

MPC WEEKLY FRIDAY REPORT

DATE: JULY 24, 2020
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 4

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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 • www.MilkProducers.org • Fax (909) 591-7328

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$.1200	\$2.5400	WEEKLY CHANGE	+\$.0400	\$1.7300
Barrels	+\$.0200	\$2.4500	WEEKLY AVERAGE	-\$.0195	\$1.6895
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 07/18/20	
Blocks	-\$.2180	\$2.6140	DAIRY MARKET NEWS	W/E 07/24/20	\$.3475
Barrels	+\$.0350	\$2.4530	NATIONAL PLANTS	W/E 07/18/20	\$.3461
				PRIOR WEEK ENDING 07/11/20	
				NAT'L PLANTS	\$0.9647 18,409,871
				NAT'L PLANTS	\$0.9675 16,502,301

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
JULY 24 EST	\$18.16 - \$18.66	\$13.62	\$24.41	\$13.65
LAST WEEK	\$18.16 - \$18.66	\$13.60	\$24.26	\$13.82



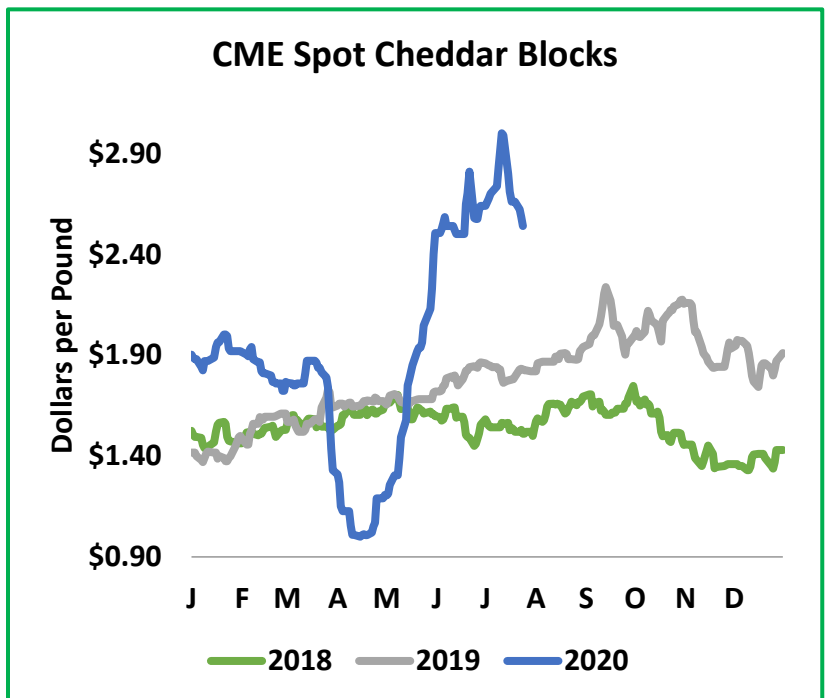
Milk, dairy and grain market commentary

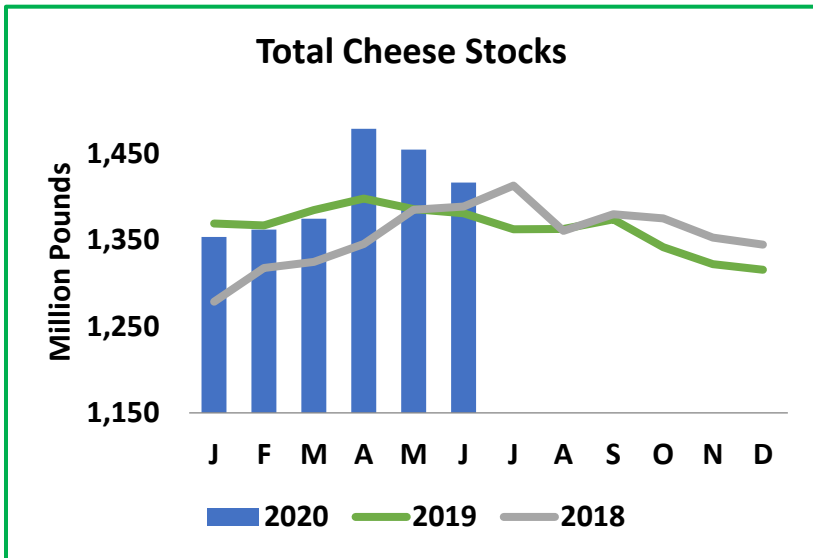
By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

