

# MPC WEEKLY FRIDAY REPORT

DATE: OCTOBER 23, 2020  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 8

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## MPC FRIDAY MARKET UPDATE

<b>CHICAGO CHEDDAR CHEESE</b>		<b>CHICAGO AA BUTTER</b>		<b>NON-FAT DRY MILK</b>	
Blocks	+ \$.0525	\$2.7225	WEEKLY CHANGE	-\$ .0750	\$1.4350
Barrels	+ \$.2500	\$2.4550	WEEKLY AVERAGE	-\$ .0190	\$1.4635
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 10/17/20</b>	
Blocks	+ \$.0390	\$2.7530	DAIRY MARKET NEWS	W/E 10/23/20	\$ .3837
Barrels	+ \$.1710	\$2.3440	NATIONAL PLANTS	W/E 10/17/20	\$ .3455
				<b>PRIOR WEEK ENDING 10/10/20</b>	
				NAT'L PLANTS	\$1.0734 18,705,479
				NAT'L PLANTS	\$1.0583 19,621,863

## 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
OCT 23 EST	\$16.80 - \$17.30	\$13.63	\$21.63	\$13.52
LAST WEEK	\$16.80 - \$17.30	\$13.70	\$21.38	\$13.67



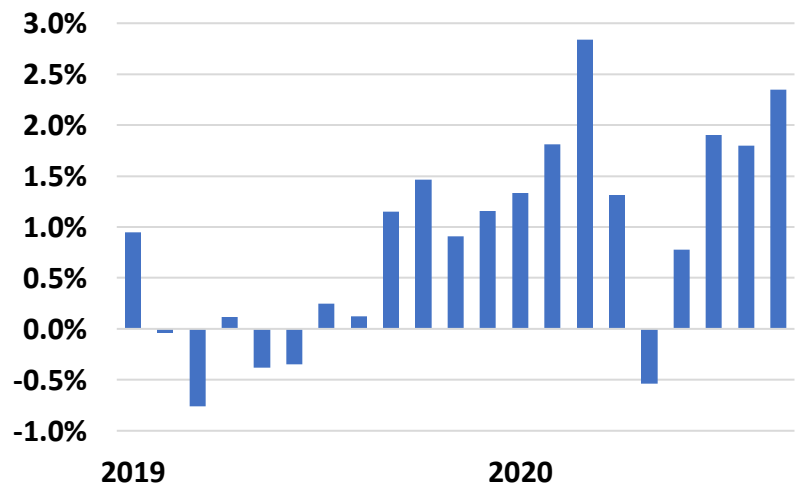
### Milk, dairy and grain market commentary

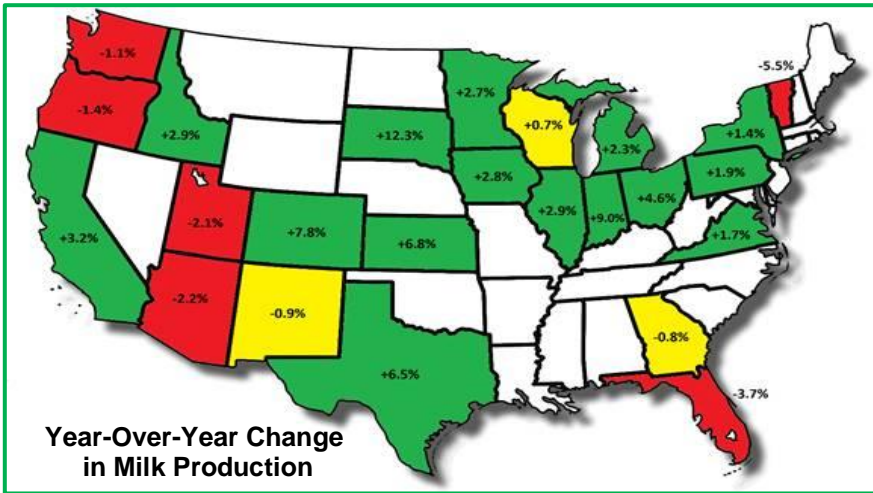
By Sarina Sharp, Daily Dairy Report  
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#### Milk & Dairy Markets

USDA stunned the market on Tuesday, reporting a dramatic surge in U.S. milk output last month. September milk output reached 18 billion pounds, up 2.3% from a year ago. That's on top of a respectable gain in September 2019, marking the strongest two-year advance since early 2018. Milk output fell short of prior-year volumes in the Pacific Northwest, the Southeast and parts of the Southwest, but it was sharply higher in the rest of the nation. Production was especially formidable in the Midwest and Plains states and in Colorado. In California, dairy producers managed to make 3.2% more milk than last year with 4,000 fewer cows. Advances in herd management and dairy genetics are clearly adding up to a lot more milk per cow.

