

MPC WEEKLY FRIDAY REPORT

DATE: APRIL 9, 2021
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 6

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+\$0.0550	\$1.8300	WEEKLY CHANGE	+\$0.0350	\$1.8800
Barrels	+\$1.1800	\$1.6925	WEEKLY AVERAGE	+\$0.0226	\$1.8420
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 04/03/21	
Blocks	+\$0.0476	\$1.7995	DAIRY MARKET NEWS	W/E 04/09/21	\$0.6150
Barrels	+\$0.0947	\$1.5835	NATIONAL PLANTS	W/E 04/03/21	\$0.5889
				WEEK ENDING 04/03/21	
				NAT'L PLANTS	\$1.1486 16,668,985
				PRIOR WEEK ENDING 03/27/21	
				NAT'L PLANTS	\$1.1353 15,913,669

CALIFORNIA FEDERAL MILK MARKETING ORDER PRICE PROJECTIONS

PRICE PROJECTIONS	CLASS I ACTUAL (RANGE BASED ON LOCATION)	CLASS II PROJECTED	CLASS III PROJECTED	CLASS IV PROJECTED
APRIL 9 EST	\$17.11 - \$17.61	\$15.92	\$17.68	\$15.37
LAST WEEK	\$17.11 - \$17.61	\$15.60	\$17.50	\$15.46



Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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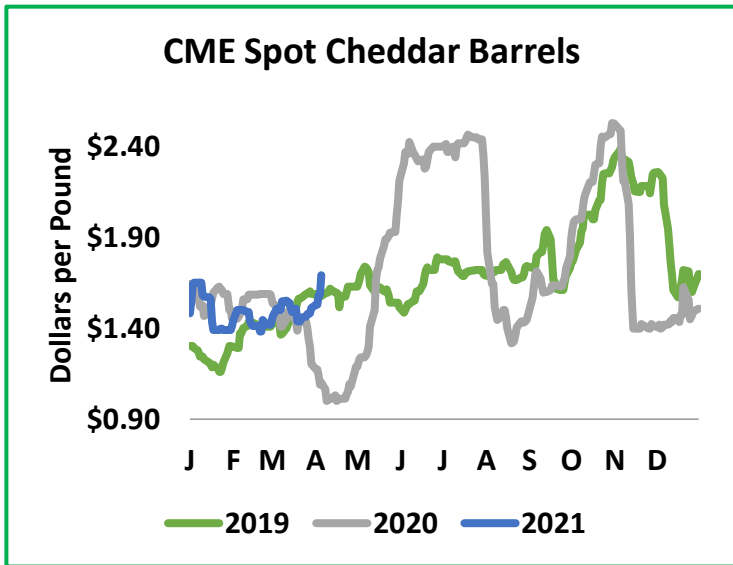
Milk & Dairy Markets

It was another big week on LaSalle Street, and nearly all products gained ground at the CME spot market. Whey was the exception. CME spot whey fell 3¢ from its all-time high. But, at 63¢ per pound, whey powder remains lofty. Demand is strong. China continues to import large volumes of whey for pig feed, and consumers have developed a growing appetite for high protein products.

The other spot dairy products moved decisively upward. On Tuesday, skim milk powder (SMP) climbed 0.6% at the Global Dairy Trade (GDT) auction and reached its