CME spot Cheddar blocks continued to tumble. They have lost ground every day since they topped out at \$3 less than two weeks ago. Today they slumped to \$2.54 per pound, down 12¢ from last Friday. Barrels kept climbing, narrowing the block-barrel spread. Barrels closed at a nearly six-year high of \$2.45, up 2¢ for the week.

There is plenty of cheese to be had. USDA reported June 30 cheese stocks at 1.42 billion, 2.6% higher than last year. The month-to-month drawdown was unusually large in June, likely reflecting the impact of strong retail sales, restaurant re-openings, and food box donations. Still, there is more



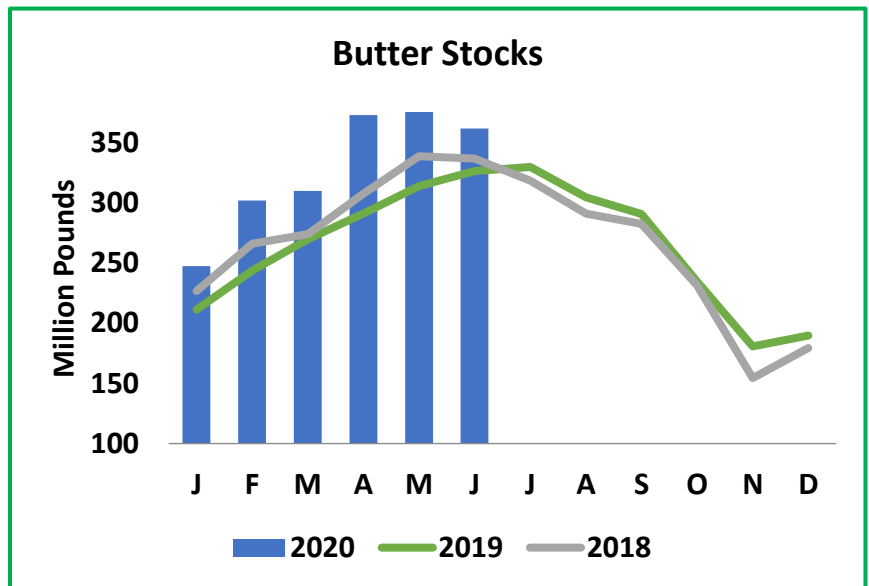


than enough cheese to meet demand, even if manufacturers dug into inventories last month. Cheesemakers report that restaurants are using large volumes of Italian-style cheese, while retailers have taken a small step back from their formidable orders in the spring and early summer.

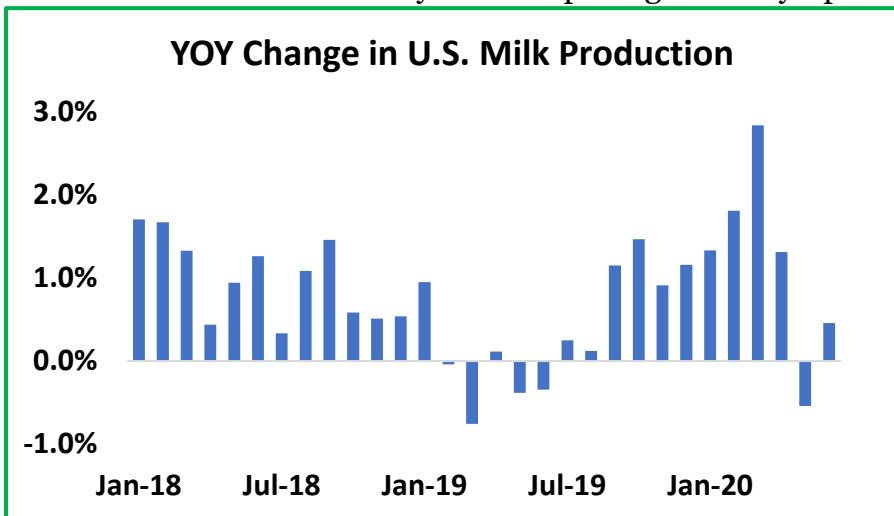
Butter stocks also declined at a faster-than-normal clip in June. Month-end inventories dropped to 361.6 million pounds, more than 14 million pounds lower than at the end of May. Still, butter stocks are 10.8% greater than they were a year ago. And churns are reportedly making a bit

