

# MPC WEEKLY FRIDAY REPORT

DATE: SEPTEMBER 4, 2020  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 7

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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	<b>+\$0.2975</b>	\$2.1250	WEEKLY CHANGE	<b>+\$0.0450</b>	\$1.4925
Barrels	<b>+\$0.2700</b>	\$1.7000	WEEKLY AVERAGE	<b>+\$0.0010</b>	\$1.4910
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 08/29/20</b>	
Blocks	<b>+\$0.1125</b>	\$1.9375	DAIRY MARKET NEWS	W/E 09/04/20	<b>\$3.400</b>
Barrels	<b>+\$0.1430</b>	\$1.5575	NATIONAL PLANTS	W/E 08/29/20	<b>\$3.203</b>
				<b>PRIOR WEEK ENDING 08/22/20</b>	
				NAT'L PLANTS	<b>\$0.9464</b> 26,903,276
				NAT'L PLANTS	\$0.9694 23,393,551

## 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
THIS WEEK	<b>\$20.04 - \$20.54</b>	<b>\$13.29</b>	<b>\$17.06</b>	<b>\$12.82</b>
AUGUST '20 FINAL	<b>\$21.38 - \$21.88</b>	<b>\$13.27</b>	<b>\$19.77</b>	<b>\$12.53</b>



### Milk, dairy and grain market commentary

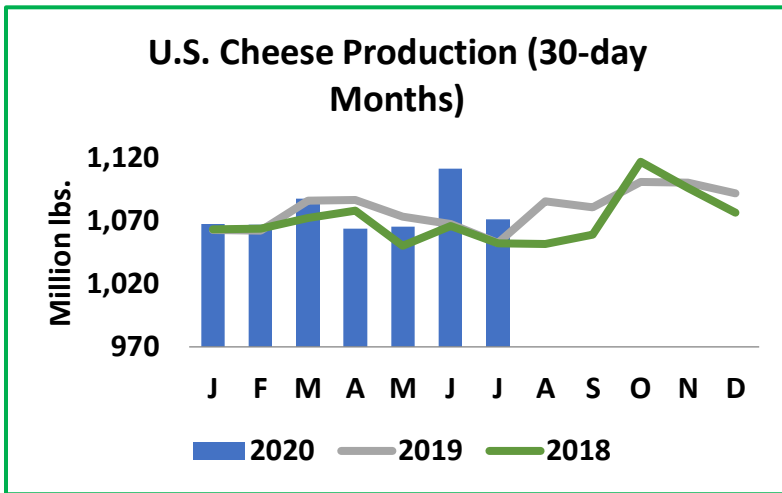
By Sarina Sharp, Daily Dairy Report  
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

#### Milk & Dairy Markets

Spot cheese came roaring back this week. CME spot Cheddar blocks surged 29.75¢ to \$2.125 per pound. Barrels advanced at a similarly swift pace, climbing 27¢ to \$1.70. Although both cheese markets stand well below the summer peaks, they have made a surprisingly quick return to the lofty elevations last visited a month ago. The promise of new funding for USDA's Farmers to Families Food Box program likely spurred them onward and upward. Some end users who'd been waiting for a further setback likely rushed to buy, with the memory of this summer's painfully high prices fresh in their minds.

#### CME Spot Cheddar Blocks





Despite the impressive uphill sprint, the trade is clearly questioning the cheese market's stamina. This week's rally lifted nearby Class III futures, but the gains were much fainter than the bold advance in the spot market, and the futures petered out late in the week. September Class III climbed to \$17.06 per cwt., up \$1.37 from last Friday. October rallied \$1.25 and November added 21¢. Deferred Class III futures failed to rise at all.

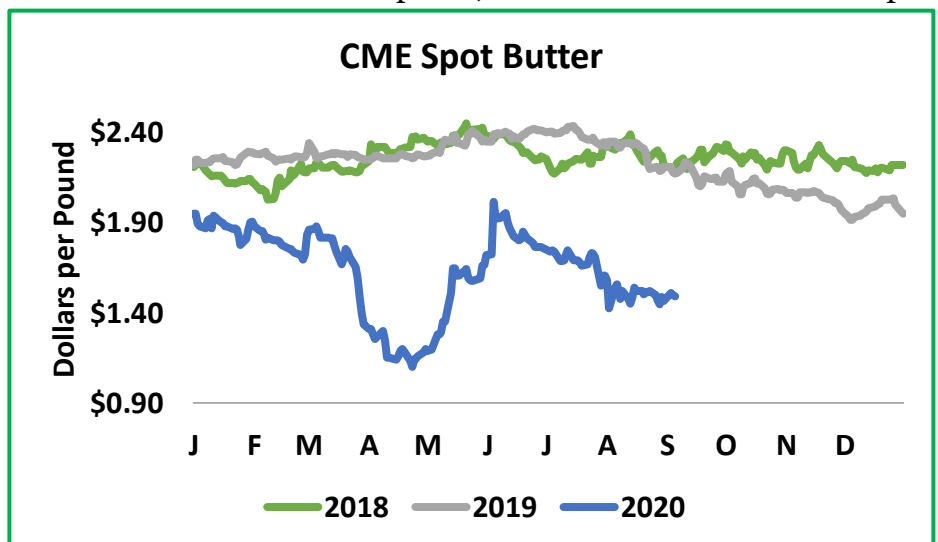
The disconnect between the spot market and deferred futures suggests that the trade is anxious about cheese demand once the

