

MPC WEEKLY FRIDAY REPORT

DATE: SEPTEMBER 18, 2020
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 5

Looking for COVID-19
 Info & Resources?

Click [here](#) for MPC's
 regularly updated
 database of helpful links.



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

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+\$0.4625	\$2.6275	WEEKLY CHANGE	+\$0.1175	\$1.5975
Barrels	+\$0.0400	\$1.6350	WEEKLY AVERAGE	+\$0.0359	\$1.5265
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 09/12/20	
Blocks	+\$0.2007	\$2.3570	DAIRY MARKET NEWS	W/E 09/18/20	\$3.400
Barrels	-\$0.0378	\$1.6160	NATIONAL PLANTS	W/E 09/12/20	\$3.191
				WEEK ENDING 09/05/20	
				NAT'L PLANTS	\$0.9993 16,944,142
				NAT'L PLANTS	\$0.9723 20,506,139

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
SEPT 18 EST	\$20.04 - \$20.54	\$13.17	\$16.29	\$12.72
LAST WEEK	\$20.04 - \$20.54	\$13.14	\$16.48	\$12.68

AUGUST 2020 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

AUGUST '20 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$21.38 (TULARE) \$21.88 (L.A.)	\$13.27	\$19.77	\$12.53	\$14.03 (TULARE) \$14.53 (L.A.)	\$13.665 (TULARE) \$14.165 (L.A.)
PERCENT POOLED MILK	21.8%	8.1%	0.7%	69.4%	100% (1.831 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.365/CWT. AS OF JUNE 2020 MILK

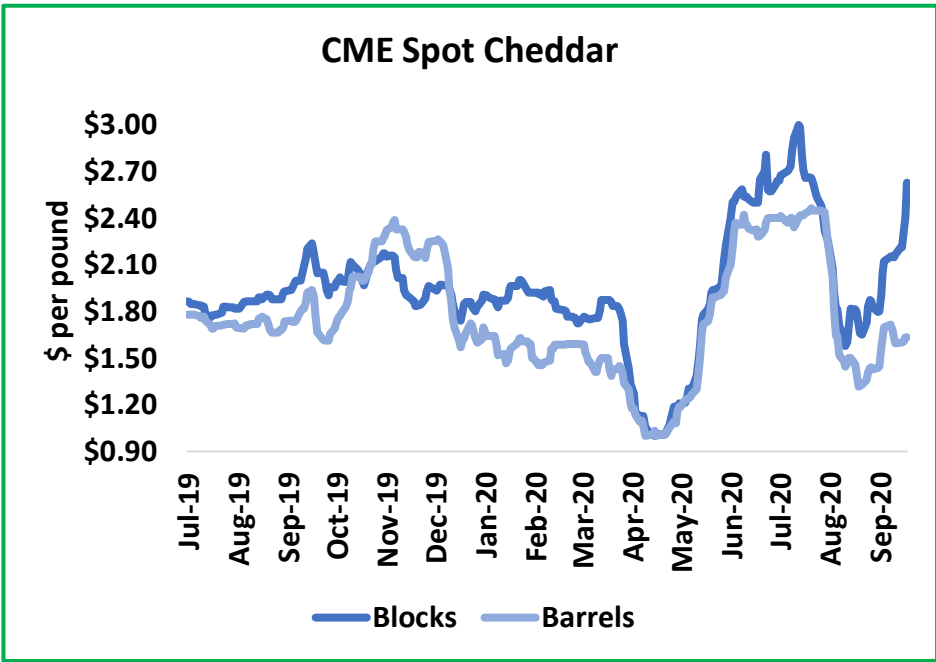
Milk, dairy and grain market commentary

By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com



Milk & Dairy Markets

The block market is looking feisty again. Today, CME spot Cheddar blocks soared 22.75¢, the largest single-session increase on record. That lifted blocks to \$2.6275 per pound, within shouting distance of the summer highs and 46.25¢ above last Friday's close. Barrels followed reluctantly, adding 4¢ this week and reaching \$1.635. The block-barrel spread gapped to a