GDT SMP Prices



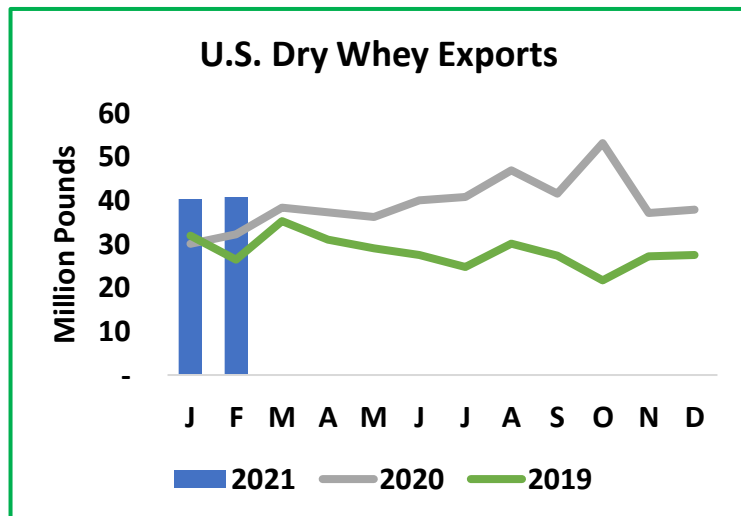
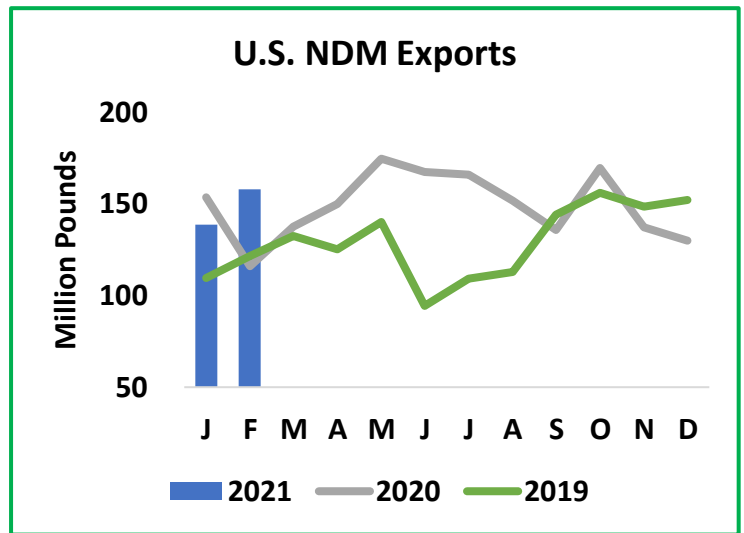


highest GDT value since 2014. In Chicago, spot nonfat dry milk (NDM) followed suit and advanced 1.5¢ to \$1.205, a 13-month high. Spot butter rallied 3.5¢ to \$1.88, its highest perch since mid-June. With both butter and powder on the rise, second-half Class IV futures scored life-of-contract highs.

Cheddar posted the strongest performance at the spot market. Blocks added 5.5¢ and reached \$1.83. Propelled by a 10.75¢ jump today, barrels vaulted 18¢ this week. At \$1.6925, they stand at their highest price since mid-November, when euphoria over the impact of government purchases began to wear off.

Nearly every Class III contract on the board posted life-of-contract highs yesterday. But they may have climbed too far, too fast. Today, cheese and Class III futures watched barrels sprint upward, shrugged, and moved in the opposite direction.

As more Americans receive their vaccines and return to some of their old habits, cheese makers are stepping up sales to restaurants. Meanwhile, sales to grocery outlets remain firm. In this rapidly changing environment, grocers and restaurateurs find it difficult to project how much food they'll need. After last year's shortages, they're likely inclined to keep their shelves and larders extra full. Today's retreat suggests that the trade may be concerned that either retailers or restaurants are overdoing it. As grocery and restaurant managers true up their inventories to match consumption, cheese orders could prove fitful. Meanwhile, U.S. cheese output is growing every day. In that light, \$19 milk looks a bit rich.



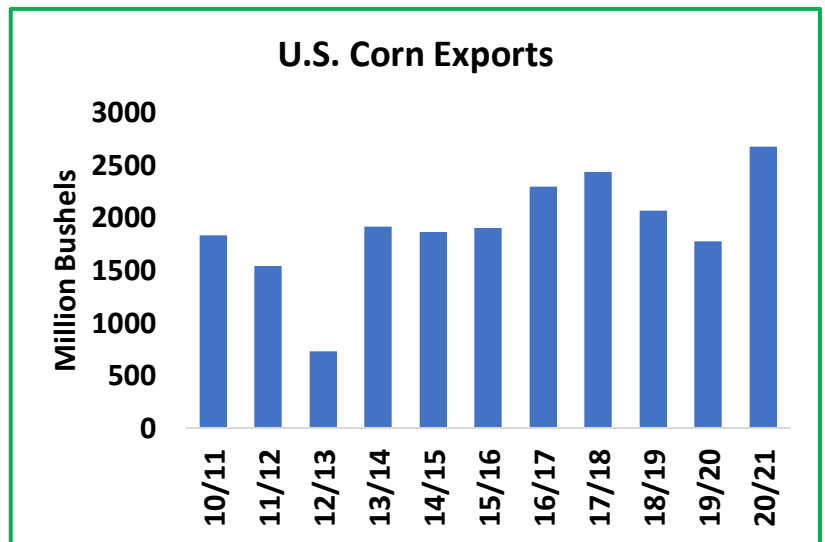
Global trade in general and U.S. exports in particular have slowed due to a litany of woes. The U.S.-Chinese trade imbalance and backlogs at U.S. ports clogged with Pelotons and home-office furniture tied up the containers needed to move goods of all sorts. Winter storm Uri hammered Houston, home to the sixth-largest port in the nation. A massive container ship was stuck in the Suez Canal for nearly a week, further entangling global supply lines. High water on the lower Mississippi River slowed barge traffic, and there are more rains in the forecast for the Delta. It all adds up to major headaches for exporters looking to move product.