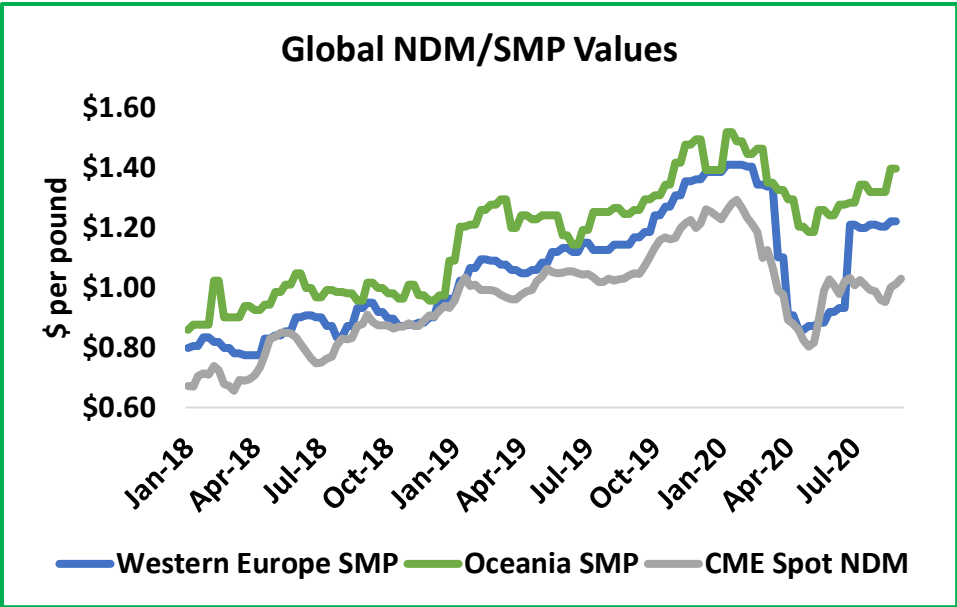
government stops buying in a couple months. Any near-term spike in cheese prices is likely to slow sales later this year and into 2021. Last week, U.S. cheese looked affordable to foreign buyers, but its foray into competitive pricing was exceptionally brief. Retail orders remain strong, but demand from foodservice is fitful. Mozzarella output barely topped year-ago levels in July, hinting that even pizza sales are no longer booming. That meant more milk for Cheddar, which could weigh down the cheese market going forward. U.S. cheese output totaled 1.1 billion pounds in July, up 1.8% from the prior year and the highest July total on record. U.S. cheese production is likely to eclipse prior-year volumes by even wider margins beginning next month, when a shiny new facility opens in Michigan.

More cheese means more whey, and the lion's share of the whey stream is headed to the drier. Production of dry whey for human consumption was 2.2% greater than the prior year in July. Domestic demand for premium whey products has slowed along with the economy. But commodity whey is moving abroad at a lively pace. The U.S. exported 40.7 million pounds of dry whey in July, up 64.6% from the very small volumes of a year ago. Strong exports helped trim the dry whey stockpile slightly from May to June and from June to July, but inventories remain ample. On July 31, U.S. dry whey stocks were 26.5% greater than they were a year ago.

U.S. butter production was just 0.7% greater than the prior year in July. Still, at 373 million pounds, the U.S. churned out more butter than it has in any July since 1945. Imports continue to add to U.S. butterfat supplies, but the trade deficit is narrowing, with slower imports and larger exports than in recent months. The butter trade balance should continue to improve, as U.S. butter is much cheaper than European product. Nonetheless, poor restaurant and foodservice sales will likely continue to keep U.S. butter values in check. Spot butter remains comfortable in a relatively narrow trading range. It climbed 4.5¢ this week to \$1.4925.

