

MPC WEEKLY FRIDAY REPORT

DATE: FEBRUARY 19, 2021
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 7

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$.0200	\$1.5375	WEEKLY CHANGE	+\$.1550	\$1.5500
Barrels	-\$.0775	\$1.4125	WEEKLY AVERAGE	+\$.1853	\$1.4988
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 02/13/21	
Blocks	-\$.0687	\$1.5338	DAIRY MARKET NEWS	W/E 02/19/21	\$.5150
Barrels	-\$.0561	\$1.4419	NATIONAL PLANTS	W/E 02/13/21	\$.5033
				PRIOR WEEK ENDING 02/06/21	
				NAT'L PLANTS	\$1.1280 16,522,880
				NAT'L PLANTS	\$1.1424 19,028,607

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 19 EST	\$17.14 - \$17.64	\$14.05	\$15.61	\$13.39
LAST WEEK	\$17.14 - \$17.64	\$14.07	\$15.63	\$13.39



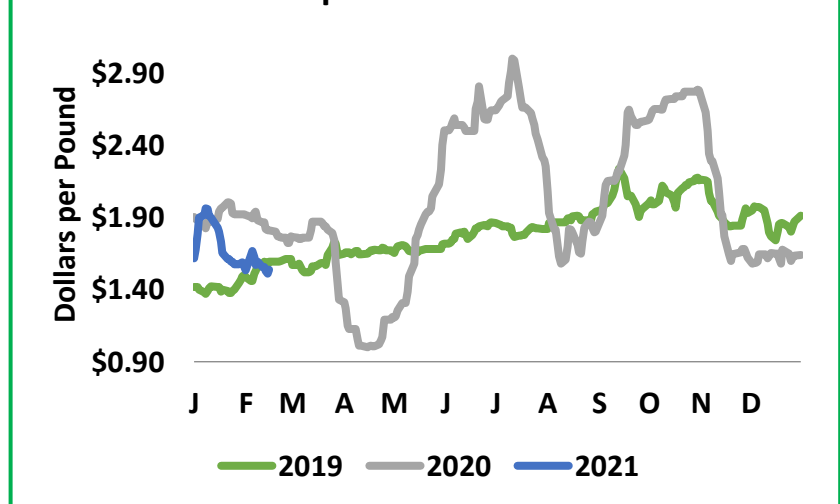
Milk, Dairy and Grain Market Commentary

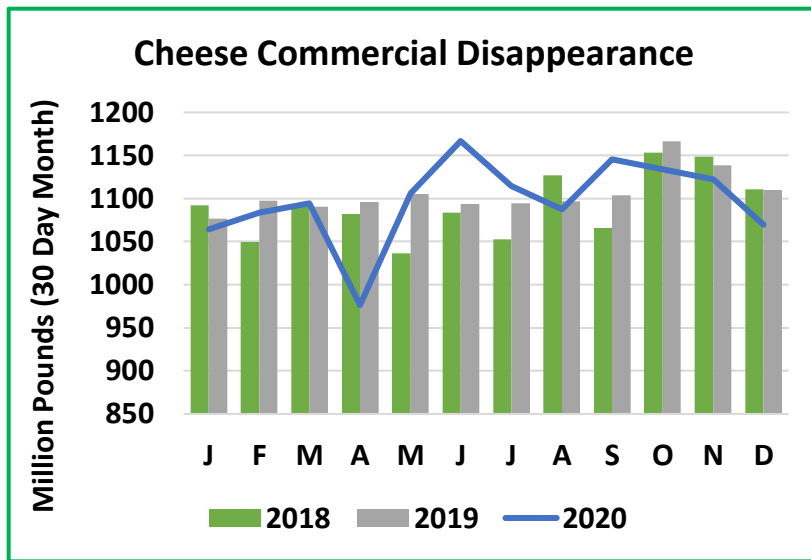
By Monica Ganley, Daily Dairy Report
Monica@DailyDairyReport.com

Milk & Dairy Markets

With nearly three quarters of the United States blanketed by snow, weather has become a major protagonist in the dairy markets this week, wreaking havoc across the supply chain. Uncharacteristically cold weather has been a particular issue in Texas and eastern New Mexico where producers have been scrambling to protect their herds from the frigid temperatures. Impassable roads and plant shutdowns have forced producers in some areas to dispose of milk on the farm. Though it will take some time for the impacts of the weather to become fully appreciated, a reduction in milk production and increase in culling is likely to be borne out in the coming weeks.