Nonetheless, U.S. dairy exports are going strong, a testament to our competitive prices. The United States sent huge volumes of whey and milk powder abroad in February, with both categories scoring record-high volumes for the month. That helped lift the value of U.S. dairy exports to \$557.8 million, the highest February total since 2014. Compared to the prior year, the United States stepped up exports of NDM by 36.1% and whey powder by 30.5%. Exporters more than doubled butter shipments in February, although, at 7.6 million pounds, the total is still a relatively small share of the market. U.S. cheese exports of 66.5 million pounds were up a modest 1.1% from the prior year. Southeast Asian buyers remain hungry for U.S. dairy products, and shipments to Mexico are starting to recover.

U.S. dairy producers are milking more cows than they have in over a quarter-century, and both milk yields and components continue to impress. If the U.S. dairy industry plans to sustain this kind of growth, it will need robust exports to keep dairy product inventories in check.

Grain Markets

The grain markets continued to climb. In USDA’s monthly update to crop balance sheets, the agency raised its estimates of feed, ethanol, and export demand, tightening ending stocks. U.S. exporters continue to book big sales, which suggests there is room for USDA to pencil in greater demand and even lower stocks on next month’s report. On the heels of the report, December corn futures traded briefly above \$5 per bushel for the first time in years. They ultimately settled at \$4.965, up 12¢ this week. May corn futures jumped 17.5¢ this week to \$5.7725.



USDA raised its projection for soybean exports but lowered domestic demand, resulting in no change to end-of-season stocks. The agency also boosted its estimate of Brazilian soybean production by 2 million metric tons. Soybeans traded in the red today, but they eked out a penny gain for the week. May soybeans closed at \$14.03. However, May soybean meal futures dropped \$9 to \$401.20 per ton, offering dairy producers some modest relief from painfully high protein prices.



Coronavirus Food Assistance Program 2 Application Period Reopened

By *Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs*
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While USDA reopened the opportunity to apply for the Coronavirus Food Assistance Program (CFAP) 2 payments to dairy producers this past week, this is not an expansion of the available money each individual producer can receive. The original application period for CFAP 2 was September 21, 2020-December 11, 2020. If you applied at that time, you should have already received the payments which were calculated at \$1.20 per cwt. for the milk you produced between April 1, 2020 and August 31, 2020. But if for some reason you did not apply for CFAP 2 milk payments late last year, USDA is allowing you to apply now.

There will be some additional payments for row crops. USDA will send you another \$20 per acre if you applied last year for per acre payments for any of these crops: alfalfa, amaranth grain, barley, buckwheat, canola, corn, Extra Long Staple (ELS) cotton, upland cotton, crambe (colewort), einkorn, emmer, flax, guar, hemp, indigo, industrial rice, kenaf, khorasan, millet, mustard, oats, peanuts, quinoa, rapeseed, rice, sweet rice, wild rice, rye, safflower, sesame, sorghum, soybeans, speltz, sugar beets, sugarcane, sunflowers, teff, triticale, and all classes of wheat. There's no need to file anymore paperwork; the money will be automatically sent to you.

These payments are subject to the payment limit caps for CFAP 2.

There will also be additional payments for non-breeding cattle. If you received CFAP 1 payments for livestock, which were based on the number of head you owned between April 16, 2020 and May 14, 2020, there will be an additional payment per head coming to you automatically. You can see the payment rates [here](#) and below.

Eligible Commodity	Payment Rate
Feeder Cattle: Less than 600 Pounds	\$7.00/head
Feeder Cattle: 600 Pounds or More	\$25.50/head
Slaughter Cattle: Fed Cattle	\$63.00/head
Slaughter Cattle: Mature Cattle	\$14.75/head
All Other Cattle	\$17.25/head

These payments are subject to the payment limit caps that apply to CFAP 1. Importantly to note, CFAP 1 and CFAP 2 are different programs with different payment caps.