Skim milk powder (SMP) prices climbed once again at Tuesday's Global Dairy Trade (GDT) auction. After adjusting for protein, the 1.8% increase put GDT SMP at the equivalent of nonfat dry milk

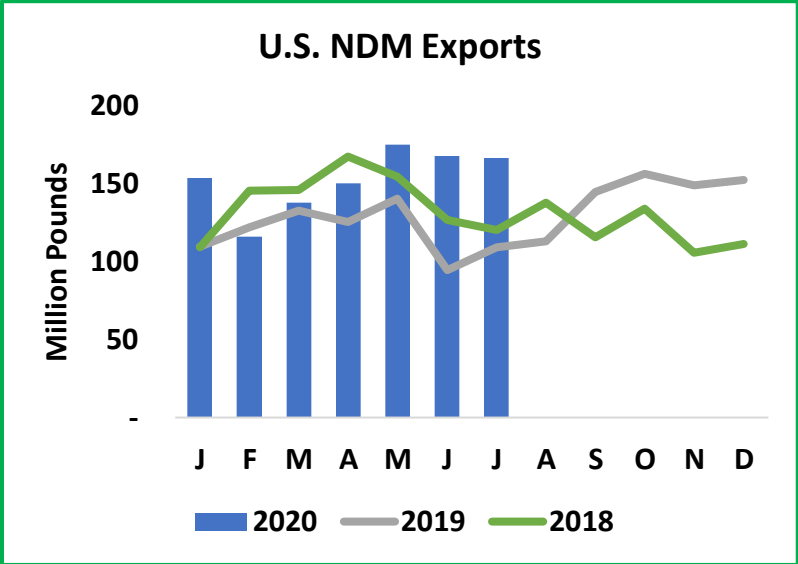




(NDM) at \$1.29 per pound. The GDT helped give CME spot NDM a slight boost this week. It closed at \$1.03, a penny higher than last Friday. U.S. milk powder is by far the cheapest in the world, which has fostered very strong exports since May. Nonetheless, manufacturers' stocks of NDM climbed more than 20 million pounds from June to July. It's likely that cheap milk in the Upper Midwest reduced demand for milk powder to fortify cheese vats. It seems that domestic demand is a bit feeble even as exports boom. Rising milk

powder prices in Europe and Oceania will likely help to support U.S. milk powder values, but upside will be limited until domestic stocks ebb.

Class IV futures were little changed this week. The Class IV market remains a disappointment for dairy producers, with September at \$12.82. Fourth-quarter contracts averaged \$14.31. USDA announced the August Class IV price at \$12.53, down \$1.23 from July and \$4.21 lower than August 2019. At \$19.77, August Class III was \$4.77 lower than July but \$2.17 higher than August 2019. After a very painful June and July, dairy producers likely won't suffer a terribly punitive Producer Price Differential in their August milk check, as the Class I and Class III prices were in sync last month, dramatically reducing the incentive for processors to depool.



It's starting to feel like fall in the Midwest and in the Northeast, but the West is bracing for a holiday weekend heat wave. After all the stress they endured in August, the cows will likely fare poorly. Milk yields will surely suffer. But given ample supplies of all U.S. dairy products and a rocky start to the back-to-school milk season, there will be no shortage of milk.

**Grain Markets**

The corn market took a small step back from last week's highs. December corn settled at \$3.58, down 1.25¢ from last Friday. Beans continued to gain ground. November soybeans closed at \$9.68, up 17.5¢. At \$317.20, December soybean meal finished at a six-month high of \$317.20 per ton, up \$7.50 this week. Exporters are booking sales for new crop corn and soybeans at a steady clip, with good prospects for more given China's growing needs for imported feed. Outside of the storm-battered fields of central Iowa, U.S. row crops are in reasonably good shape, but yield prospects continue to slip. USDA estimates that 23% of soybeans and 32% of corn are growing in areas suffering drought. Parched soils will not help U.S. crops to reach their full potential in the home stretch.

## Notice of a public hearing to consider a petition to amend and terminate the Quota Implementation Plan (QIP)

*Courtesy of the California Department of Food and Agriculture*

Notice is hereby given that the California Department of Food and Agriculture (CDFA) is calling a public hearing to consider a petition to amend the Quota Implementation Plan (QIP) to sunset the QIP effective of March 1, 2025 and to equalize regional quota adjusters such that the quota premium in all counties equal \$1.43/cwt.

This hearing is being called pursuant to Division 21, Part 3, Chapter 3.0, section 62717 of the Food and Agricultural Code, as implemented by the procedures described in 3 CCR 2080.4.