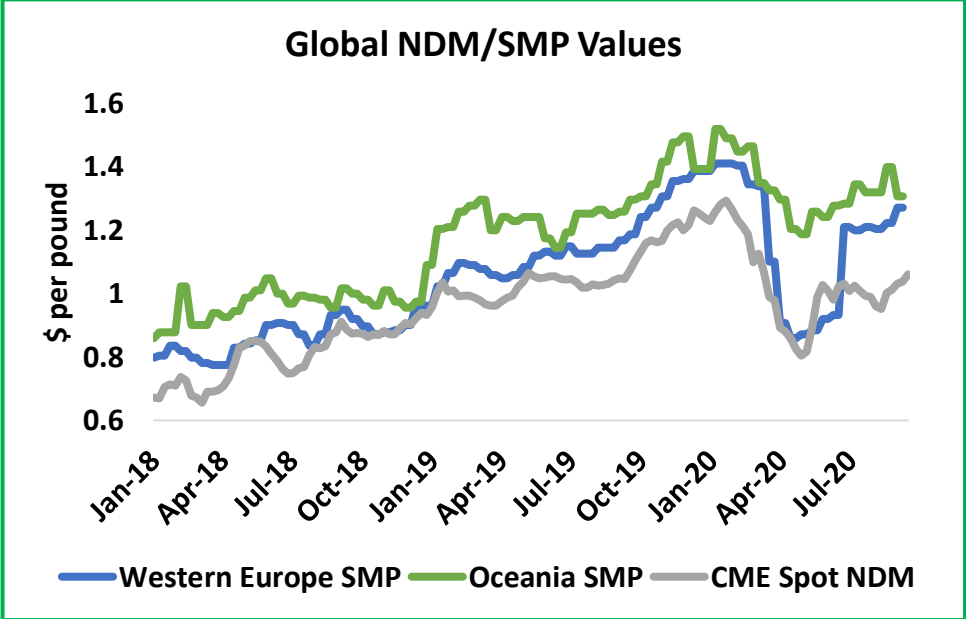
historic 99.25¢, shattering the pre-2020 record of 43.25¢. Such a yawning chasm is unsustainable. The market is on tenterhooks to see whether blocks will move lower or barrels higher to close the gap.

Soaring block prices make it clear that fresh Cheddar is inadequate to meet demand. Foodservice sales are improving, although they remain well short of year-ago levels. Retailers continue to move cheese at a good clip. Cheesemakers are also filling orders for government donations. That business will dry up soon, but for now it is eating up product.

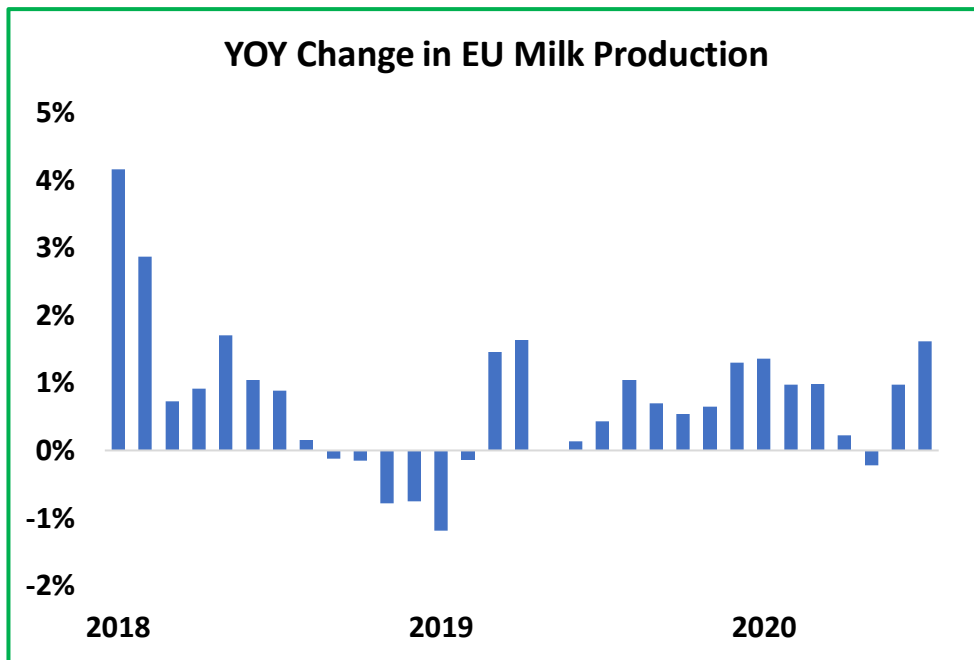
When spot Cheddar blocks were around \$1.60 last month, cheesemakers likely pushed Cheddar into aging programs, further reducing the supply of cheese that is less than 30 days old and eligible for delivery in Chicago.

Rapidly rising block values pushed cheese and Class III futures sharply up this week. October Class III advanced 38¢ to \$19.59 per cwt, the contract’s highest-ever closing price. November Class III added more than a dollar, and December was not far behind, up nearly 80¢ from last Friday. Double-digit gains carried into early 2021. Lofty Class III values in October will result in another punitive producer price differential for most dairy producers after a respite in August and September.