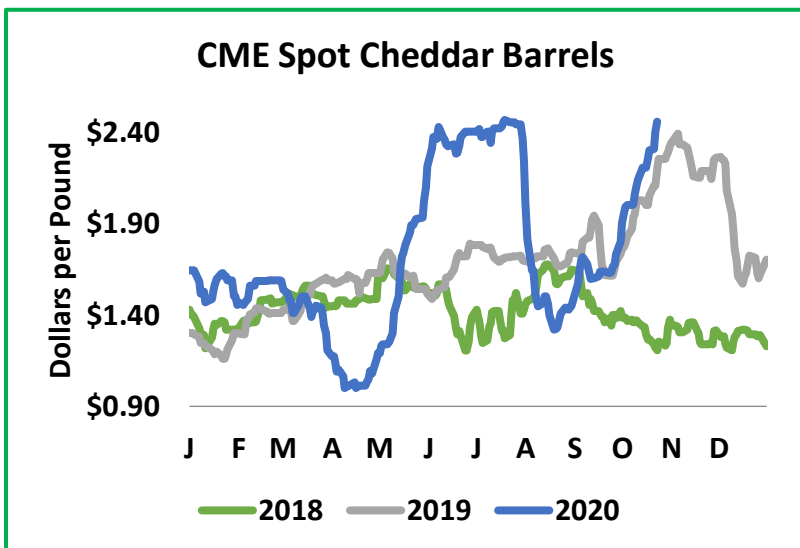
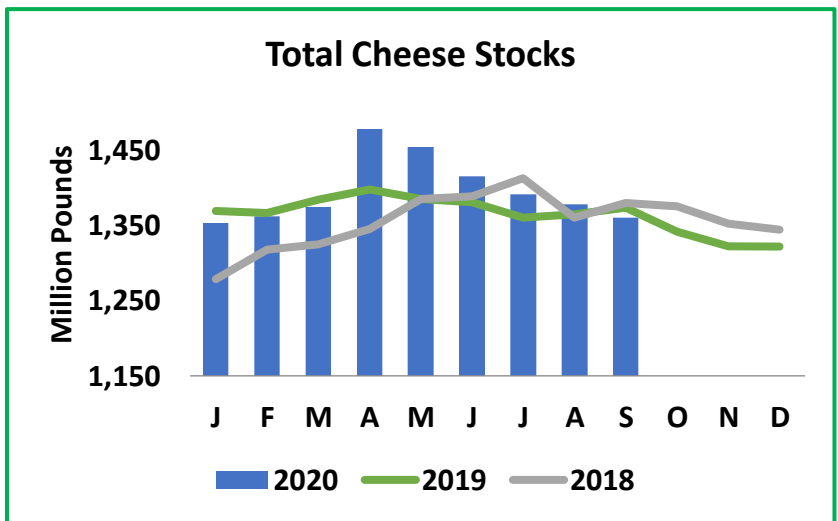
#### YOY Change in U.S. Milk Production





After surveying producers, USDA revised its estimates of July and August milk cow numbers, showing a steady climb in the dairy head count throughout the third quarter. Last month there were 9.366 million milk cows, 33,000 more than the prior year. Low slaughter rates suggest that the dairy herd continues to grow. The combination of more milk and more cows stopped the bulls in their tracks and made for a lot of red ink on LaSalle Street through mid-week.