more butter even though ice cream season is still going strong. At the CME spot market, butter rallied 4¢ this week to \$1.73.

Powders diverged at the Global Dairy Trade (GDT) auction on Tuesday. Whole milk powder advanced 0.6%, but skim milk powder fell 0.5%, to the rough equivalent of nonfat dry milk (NDM) at \$1.30 per pound. CME spot NDM slipped a penny this week to 99¢. Cheap whey protein concentrate is keeping a lid on domestic milk powder sales to some end users, but NDM is still popular among cheesemakers and commercial bakers. U.S. milk powder is priced to move quickly abroad, and the weakening U.S. dollar is helping to keep values competitive.



U.S. milk production reached 18.3 billion pounds in June, up 0.5% from the prior year. USDA also revised its assessment of May milk output significantly upward, reporting a year-over-year deficit of

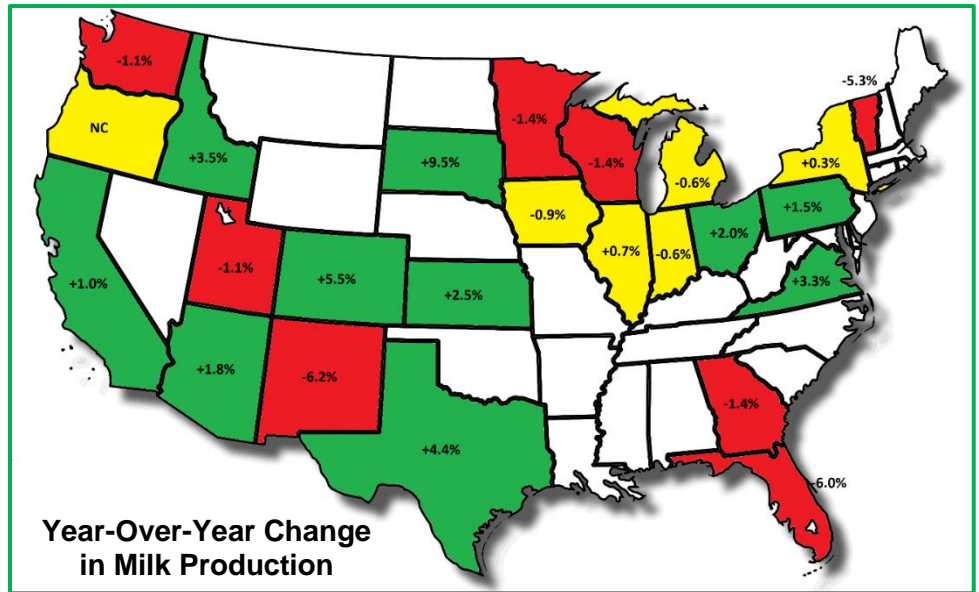


0.5%, compared to an initial estimate of a 1.1% decline. The dairy industry was rife with strife this spring, but the decline in milk output was all too brief. Milk production remained lower than the prior year in much of the Midwest and Southeast in June, but most other states returned to growth.

USDA dropped its estimate of the May milk cow herd by another 10,000 head. After the revision, the May herd was 15,000 head smaller

than it was in April, and USDA reported a further 10,000-head decline in milk-cow numbers in June. Still, at 9.35 million, there are 23,000 more cows than there were in June 2019, and low slaughter numbers – and \$24 milk – suggest that the dairy herd is growing once again.

