

# MPC WEEKLY FRIDAY REPORT

DATE: FEBRUARY 12, 2021  
 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>-\$ .0825</b>	\$1.5575	WEEKLY CHANGE	<b>+\$ .1275</b>	\$1.3950
Barrels	<b>-\$ .0100</b>	\$1.4900	WEEKLY AVERAGE	<b>+\$ .0455</b>	\$1.3135
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 02/06/21</b>	
Blocks	<b>+\$ .0215</b>	\$1.6025	DAIRY MARKET NEWS	W/E 02/12/21	<b>\$ .5150</b>
Barrels	<b>+\$ .0705</b>	\$1.4980	NATIONAL PLANTS	W/E 02/06/21	<b>\$ .4953</b>
				<b>PRIOR WEEK ENDING 01/30/21</b>	
				NAT'L PLANTS	<b>\$1.1497</b> 19,028,607
				NAT'L PLANTS	\$1.1424 22,250,804

## 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
FEB 5 EST	\$17.14 - \$17.64	<b>\$14.07</b>	<b>\$15.63</b>	<b>\$13.39</b>
LAST WEEK	\$17.14 - \$17.64	\$14.18	\$16.04	\$13.75

## January 2021 CA FMMO Statistical Uniform Price Announcement

Jan '21 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price (Blended Price)	Net Price After Quota Assessment*
Minimum Class Price	\$16.74 (Tulare) \$17.24 (L.A.)	\$14.18	\$16.04	\$13.75	\$13.74 (Tulare) \$14.24 (L.A.)	\$13.375 (Tulare) \$13.875 (L.A.)
Percent Pooled Milk	20.5%	5.3%	1.2%	72.9%	100% (2.014 billion lbs. pooled)	

\*Quota rate of \$0.365/cwt. as of June 2020 milk

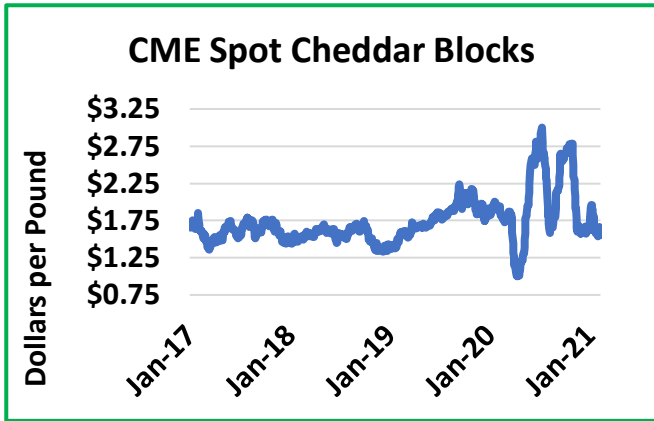


## Milk, Dairy and Grain Market Commentary

By *Monica Ganley, Daily Dairy Report*  
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### Milk & Dairy Markets

Chinese New Year celebrations may be ushering in the Year of the Ox, but here in the U.S. dairy markets, the bears are still very much present. Milk remains plentiful and manufacturers are picking up heavily discounted spot loads. Meanwhile, inventories for most dairy products remain heavier than typical for this time of year and demand from the foodservice channel

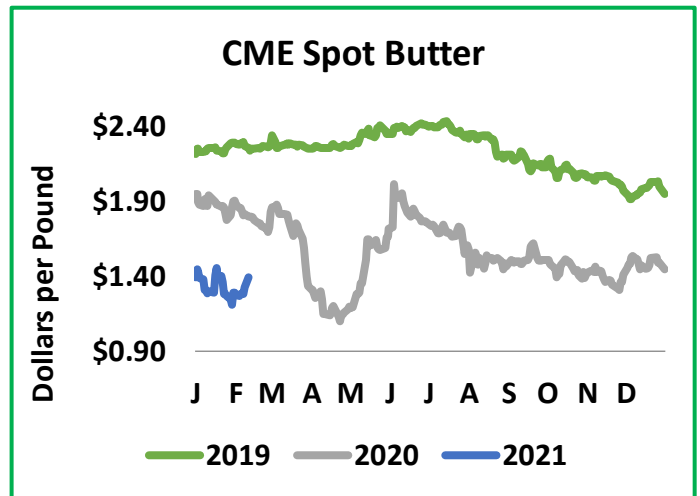


continues to limp along. Nevertheless, the situation is evolving, and some developments suggest that tighter markets could be on the horizon.