### ***Hearing Dates, Place and Time***

September 30 - October 1, 2020 Held VIA TEAMS: 916 245 8850 Conference ID 693 778 929# 9:00 am – 4:00 pm

### ***Hearing Format***

The Secretary shall designate an administrative law judge to preside over the hearing as Hearing Officer. The Hearing Officer will administer the oath, receive evidence into the record, question witnesses, and determine the manner and order of witness testimony. A representative of the CDFA will have the opportunity to question witnesses on behalf of the Secretary. No other questioning of witness will be allowed. There will be no hearing panel nor will the Department present witnesses.

### ***Exhibits***

A designee of the Secretary shall present exhibits into the record.

Any interested person may file a written statement and exhibits concerning the call of the hearing. Written statements and exhibits may be any length, must be limited to the call of the hearing and signed. Written statements and exhibits may be delivered personally, by email, or by mail to Department Headquarters any time prior to the close of the hearing.

Written statements and exhibits received in advance of the hearing will be available for public inspection at Department Headquarters from September 20, 2020 through September 29, 2020 between the hours of 9:00 – 4:00 pm.

Persons are encouraged to submit their written statements and exhibits in advance of the hearing at Department Headquarters to:

California Department of Food and Agriculture Legal Office  
1220 N Street, Suite 315  
Sacramento, California 95814  
[CDEA.LegalOffice@cdfa.ca.gov](mailto:CDEA.LegalOffice@cdfa.ca.gov)

### ***Testimony***

Testimony will be received under oath. A time limit for oral testimony will be determined by the Hearing Officer at the beginning of the hearing. Witnesses may supplement oral testimony with written testimony and exhibits. Any person desiring to testify my pre-register with the CDFA Legal Office up to September 29, 2020 at 4:00 pm. Persons not pre-registering will testify in the order determined by the Hearing Officer.

Any person who has testified under oath may be granted, upon request prior to the close of the hearing, to file a post-hearing brief to clarify or amplify their testimony. The brief must be filed within 10 calendar days following the close of the hearing.

### **Hearing Transcript**

The hearing shall be recorded by a court reporter. Copies of the transcript may be obtained from the Department Legal Office at no charge.

Read the full CDFA notice [here](#).

## **Coronavirus Food Assistance Program (CFAP) applications due on Sept. 11** *Courtesy of the U.S. Department of Agriculture (USDA)*

The deadline to apply for the Coronavirus Food Assistance Program (CFAP) is Sept. 11, 2020. This program provides direct relief to dairy producers who faced price declines due to COVID-19.

Producers have a few options when applying for the CFAP:

- Using the online portal at [farmers.gov/cfap](https://farmers.gov/cfap)
- Completing the application form using the CFAP Application Generator and Payment Calculator found at [farmers.gov/cfap](https://farmers.gov/cfap). This Excel workbook allows customers to input information specific to their operation to determine estimated payments and populate the application form, which can be printed, then signed and submitted to their local USDA Service Center
- Downloading the AD-3114 application form from [farmers.gov/cfap](https://farmers.gov/cfap) and manually completing the form to submit to the local USDA Service Center by mail, electronically, or by hand delivery to an office drop box

Your local USDA Service Center is also offering assistance in completing CFAP applications. For more information about applying for the CFAP before the Sept. 11 deadline, please visit [this link](#).