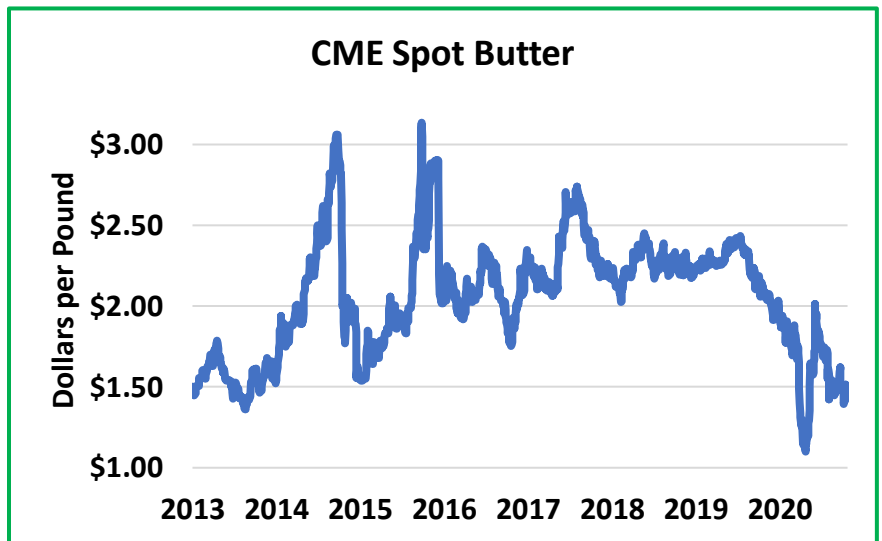
But on Thursday, the cheese markets strengthened convincingly, signaling that fresh Cheddar is still in short supply. USDA's Cold Storage report confirmed that the national cheese stockpile continued to shrink last month, as it has done every month since cheese stocks surged to an all-time high in April. Total cheese stocks fell to 1.36 billion pounds, 1% smaller than the prior year. Inventories of American-style cheese also declined by a wider than typical margin and finished slightly lower than year-ago levels. The drawdowns hint at strong demand, no doubt helped by government purchases for the Farmers to Families Food Box program. USDA gave the Class III markets another reason to rally this afternoon, when they announced they will spend another \$500 million for food box donations through the end of the year. With that, CME spot Cheddar barrels closed today at \$2.455 per pound, up 25¢ since last Friday. Barrels are within shouting distance of the summer highs, and they have not suffered a daily setback in a month. Blocks climbed 5.25¢ to \$2.7725.



Trucks lined up to deliver the first loads of milk to the new MWC Cheddar and whey plant in St. John's, Michigan, this week, which suggests that national cheese output will climb. On the other side of Lake Michigan, Upper Midwest cheesemakers tell USDA's *Dairy Market News* that rising coronavirus infections are making it difficult for some plants to fully staff their facilities and run at capacity. Additionally, many had been wary of building inventories in case demand slips or the cheese price falls, although the latest food box announcement likely quelled some of those fears.

CME spot dry whey slipped 0.25¢ to 38.5¢ per pound. Other indications of spot whey pricing are steady to firmer. Whey driers remain busy due to robust cheese output. China is importing U.S. whey at a good clip, helping to keep inventories in check.

The butter market continued to soften. CME spot butter fell back below \$1.50, a milestone reached frequently this year but otherwise not since 2013. It closed today at \$1.435, down 7.5¢ from last Friday. Butter inventories declined noticeably from August to September, but, at 344 million pounds, the national butter stockpile is still 18.3% larger than it was a year ago and the largest September total since 1993. Grocers are expecting home cooks and bakers to be particularly ambitious this season, while sales of butter through foodservice channels remain slow.



CME spot milk powder fell back from last week's seven-month high and closed today at \$1.10975, down 4.25¢ for the week. Milk powder prices moved slightly lower at the Global Dairy Trade auction on Tuesday. Domestic demand for milk powder is steady, while exports are strong. U.S. milk powder remains the cheapest in the world.

With both butter and powder losing ground this week, Class IV futures posted sizeable losses, widening the disparity between projected milk revenues in the cheese states and elsewhere. November Class IV fell 57¢ this week to \$13.77 per cwt. The December and January contracts lost at least 70¢ apiece. Meanwhile, Class III values soared. November Class III jumped \$1.27 and the December and January contracts were also very strong. First half 2021 futures posted modest gains. The big increase in nearby Class III futures means that the producer price differential and depooling will once again take a bite out of many dairy producers' milk checks in October and November. USDA announced the November Class I mover at \$18.04, a respectable price but one that is far lower than November Class III at \$22.19. The industry needs to remedy the relationship between class pricing formulas and depooling rules so that dairy producers can reap the full benefits of the formidable rally in the cheese markets.

### **Grain Markets**

Another week of strong export sales and concerns about South American crops propelled the feed markets upward once again. December corn closed at a one-year high of \$4.1925 per bushel, up 17.25¢ from last Friday. November soybeans settled at \$10.8375, up 37.5¢ to the highest price for a spot contract since mid-2016. December soybean meal climbed nearly \$20 to \$386.40 per ton, its highest value in more than two years.