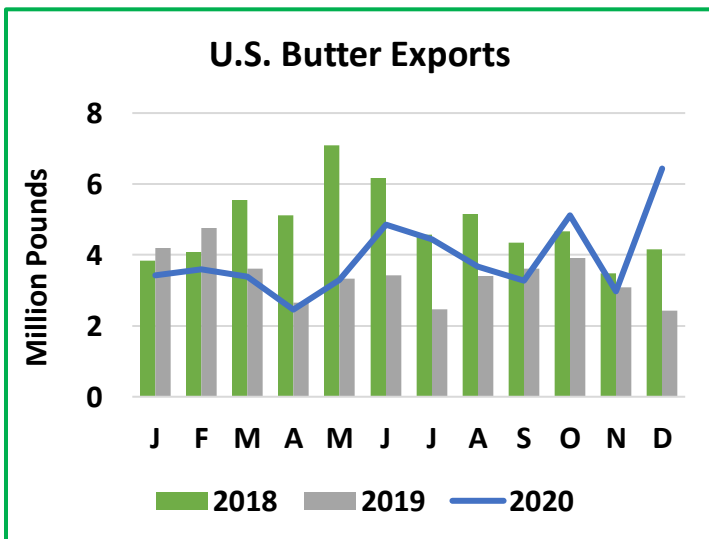
Though milk yields have exceeded expectations for much of this year, the frigid temperatures and winter precipitation that have set in across large swaths of the Central and Eastern United States are expected to undermine cow comfort and push down on production in these areas. Inclement weather has also complicated logistics as icy conditions threaten the movement of raw milk and finished products in some locations. In

other regions, however, milk production continues to forge ahead. Particularly in the West and Southwest, output is increasing seasonally as spring approaches.

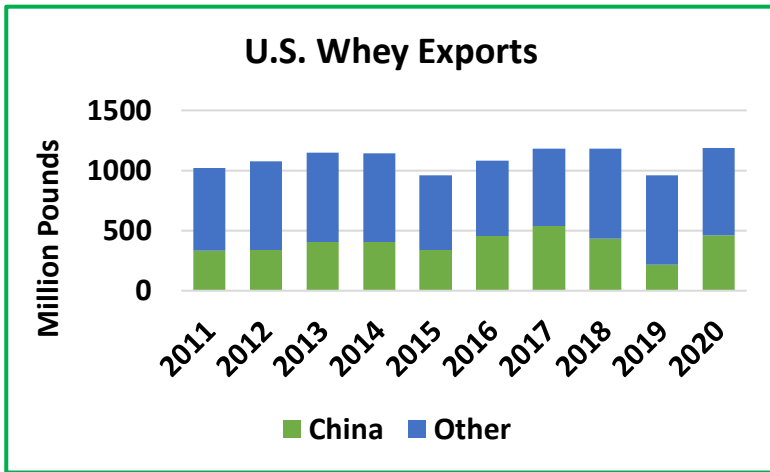
The government is poised to continue levying influence on the dairy markets in the coming months. On Thursday, the House of Representatives Agriculture Committee approved \$16 billion worth of measures for the purpose of supporting American food and agriculture. Within the bill \$4 billion could be used for additional purchases of agricultural goods, including dairy products. Though the bill pertains to the administration’s COVID relief package – and is thus subject to the passage of the broader legislation – cheese and class III futures nevertheless bounded upward on the news with some nearby contracts trading limit up.



Overall, the spot Cheddar markets had a relatively subdued week, as the reality of ample supply and lackluster restaurant demand continues to weigh on prices. Cheese manufacturers across the country emphasize the availability of spot milk and are running hard to absorb as much of it as possible. Following last Friday’s rally, CME spot Cheddar blocks opened the week with a modest gain on Monday. The market then lost steam for the remainder of the week, and despite a bounce on Thursday, Cheddar blocks ultimately finished the week at \$1.5575/lb., down 8.25¢ from last Friday. Barrels remained unchanged at \$1.50/lb. for most of the week before giving up a penny on Friday to close at \$1.49/lb. Barrel trade was active with 29 loads changing hands, while 16 loads of blocks moved.