The Class IV markets also strengthened. Thanks in part to a strong performance at the Global Dairy Trade (GDT) auction and rising skim milk powder (SMP) prices around the globe, CME spot nonfat dry milk (NDM) climbed 3¢ this week to a six-month high at \$1.07. Adjusting for protein, GDT SMP averaged \$1.40, up a strong 8.4% from the previous auction. American milk powder is by far the cheapest in the world. After months of buying largely hand-to-mouth, Mexican buyers have some catching up to do and trading across the border is increasingly brisk. Domestic users are also stocking up. USDA’s *Dairy Market News* reports “lively” demand from cheesemakers looking to fortify their vats.



CME spot butter pushed decisively through the \$1.50 ceiling this week and closed today at \$1.5975, up 11.75¢ from last Friday. Butter demand is increasing seasonally, and butter has the most to gain as restaurants adapt and consumers find ways to return to normal.



With help from both butter and powder, most Class IV futures contracts added about 40¢ this week. However, values remain disappointing. Class IV contracts are still south of \$15 through January and are not projected to reach \$16 until July.

European milk output climbed to 30.5 billion pounds in July, 1.6% greater than last year. That's the bloc's strongest year-over-year increase since April 2019. Milk output in Germany and France easily outpaced last year, when a heat wave swamped the continent.

Sweltering temperatures strangled milk output in the U.S. Southwest, but dairy producers in the rest of the nation more than made up for it. Milk output reached 18.6 billion pounds in August, up 1.8% from a year ago. For the second consecutive Milk Production Report, USDA revised the previous month's milk output substantially higher. National milk production in July was 2% greater than the prior year, rather than the 1.5% gain USDA had initially reported.

Despite record-breaking heat and unseasonable humidity in California, milk output in the nation's top dairy state exceeded last year by 1.8%. Production fell 0.3% short in Wisconsin. Milk continues to gush in Idaho and Texas.

USDA boosted its estimate of the July milk-cow herd by 8,000 head and reported no change from July to August. At 9.36 million head, the dairy herd is 42,000 cows larger than it was a year ago. Very low slaughter volumes point to continued growth in the dairy herd and in future milk flows.

On the surface, the Milk Production Report was bearish. But news that there was more milk than we bargained for two months ago and again last month loses its bite in the face of such a strong rally. Rather, it becomes evidence of dynamic demand. The market absorbed the excess and is apparently looking for more.

Grain Markets

China has been buying American crops of all sorts in huge volumes, and they are buying soybeans with particular enthusiasm. The funds are buying too, adding further oomph to an already vigorous rally. Concerns about the impact of scant August rains on crop yields also provided fodder for the bulls. December corn futures settled today at a six-month high of \$3.785 per bushel, a dime higher than last Friday. November soybeans climbed another 47.5¢ this week to \$10.435, a multi-year high. December soybean meal jumped nearly \$20 to \$342.10 per ton.



Coronavirus Food Assistance Program (CFAP) Round 2 Details Announced

By Geoff Vanden Heuvel, Director of Regulator and Economic Affairs
Geoff@MilkProducers.org

On Monday September 21, producers can begin to apply at FSA offices for Round 2 of the Coronavirus Food Assistance Program (CFAP) payments. In this round, dairy producers will be eligible for a payment of \$1.20 per cwt. on milk produced between April and August, plus the daily average of the April to August period times the 122 days that occur between September 1 and the end of the year. In essence, the payment is \$1.20 per cwt. on nine months of production.

The payment limit of \$250,000 per person starts over with Round 2 and there is a bit more clarity than Round 1 on how trusts, corporations and LLC's will be handled with regards to multiple individual owners of a dairy receiving payments. In addition to payments for milk there will be payments for livestock that are not a dairy replacement animal. So, beef cows and bull calves would qualify for CFAP payments of about \$55 per head.

There is a lot of information about rules and how you can apply. Visit [this link](#) to learn more.

Nothing earth shattering, but a few things that happened this week that may impact California producers

By Geoff Vanden Heuvel, Director of Regulator and Economic Affairs
Geoff@MilkProducers.org

A California Net Zero Tour happened on Monday and Tuesday. National Milk Producers Federation, on behalf of America's dairy farmers, made some news some time ago by committing America's dairy farmers to a goal of having the dairy industry reach Net Zero carbon emissions by 2050. Many of our cooperatives and milk processors have signed on to this initiative. While this is certainly a laudable goal, there is concern, particularly by Western dairy producers, about the practicality of actually getting to zero emissions in an economically viable fashion.