## **Low-Carbon Dairy: Cows present tremendous mitigation opportunity** *Courtesy of Dairy Cares*

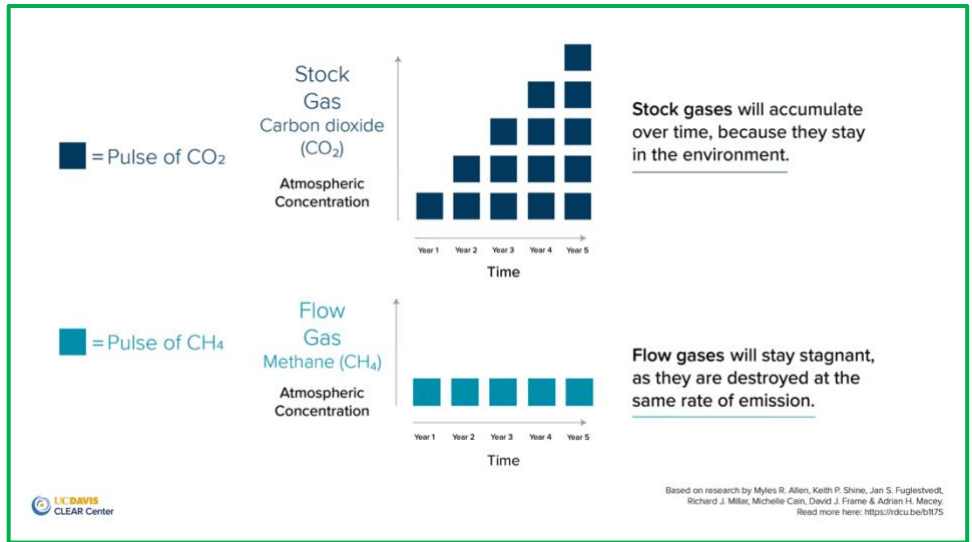


As Californians continue to endure the COVID-19 outbreak, we need to know we are working toward a better future. The pandemic has further highlighted the importance of food security and reliable access to nutritious foods that are environmentally and economically sustainable. Recent science confirms that methane reduction efforts are a significant opportunity to mitigate climate warming. California's dairy families are leading the way toward low-carbon dairy production.

While methane (CH<sub>4</sub>) emissions—such as those from cow belches—have often been singled out for their climate impacts, their reduction represents a tremendous opportunity to help offset the long-lasting

impacts of carbon dioxide (CO<sub>2</sub>). Even taking into consideration the increased potency of methane, it still accounts for a relatively small share, just nine percent (9%) of overall greenhouse gasses (GHGs) in California. CO<sub>2</sub> is the primary human-caused GHG contributing to climate warming and represents a full eighty-three percent (83%) of all California GHGs.

Moreover, methane is a short-lived climate pollutant, with emissions breaking down after an average of 12 years. In contrast, CO<sub>2</sub> emissions persist in the atmosphere for hundreds of years. As a result, CO<sub>2</sub> accumulates in the environment, meaning new emissions are added on top of those that were previously emitted, leading to increases in the total atmospheric stock or concentration of CO<sub>2</sub>. Simply put, when additional CO<sub>2</sub> is emitted, additional global warming occurs. Methane emissions, on the other hand, degrade in the atmosphere relatively quickly (12 years), so, if emissions of methane are stabilized at present levels or even reduced, they will not further accumulate. No further accumulation of methane results in no additional climate warming.



*This figure from the UC Davis white paper is based on research by Myles R. Allen, Keith P. Shine, Jan S. Fuglestvedt, Richard J. Millar, Michelle Cain, David J. Frame & Adrian H. Macey.*

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Recent work by leading international climate scientists at Oxford University has shed light on these important differences between CO<sub>2</sub> and CH<sub>4</sub> and their ultimate impact on climate change. This improved understanding of how short-lived and long-lived emissions impact climate differently is critical for California policymakers and regulators, as we seek to limit further global warming. These scientists now recognize that moderately reducing methane emissions can quickly stabilize the climate pollutant's powerful impact.

Two distinguished University of California, Davis scientists [recently coauthored a white paper](#) that applies this improved understanding to California's dairy farms. California's dairy sector is no longer expanding; the number of dairy cows and the amount of milk produced have been decreasing slightly since 2008. The amount of methane from dairy production in the state is less today, as more methane is being broken down and removed in the atmosphere each year. Additionally, our farms are currently achieving significant reductions of methane emissions through the Dairy Digester Research and Development Program (DDRDP) and the Alternative Manure Management Program (AMMP) — important climate-smart agriculture programs administered by the California Department of Food and Agriculture.

*The UC Davis white paper explains how methane reduction efforts will help California's dairy farms reach climate neutrality in the near future.*

A key takeaway from the white paper is that methane emissions, while more potent, need only to be stabilized to limit further global warming. California dairy farms have already stabilized their methane emissions and are now reducing them even further. In contrast, CO<sub>2</sub> needs to be reduced to nearly zero, since it continues to accumulate and presents a much bigger challenge for policymakers and regulators, as we move forward to address climate change and its impacts. At the current rate, methane reductions will allow California's dairy farms to offset their remaining GHG emissions and reach climate neutrality sometime in the near future. Additional reductions will provide climate-cooling impacts, as methane offsets the far more damaging impacts of CO<sub>2</sub>, which accumulate in the atmosphere for hundreds of years.

These findings provide a bit of fresh air here in California. However, it is important to note that our dairy farmers are already among the most efficient producers of milk in the world. Attaining California's current level of production efficiency in all dairy regions would reduce total global greenhouse gas emissions by as much as 1.73 percent. Meanwhile, via public-private partnerships facilitated through the DDRDP and AMMP, California is already taking the next step—further reducing dairy methane emissions. These reductions will be accelerated as more projects are implemented. It will be critical to share these learnings globally, as California's dairy farms continue on their planet-cooling path.

**The latest climate science confirms California's dairy methane reduction efforts are a super opportunity to mitigate warming.**

*See the article originally published by Dairy Cares [here](#).*