Spot butter prices managed to find some traction this week. With the exception of a dip on Wednesday, CME spot butter prices moved up all week, closing Friday’s trade at \$1.395/lb., up 12.75¢ from last week. Market participants indicate that lower prices have helped to generate additional demand, particularly from retailers. As U.S. prices continue to hold a significant discount to global competitors, interest from international buyers is growing, and where possible,

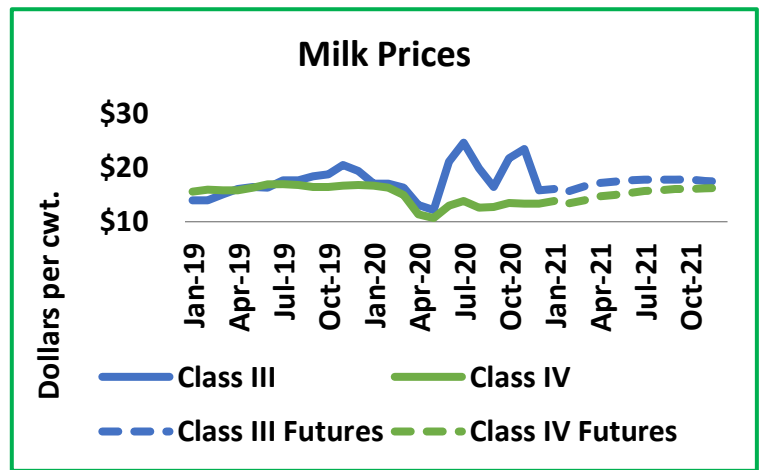


manufacturers are adjusting to produce butter that meets international standards. Even with the uptick in demand, cream supplies remain available and with churns running hard, butter inventories are still heavy. Most participants expect the butter market to bounce after March 1, when the shift from old crop to new crop butter occurs.

Nonfat dry milk (NDM) markets were unsettled this week. Inventories are heavy but demand has remained robust from both domestic and international sources, thus

helping to keep some tension in the market. Condensed skim for dryers can still easily be obtained but NDM manufacturers indicate that prices have increased modestly. Spot NDM prices lost .75¢ over the course of the week at the CME, ultimately closing at \$1.1125/lb. with 16 loads trading hands.

The dry whey market continues to demonstrate resilience with prices moving upward on strong exports and a production preference for higher protein products like whey protein concentrates and whey protein isolates. U.S. whey exports hit a record high in 2020, up 23.4% year over year after considering the leap day, and with 38.9% of these exports destined for China. Exporters have reported that Asian demand for U.S. whey has slowed in recent weeks as the Chinese New Year approached, but demand is expected to rebound after the holiday. CME spot dry whey was able to add .75¢ during the week to close Friday's session at 54.25¢/lb.



Class III milk futures were under pressure for most of the week as they embodied the weakness of the spot Cheddar block market. Thursday's House Agriculture Committee announcement imbued the market with a bit of strength and pushed several nearby contracts limit up. However, the rally was short-lived, and by Friday's settlements nearly all 2021 contracts corrected downward once again. Class IV milk futures remained quiet for most of the week.

### Grain Markets

In its World Agricultural Supply and Demand Estimates report released on Tuesday, USDA made no edits to U.S. production estimates for corn or soybeans. However, the agency did increase export estimates by 50 million bushels for corn and 20 million bushels for soybeans, resulting in lower ending stocks. If USDA's current estimates come to fruition, ending stocks of corn and soybeans will be the lowest since the 2013/2014 marketing year. Corn futures fell modestly on the report while soybean futures moved upward.

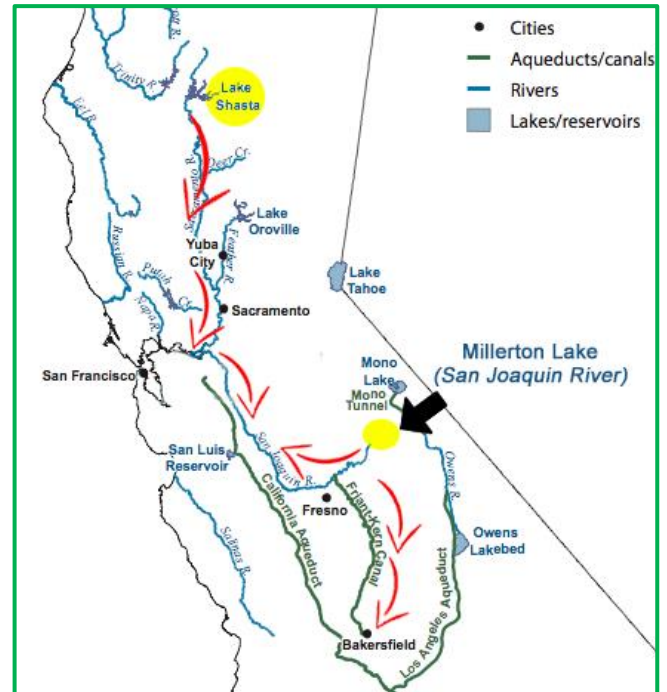
The trade continues to closely track the South American situation where rainy weather has postponed the soybean harvest and thus delayed planting of the country's second corn crop, known as the safrinha crop. If the delays continue, it could lead to a reduction in Brazil's corn production estimates and put additional pressure on global corn supplies.