Across the Atlantic, milk output also slumped in May. Milk collections in the 27 nations of Europe and the United Kingdom fell 0.3% from May 2019. That marks the first year-over-year deficit in European milk production since February 2019. Combined, the U.S. and Europe made about 210 million pounds less milk in May than during the prior year, equal to one month’s production in Florida.



Class III futures got off to a strong start this week. The September and October contracts traded up on Monday and climbed again on Tuesday. But with Cheddar blocks in retreat from unsustainably high prices, Class III futures quickly reversed course. August and September Class III futures closed 75¢ in the red today, at their lower daily trading limit. August Class III futures finished 74¢ lower this week, but Monday’s strong performance propelled most other Class III contracts to settle a little higher than last Friday. Class IV futures continued to lose ground. Most contracts dropped 30¢ to 45¢ this week. The wide gap between Class III and IV persists. August Class III is \$21.75 per cwt., while August Class IV is a paltry \$13.76. Despite lofty Class III values, dairy producers in regions with high Class IV usage could face disappointing milk checks throughout the summer and fall.

Grain Markets

The feed markets took different paths this week. Soybeans continue to gain ground, as the trade hopes that China will keep buying beans. Corn futures slipped. Further Chinese corn purchases would likely require Beijing to waive punitive tariffs. China has largely used up its state-owned corn reserves, and there is a sizable margin for corn imports if they drop the tariff. If Beijing does eliminate the border tax, it would boost U.S. grain prices immediately. But it’s more likely that China will do nothing, in which case there will be a lot of U.S. corn looking for a home. Crops have made it through much of the pollination period largely without an issue. Unless the weather worsens, corn futures are likely to continue to fade. September corn futures settled today at \$3.2625 per bushel, down 6.75¢. August soybeans marched another 6.75¢ higher, to \$9.0475.

Stop QIP v. CDFA hearing scheduled for July 31

The Stop QIP v. California Department of Food and Agriculture (CDFA) lawsuit, which claims CDFA did not properly implement the Quota Implementation Plan, will have a hearing on Friday, July 31 at 10 a.m. We understand that the hearing will be observable [here](#).

United Dairy Families petition for QIP sunset plan meets minimum signature requirement

CDFA today announced that a petition filed by United Dairy Families (UDF) meets the 25% signature threshold required for further consideration. According to CDFA, "the signatures used in reaching this determination represented over 28 percent of the number of Market Milk producers operating in California in May 2020."

UDF's sunset petition calls for the termination of the Quota Implementation Plan (QIP) effective March 1, 2025. CDFA states that it "anticipates holding a Producer Review Board meeting in August to review the petition," which will be followed by a public hearing. Read CDFA's letter to UDF [here](#).

Are storm clouds forming over the dairy aisle?

Courtesy of Dairy Herd Management

The COVID-19 pandemic created a return to the dairy aisle in grocery stores unlike anything seen in recent times.



When COVID hit full force in the middle of March, total grocery store sales shot up 61% with dairy sales up 59%, reports Larry Levin, executive VP of Market and Shopper Intelligence with IRI. Levin spoke at [The Dairy Experience](#) held virtually in mid July.

The Dairy Experience, now in its third year, is hosted by Midwest Dairy and Dairy Farmers of Wisconsin to give retailers and other interested in the dairy category an unvarnished look at consumers' perception of dairy products, practices and image.

Read the full article [here](#).

Burger King ditches TV ad, asks leading extension scientist for help

Courtesy of Farm Journal's Ag Web



Burger King pushed a lot of animal agriculture's buttons last week with its new commercial, released July 14, touting the use of lemongrass in cows' diets to reduce methane emissions by "up to 33%."

The company's goal to reduce methane and produce a more eco-friendly Whopper is a positive, acknowledges Frank Mitloehner, University of California-Davis air quality Extension specialist, department of animal science.

Read the full article [here](#).