The National Oceanic and Atmospheric Association upped the odds of a La Niña to 85%, which suggests that Argentine farmers may struggle to produce an average crop this season. In Brazil the weather is less of an issue, but domestic demand for crops is on the rise as the nation tries to simultaneously grow its livestock and corn-based ethanol sectors. Brazil highlighted its unusually tight crop supplies by announcing that it would suspend its import tax on corn and soy. The atmospheric and economic climates in South America suggest that U.S. crop exporters will be busy for a while.



## A western focus on the dairy Net-Zero Initiative

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

In Boise this week, the Western States Dairy Producer Association held a technical workshop, which brought in several the industry's top professionals and scientists for the purpose of evaluating the current state of the science and progress toward reducing the dairy industry's impact on the climate. Milk Producers Council, together with the Arizona Dairy Producers, Dairy Producers of New Mexico, Idaho Dairymen's Association, the Dairy Producers of Utah, the Oregon Dairy Farmers, the Texas Association of Dairymen and the Washington State Dairy Federation make up the Western States Dairy Producers Association. The Net-Zero Initiative is sponsored by Dairy Management Inc. (DMI), which manages the producer funded promotion program. The Net-Zero Initiative commits the dairy industry to the following three goals by 2050:



Western dairy leaders meet in Boise to discuss the Net Zero initiative.

- Becoming carbon neutral or better;
- Optimizing water use while maximizing recycling; and
- Improving water quality by enhancing use of manure and nutrients

These are admirable goals for the national industry, and our customers are increasingly asking and demanding progress on achieving climate goals. The purpose of the meeting was to bring a Western focus to the challenges inherent in achieving the Net-Zero goal. One of the first concerns is the definition of what is meant by Net Zero. Is it possible to eliminate the impact on the climate of the dairy industry? Or do we mean that our goal is to not add to the warming of the climate by neutralizing or off-setting our impacts?

Presentations were given by Dr. Michael VandeHaar from Michigan State and Dr. Alex Hristov from Penn State on genetic improvements and feed efficiency as well as what we know about the success of reducing enteric emissions (belching) from cows using feed supplements. One thing that hit me was the reality that while enormous progress in feed efficiency has been made over the past 60 years, we are now hitting a plateau. It seems that once you reach a certain point, more feed intake does not produce exponential increase in milk production, so your ability to get further milk-feed efficiency is limited. Of course, if the rest of the world were to achieve the kind of feed efficiency levels we have in the U.S., then the great gains we have produced over the past decades could be replicated in other areas.

We heard from Dr. April Leyhem and Dr. Rob Dungan from Idaho and Dr. Deanne Meyer from UC Davis and Dr. Joe Harrison from Washington about developments in manure handling and separation and recovery technologies. Michael Boccadoro from California Dairy Cares made a presentation on digesters and what is being done and planned for the use of these facilities in the renewable energy effort. Donald De Jong from Texas was there to explain the Sedron Technology ([sedron.com](http://sedron.com)) that has been constructed on one of his dairies. This is a technology that is going to be part of a huge amount of



research investment by the Net-Zero Initiative. There was a robust discussion about how research dollars that come from all producers should be invested as we all seek opportunities to reach our goals.

Finally, Dr. Jim Wallace from DMI talked about the initiative's plans and how they impact the West. He acknowledged that there are some unique challenges that are faced by the industry in each region. He was very open to dialogue with the group and promised a continued collaboration. In addition to myself and Kevin, MPC board members Daryl Koops and Michael Oosten participated. The Western States Dairy Producer Association has proved to be a valuable vehicle to both learn and inform our colleagues about issues facing the Western dairy industry as well as coordinate strategy and messaging to advance our interests. It was a tiring two days, but well worth the effort.

## Free registration available to MPC members for California Dairy Sustainability Summit

By: Kevin Abernathy, MPC General Manager

[Kevin@MilkProducers.org](mailto:Kevin@MilkProducers.org)



MPC is a proud sponsor of the upcoming [California Dairy Sustainability Summit](#), which will take place online this **November 5-6**. I recently emailed our members a sign-up code for free registration, so check your email before registering for the Summit. If you have any questions, please contact me at [Kevin@MilkProducers.org](mailto:Kevin@MilkProducers.org). So far, more than 135 California dairy farmers have registered for this world-class conference! Let's keep adding to that!