## Lack of Precipitation Further Complicates California's Complicated Water System

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs  
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Here's this week's Central Valley water supply headline: We need rain and snow. The storm of a couple of weeks ago did help us get out of what was to that point one of the driest starts to the water year on record. However, the storm pattern was not uniform. A water district official described almost a "wall at the Fresno/Tulare County border," preventing the heavy moisture from covering the mountains south of there. The data I saw this week bore that out. The San Joaquin River watershed, which is the source of water for the Friant Kern Canal saw a larger boost in water inflow than did the Kaweah, Tule and Kern watersheds. It is still early in the rainy season and a few big storms could dramatically change the picture (in a way I never appreciated until I moved to the Valley in 2018). The fact is that Central Valley agriculture is heavily dependent on each winter's rain and snow for its sustenance in the coming year.



In the Lake Shasta watershed of the Sacramento Valley, early indications are that there will be some supply, but this will also be a criticality dry year. That designation is meaningful because if the amount of inflow into Lake Shasta falls under a certain threshold, then required deliveries to priority surface water right holders of the Lake Shasta supply are reduced, lessening the threat that San Joaquin River supplies would be diverted away from the Friant Kern Canal.

The surface water priority system has been in place for decades. First in time, first in right, is the basic description of California surface water rights. When irrigated agriculture was developed along the Sacramento and San Joaquin rivers many years ago, those lands owned priority rights to those river supplies. When the major dams were built as part of the Central Valley Project, promises were made to those landowners who owned rights to the Sacramento and San Joaquin Rivers that they would receive priority in obtaining surface water supplies when the projects became operational. In the Sacramento watershed those priority lands are called the Settlement Contractors and on the San Joaquin River the priority lands are called the Exchange Contractors because they exchanged their San Joaquin River supplies for a priority of the Shasta supplies that would be delivered to them through the Delta instead of the San Joaquin River. Part of the legal agreement with the Exchange Contractors is that if there is not enough water available to make them whole from the Delta, then they can call on the San Joaquin River supplies. In that case there is no water available for the Friant Kern Canal. This happens very rarely but did occur in the 2015 drought. The Federal Bureau of Reclamation governs this whole system and must make the call. So far, we are not in a position where this drastic move looks likely. On the other hand, while it looks like there will be a Friant supply, without more precipitation those supplies will be severely limited.

In past decades, shortages in surface water supplies were made up with increased groundwater pumping. But the long-term reliance on that solution has been greatly complicated by the passage of

the Sustainable Groundwater Management Act in 2014. SGMA required every part of California that lies over a groundwater aquifer (not mountains) to become part of a new local agency called a Groundwater Sustainability Agency (GSA). Those GSA's covered lands that were judged by the state to be in a critically overdrafted condition were required to put together a Groundwater Sustainability Plan that must eliminate "undesirable results." The plans needed to be submitted by January 31, 2020, which they were. What the plans were required to do was outline how the GSA would reach a sustainable condition by year 2040.

This legislation has been a game changer. It is carried out at the local level. Access to supplemental surface water supplies has turned out to be the most important factor for an area to be able to balance its water budget. Without access to surface water supplies, groundwater-only areas are facing the prospect of a significant curtailment of water available for irrigated agriculture. As GSA's work to implement their plans, capturing additional surface water is a top priority. When we have dry years, it puts increasing stress on the system. There are serious efforts underway to look at increased investment in recharge and conveyance facilities, which would be able to take flood waters in wet years and put them back into the aquifer, but it all starts with ample rain and snow.

Bringing the rain and snow are out of our control, but the Bible says in Zechariah 10:1, "Ask the Lord for rain in the springtime; it is the Lord who sends the thunderstorms. He gives showers of rain to all people, and plants of the field to everyone." So, we pray for rain and trust in the provision of God.

## Technology Helping Drive California's Planet-Smart Dairy Future

*Courtesy of Dairy Cares*

Milk and dairy products play an important role as one of the most cost-effective sources of underconsumed nutrients—including potassium, calcium, and vitamin D—in the United States. It is critical that milk remains affordable for consumers, especially today as one in six Americans and one in four children may be experiencing food insecurity. While milk is used in a wide variety of foods, its journey begins on family-run dairy farms. For those dairy families, "sustainability" is a challenging task. Efficiency is critical in keeping up with rising production costs, and they must identify the right solutions to help them keep the farm in operation for the next generation.



Read the full article [here](#).