There will be more information in the coming weeks about USDA's plans for additional food and dairy product purchases. Congress allocated multiple billions of additional dollars for food and agriculture commodity purchases. Hopefully, these expenditures will provide balanced economic support for all dairy producers. The need for USDA to act in a [balanced way](#) is a message that is being constantly communicated by the producer community to government officials.

National Dairy FARM Program and Cargill Partner to Offer Customizable Safety Review

Courtesy of the National Milk Producers Federation (NMPF)

The National Dairy Farmers Assuring Responsible Management (FARM) Program has partnered with Cargill to launch the [Actionable Safety Review](#), a new online tool that enables dairy farmers to identify and review opportunities to improve safety on the farm.

“Safety is top of mind for dairy owners and operators, so often they are looking for ideas on what they can do to enhance their safety management,” says Nicole Ayache, senior director of sustainability initiatives at NMPF. “That’s why we’re excited about our partnership with Cargill and the Actionable Safety Review. It covers a set of important on-farm safety topics with practical advice for addressing each one.”

Farmers filling out the Actionable Safety Review are prompted to consider their own operations and make note of their approach to specific safety topics. The tool offers recommendations and resources for farmers to follow-up on those topics. Dairy farmers who complete the safety review will receive a copy of their responses to serve as a list of farm-specific action items designed to keep employees, farmers, and families safe on the dairy.

“At Cargill, our goal is to ensure every employee returns home safely to their loved ones each day. We also strive to make this happen on the dairies that we partner with, which is where the idea for an Actionable Safety Review originated from,” says Steve Halahan, dairy focus consultant and safety advocate for Cargill. “By outlining and reviewing safety protocols on your dairy, you make a commitment to focusing on safety first for your family and employees.”

As a thank you for their time and commitment to working safely, Cargill also will provide two high-visibility, reflective safety hats to dairy farmers who use the online tool during the month of April, or while supplies last.

How to Protect Your Farm from Undercover Activists

*By Dr. Michael Payne, UC Davis, School of Veterinary Medicine and
Director, California Dairy Quality Assurance Program (CDQAP)*

It’s a common strategy for animal rights organizations to have individuals go “undercover” on farms to record videos that are taken out of context, stage scenes of mistreatment, or to encourage abuse and record it without intervening. Such misrepresentations have included difficult deliveries, appropriate use of hip lifts, and singeing udder hair.

Over the last several years, more than a dozen California dairies have received employment applications from undercover animal rights activists. In 2018, one activist discussed employment with several San Joaquin Valley producers, switching license plates in between stops. The fraudulent trespasses increased, eventually becoming so frequent that the Fresno County Sheriff’s Department put out an all-state advisory to law enforcement.

In September of 2020, a PETA activist, who had previously recorded undercover video at an Indiana duck farm, made employment inquiries at more than a dozen North Bay and Ferndale dairies. Last year, one southern California dairy was startled to learn that they had unwittingly hired an activist and were

sued in state court for animal cruelty by the employee's parent organization. The lawsuit was quickly dismissed for lack of standing, but the warning to producers is clear: it's worth the time to investigate potential new hires.

In addition to employing conventional [best hiring practices](#), there are several ways to help ensure applicants are who they are representing themselves to be:

Application References: It is vital that all references provided by an applicant be checked. Never call a cell phone for an employee reference; always dial the company directly (at a number verified on the internet) and ask to be transferred to the reference. References that are not available during working hours or that cannot confidently provide an applicant's work history, dates of service, and work responsibilities should be considered a red flag.

Employee Interview: Do the applicant's history and responses make sense? Are they overly educated for the job? People looking for a "lifestyle change" rarely apply for farm labor. Be cautious of individuals who present a college ID, have out-of-state license plates, or are looking for short-term work. During the interview, look for answers that seem overly rehearsed or include incorrect use of farm terminology. If something seems not right, trust your gut!

Online/ Social Media: The internet is a quick and inexpensive way producers can expand their background check. An applicant's social media profile should be scrutinized, including Facebook, Twitter, LinkedIn, and Instagram, as well as any websites or blogs. Undercover activists have been identified because they used their own name on activist sites. A young, computer-savvy applicant with little or no online presence should be cause for concern.

Animal Ag Alliance: The [Animal Ag Alliance](#) monitors and tracks criminal activities of known animal activist members. Inquire with your trade group or processor to help facilitate contacting the Alliance. The organization also has some public resources including [tips to help guard against hiring undercover activists](#).

For more detailed information on the types of activities utilized by activists and how you can protect your operation, visit CDQAP's new webpage [Vigilance in Hiring: Protecting the Farm from Undercover Activists](#).