More than 50 expert speakers are lined up to present at the conference and will cover topics ranging from reducing on-farm costs and improving nutrient management to developing new business opportunities and advancing environmental sustainability. Conference speakers include (see a full list [here](#)):

- Tom Vilsack, President and CEO of the U.S. Dairy Export Council
- World-renown climate scientist, Professor Myles Allen at the University of Oxford
- Sr. VPs for Land O' Lakes, California Dairies, Inc., and Dairy Farmers of America
- Dr. Frank Mitloehner ([@GHGGuru](#)), professor & air quality specialist at UC Davis
- 10 California dairy farmer speakers, with more farmers making appearances

Dairy Cares recently released a promo video of the conference, which featured several our members. Thanks to MPC members **Bryson and Benjamin Wind, Kerri Vander Poel, Philip Verwey, Steve Maddox and Richie Mayo** for taking time to help promote the upcoming Summit. Watch the video on [Facebook](#) or [YouTube](#) and we hope you will please share with your fellow dairy farmers!



Register for the California Dairy Sustainability Summit [here](#).

## CDQAP Quality Assurance Update – October 2020

*Courtesy of California Dairy Quality Assurance Program*

The California Dairy Quality Assurance Program (CDQAP) recently published its October 2020 Quality Assurance Update. Below are excerpts from the Update, which you can read in its entirety [here](#).



### **Animal Rights Activists Increasingly Aggressive, Dangerous**

*By Dr. Michael Payne, UC Davis, School of Veterinary Medicine and Director, CDQAP*

For producers who have not experienced animal activism directly, it can be difficult to fully understand the scope of illegal activities. Animal rights activists have turned to impersonating federal employees and job applicants, theft, and even violence. Here's a summary of recent activist incidents and some practices you can use to protect your family and farm.

### **Virtual California Dairy Sustainability Summit: Nov 5-6**

California's dairy producers are leaders in developing the most sustainable practices. Meeting ever-tightening environmental standards can also be one of their greatest challenges. The virtual California Dairy Sustainability Summit will showcase dairy families' achievements, while helping them meet the challenges ahead.

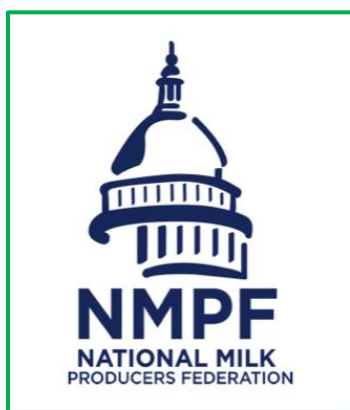
### **Fall is in the Air**

*By Deanne Meyer, Ph.D., Livestock Waste Management Specialist Dept. of Animal Science, UC Davis and UC ANR*

Mornings are cooler. Solid manure is hauled daily. Fall is here. It's that time of year to remember all of the areas that need winterizing on the dairy. Sample solid manures that are land applied and manifested. Sample liquid manure as it's applied to fields. These results are important to prevent Notices of Violation either during an inspection or when your Annual Report is reviewed

## NMPF President's Update

*By Jim Mulhern, President & Chief Executive Officer, National Milk Producers Federation*



**NMPF Annual Meeting Next Tuesday & Wednesday** - I want to start this week with a final reminder to register for the NMPF, National Dairy Promotion and Research Board and United Dairy Industry Association joint event that will be held virtually Oct. 27-28. The two days of sessions will start at 11 a.m. Eastern/8 a.m. Pacific and will last three hours each day. Registration is free to all participants this year. The [registration link is here](#). Once you register, you'll later receive a confirmation email that requires you to create a password and profile for the meeting portal itself. More information on the annual meeting program can be found at the end of this week's Update.

**USDA Says Additional Round of Food Box Purchases in the Works** – Earlier this afternoon, the USDA announced that it will extend the [Farmers to Families Food Box program](#) through the end of the year. USDA is issuing solicitations for the fourth round to existing Basic Ordering Agreement (BOA)

holders and expects to award contracts by Oct. 30 for deliveries of food boxes from Nov. 1 through Dec. 31, 2020. The \$4 billion program – of which \$1 billion has been spent so far on dairy purchases – has already distributed more than 100 million boxes since May.

[We thanked USDA](#) today for authorizing the additional \$500 million for combination food boxes to be delivered through the December. We had strongly urged USDA to increase the amount of butter in the food box program in an effort to strengthen Class IV milk prices and close the wide gap between Class III and IV. However, it appears that today's USDA announcement simply extends the parameters of the current third round of the program without making any changes to the product mix. The program will continue the purchase of combination boxes to include fresh produce, dairy products, fluid milk and meat products.