## NMPF President's Update

*By Jim Mulhern, President & CEO of National Milk Producers Federation*

**Wisconsin's Baldwin to Chair Senate Ag Appropriations** – Sen. Tammy Baldwin (D-WI) today [was named](#) the chair of the **Senate Appropriations Subcommittee on Agriculture, Rural Development and the FDA**. This subcommittee is an important position for overseeing the annual budgets and management of both the USDA and the FDA. Sen. John Hoeven (R-ND), who chaired the Agriculture subcommittee in the 116th Congress, will be ranking member on the subcommittee.

Sen. Baldwin has been the leading supporter in the past two Congresses of the Dairy PRIDE Act, legislation intended to prompt FDA into acting against mislabeled imitation dairy foods, and we look forward to continuing our work with her in our campaign to force FDA's hand on the matter. The Biden

Administration has yet to name a new FDA Commissioner to replace Dr. Stephen Hahn, who resigned at the end of the Trump Administration.

**House Ag Democrats Choose Subcommittee Leaders** – House Agriculture Committee Chairman Rep. David Scott (D-GA) this week [named the six](#) agriculture subcommittee chairs for the 117th Congress. Republicans selected [their ranking members](#) last week. The Subcommittee chairs and the respective ranking Republicans for the next two years are:

- Livestock and Foreign Agriculture Subcommittee – Jim Costa (D-CA) and Dusty Johnson (R-SD)
- Conservation and Forestry Subcommittee – Abigail Spanberger (D-VA) and Doug LaMalfa (R-CA)
- Nutrition, Oversight and Department Operations Subcommittee – Jahana Hayes (D-CT) and Don Bacon (R-NE)
- General Farm Commodities and Risk Management Subcommittee – Cheri Bustos (D-IL) and Austin Scott (R-GA)
- Biotechnology, Horticulture and Research Subcommittee – Stacy Plaskett (D-Virgin Islands) and Jim Baird (R-IN)
- Commodity Exchanges, Energy, and Credit Subcommittee – Antonio Delgado (D-NY) and Michelle Fischbach (R-MN).

The full roster of [Democratic](#) and [Republican](#) members is here, although there may be some additional additions in the coming weeks. Rep. Glenn “GT” Thompson (R-PA) is the top Republican on the panel.

**House Ag Committee Approves Stimulus Measures** – House Ag Committee Democrats approved \$16 billion worth of farm and nutrition-related provisions as part of the larger \$1.9 trillion budget stimulus package that the Biden Administration is seeking to finalize this winter. The Agriculture Committee approved the measure by a party-line vote of 25-23. Of note, the legislation provides USDA with \$3.6 billion to be used for pandemic response, including the purchase and distribution of food and agricultural commodities including dairy. A summary of the ag provisions is available [here](#), and other highlights include:

- A 15% SNAP benefit increase through September 30, 2021;
- \$1 billion in assistance to and support for community-based organizations and 1890 land grant and other minority-serving institutions that work with Black farmers and other farmers of color, along with farm loan assistance for minority farmers;
- \$500 million in Community Facility Program funds to help rural hospitals and local communities broaden access to COVID-19 vaccines and food assistance;
- \$100 million in overtime fee relief to small meat and poultry processors grappling with pandemic-related backlogs, and;
- \$800 million for the Food for Peace program, including for purchases of U.S.-grown crops used in international humanitarian aid.

Following the [committee’s approval](#) this week, the ag provisions will be wrapped into the larger stimulus bill under consideration in the House.

**House Immigration Subcommittee Signals Intent to Move Ag Labor Bill** – The House Judiciary Subcommittee on Immigration and Citizenship held a hearing yesterday focusing on the need to address the serious issues with our nation’s immigration system. In her opening statement, Chairwoman Zoe Lofgren (D-CA) highlighted the importance of the Farm Workforce Modernization Act (FWMA), calling it a significant bipartisan bill and stating clearly her interest in shepherding passage of FWMA through the House of Representatives again this year.

As you may remember, NMPF worked closely with Rep. Lofgren, Rep. Dan Newhouse (R-WA) and other House members to craft and then pass the bipartisan FWMA in December 2019. At that time we saw passing the measure through the House as a key step in achieving ag labor reform through the legislative process, recognizing the need to improve the legislation in the Senate.

With the Biden Administration and leaders of both chambers of Congress currently indicating that immigration reform is a priority, NMPF believes it is important for the House to again pass FWMA as quickly as possible to help ensure that ag labor reform be included as a “must pass” component in broader immigration legislation. We are pleased that Chairwoman Lofgren intends to again take up FWMA, and we will continue our work on ag labor reform to secure dairy access to a reliable and legal workforce.