Earlier this week a couple of key staff people from Dairy Management Inc. (DMI) were hosted by Dairy Cares and Milk Producers Council on a road trip through California to see firsthand a whole range of innovative projects that are happening on California dairies. Through the smoke and the heat, the tour visited the dairies and saw the projects. They heard direct reports of where folks have been, what they are doing now and where they hope to be with regards to putting in place economically viable large-scale projects that will move the industry into a reduced carbon future. This is really the grunt work of fulfilling the lofty goals announced in the Net Zero initiative. This tour is being followed up by a focused symposium sponsored by the Western States Dairy Producer Trade Association (WSDPTA) to be held in Boise on October 19-20, which will bring together in one event the very latest in where the industry is in putting in place projects and technologies that will reduce the carbon footprint on the industry. This issue is becoming a major marketing message from our biggest milk buyers. MPC is an active member of WSDPTA and getting this right will have a huge long-term impact on our ability in the West for the dairy industry to be able to flourish.

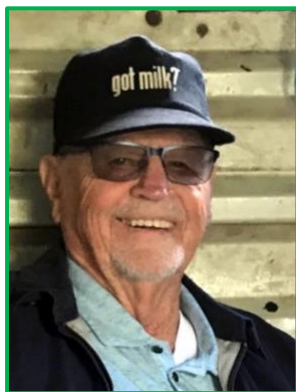
Another event this week was the every five year hearing the California Department of Food and Agriculture (CDFA) holds to consider whether to continue the California Milk Advisory Board (CMAB). The hearing took place virtually on Wednesday. In advance of the hearing, there were many letters of

support for CMAB that were submitted to CDFA. At the hearing, several producer leaders associated with CMAB and the Dairy Institute testified about the value of CMAB and their support for its continuance. While there was no testimony that I heard in opposition to the continuance of CMAB, from time to time complaints are heard in the producer community. As was pointed out by several witnesses, CMAB does have an open process that includes district meetings in the various parts of California where information is given and input is sought from all producers with regards to how CMAB programs are designed and carried out. Furthermore, federal law requires all dairy farmers in the U.S. to contribute at least 15 cents per cwt. to an advertising marketing board. That same federal law does allow 10 cents of the required 15 cents to be diverted to a local or regional organization. As a practical matter, if California did not have a local marketing board to receive the 10 cents, then that money would be given to the National Dairy Board. I would expect that CDFA will find that CMAB retains the support of the industry and will be authorized to continue for another 5 years.

Also this week the board of the Central Valley Dairy Representative Monitoring Program met and adopted an updated policy document that expands the scope of CVDRMP to include coverage for their members of the CV-SALTS Pathway B requirement that dairy producers in water quality impacted subbasins of the Central Valley be part of a drinking water management zone. This expansion of the CVDRMP effort beyond simply monitoring water quality is a natural progression of the effort to comply with increasingly difficult water quality regulations through collective action. The CV-SALTS program, which was adopted by the Central Valley Regional Water Quality Control Board, will impact all discharge permit holders in the Valley. The non-dairy farming community will be represented in the required drinking water management zones by the different regional Irrigated Lands coalitions. With the expanded scope of CVDRMP, the dairy producers and bovine operators in the Valley will have the opportunity to be in compliance with the CV-SALTS requirements through their membership in CVDRMP. This too represents the significant amount of behind the scenes work that is being done by a few to enable all California dairy producers to be able to operate in this increasingly challenging regulatory environment.

CV-SALTS is the name of program that provides an alternative pathway for compliance with a state law that prohibits degradation of groundwater quality. Since it is not currently economically viable for most in agriculture to comply with the non-degradation standard on nitrate, a legal alternative is necessary to continue to operate. CV-SALTS is essentially a trade. The permitted dischargers including dairy producers participate in providing clean drinking water to those in the impacted regions who have high nitrates in their source water in exchange for more time to work on permanent solutions.

Remembering Bill Van Leeuwen



MPC expresses its condolences to the family of long-time industry leader Bill Van Leeuwen who passed away at age 81 a few weeks ago. Bill served on the Milk Producers Council board for many years as well as the Milk Advisory Board, and many other industry boards, as well as serving on church, school and community boards. He was a man of faith who loved his family and cared deeply about the community he was part of. He was an encourager and an optimist. He will be missed by all who were blessed to know him. Our deepest sympathy to his wife of many years Delores and his family. There will be a Memorial Service on Monday, September 28 at 10:30 a.m. outside at the Crosspoint Church located at 6950 Edison Avenue in Chino.