## **Capitol Hill**

**Round 2 of CFAP Generates \$626 Million in Dairy Payments** – The [latest data](#) this week from USDA about the second round of its Coronavirus Food Assistance Program payments indicates that milk producers have received \$626 million of the \$6.1 billion paid overall. Payments to other commodities include \$1.8 billion for corn, \$1.4 billion for cattle and \$688 million for soybeans. The payments are eventually expected to exceed \$13 billion. The deadline for applications is Dec. 11.

**Senate Letter Criticizes CFAP 2.0 Formula for Breeding Animals** – As the CFAP Version 2.0 money is claimed, a group of 15 senators led by Sen. Debbie Stabenow (D-MI) and Patrick Leahy (D-VT) [wrote to Agriculture Secretary Sonny Perdue](#) this week, asking that he reconsider the formula that excludes payments for losses from meat produced from breeding animals and culled cows. The Senate letter noted that losses from meat produced from breeding animals was included in the first round of CFAP but not the second. The letter also encourages USDA to provide assistance to farmers that had to dispose of milk this spring due to the sudden loss of demand. The Senators encouraged a flexible approach to such compensation, noting that “there may be different scenarios depending on how cooperatives and farmers managed the temporary surplus. A one-size-fits-all approach may unfairly exclude some losses.” Stabenow and Leahy are the ranking Democrats on the Agriculture and Appropriations committees, respectively.

**Congressional-White House Stimulus Efforts Fail to Reach Accord** – After another week of fits and starts regarding additional coronavirus financial stimulus, the process appears to have faltered until at least after the election. On Wednesday, the Senate failed to muster 60 votes for a stripped-down \$500 billion coronavirus relief proposal, as the path forward on a broader deal still remains elusive less than two weeks before the election. The parallel process of talks between House Speaker Nancy Pelosi and Treasury Secretary Steven Mnuchin over a larger-scale deal in the range of \$2 billion did not generate a breakthrough, either.

**Dairy Defined Assesses Impact of Dairy Vote in 2020 Elections** – With the long-anticipated November elections now just ten days away, I want to draw your attention to our latest [Dairy Defined column](#) examining the national battleground states. As it so happens, many of the most prominent swing states are also those with a significant dairy farm community. Pennsylvania, which has the second-largest number of dairy farms, is rated as the state most likely to tip the election to either President Trump or former Vice President Biden. Wisconsin, with the largest number of dairy farmers, is also a crucial battleground, along with Michigan, Minnesota and Iowa – all in the top ten of the largest dairy states by farm numbers. Much has been made of the importance of the farm vote in 2020. The farmers who may have the most say in this year's key campaigns [are the ones milking cows](#).

**NMPF Live: An Election Night Special** – Calling all political junkies! On Tuesday, November 3, Alan Bjerga, NMPF Senior VP of Communications, will moderate "Politics with Paul - 2020 Election Returns and Reactions in Real Time," an hour-long segment on Zoom during which Paul Bleiberg, NMPF Senior VP of Government Relations, will offer insights and answer questions about key congressional races and of course, the Presidential contest.

We may not know the full results of the election that evening, but we hope you will join us for this discussion to hear about the elections of most interest to our industry and to get a sneak peek at how this year's elections will shape next year's political and legislative landscape. The session will run from 10 to 11 PM ET. Registration is required and is available [here](#).

Other Noteworthy News

### **NDB/NMPF/UDIA Joint Annual Meeting Program Highlights:**

#### **Tuesday, October 27**

- A dairy farmer leadership panel featuring NMPF Chairman Randy Mooney, DMI Chair Marilyn Hershey and U.S. Dairy Export Council (USDEC) Chairman Larry Hancock.
- David Wasserman, House editor for *The Cook Political Report*, will offer a forecast ahead of the 2020 local, state and federal elections.
- Our traditional Town Hall discussion, featuring senior staffers offering updates and answering questions regarding key policy issues that affect dairy farmers.

#### **Wednesday, October 28**

- A dairy executive panel will share promotion priorities and plans for 2021 and beyond, featuring Dairy Management Inc. executives Tom Gallagher and Barbara O'Brien and USDEC President Tom Vilsack.
- Peter Sheahan, founder of the Karrikins Group and a globally recognized thought leader, will share his thoughts on how companies develop and sustain a competitive edge.
- A panel will share critical updates and context around the industry's sustainability journey.

Thanks for reading and enjoy your weekend!

