both Houses of Congress to get this bipartisan legislation that serves the best interests of our country to the President’s desk.”

MPC will continue to monitor H.R. 1537’s progress and will work with members of Congress and our national dairy partners to help ensure its passage in the 117<sup>th</sup> Congress.

## Correcting the Record on Animal Agriculture and Sustainability

*Courtesy of Kay Johnson Smith, Opinion Contributor, The Hill*



Animal agriculture — farmers, ranchers, veterinarians, feed mills, animal health companies and others — is committed to providing a safe and healthful food supply for everyone. This dedication starts on the farm by caring for the land and raising healthy animals.

Unfortunately, a recent [piece](#) relies on misinformation to fuel confusion and controversy about the sustainability of animal agriculture. The author ignored animal agriculture’s longstanding commitment to innovation and continuous improvement in the area of sustainability, including the [design](#) of modern production systems that have helped [reduce](#) animal agriculture’s carbon footprint.

Read the full article [here](#).