CME Spot Cheddar Blocks



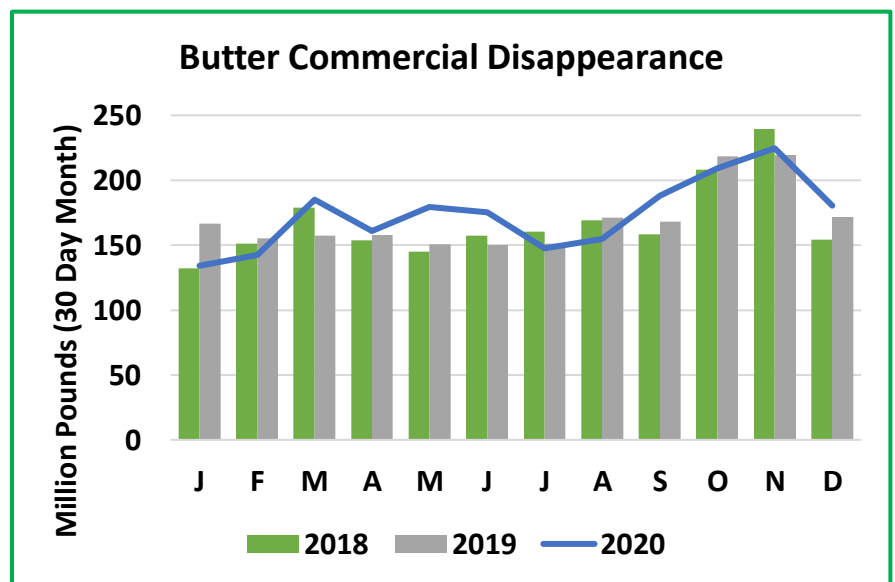


Of course, winter weather complications didn't end at the farmgate. Several processing facilities in the area were forced to shut down as energy supplies were diverted toward heating residences and essential services. Of those that were still operational, many were forced to work with reduced staffing as employees were unable to get to work. While plants outside the affected areas have attempted to absorb the milk that would have been typically processed by these plants, it is likely that a significant amount of milk had to be dumped over the course of the week.

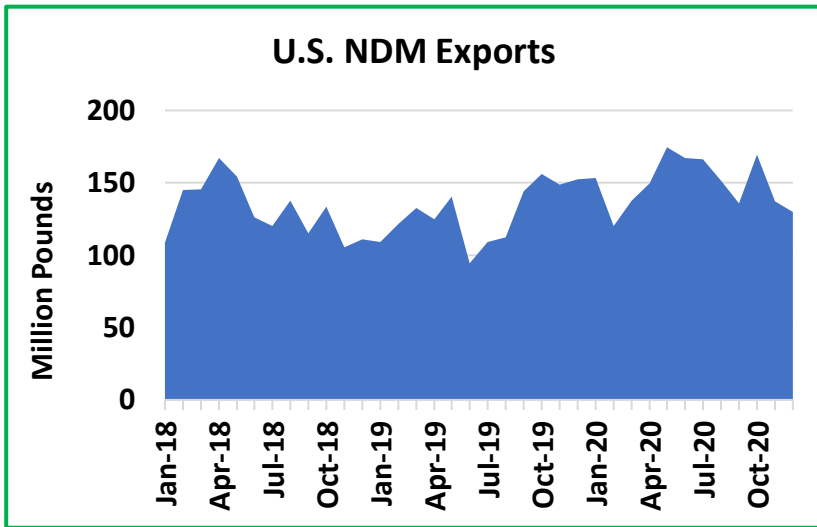
Despite these complications, cheese manufacturers in the Midwest report that the market for spot milk has tightened somewhat. During the past week spot milk could be obtained for up to \$6.50 under Class III prices – still a bargain by historical standards but not as cheap as in recent weeks. Manufacturers across the United States report that cheese demand has improved. While retail demand still reigns supreme, foodservice orders have ticked up as more restaurants have begun to open. An increase in demand would be welcome news considering that at 1.105 billion pounds, commercial disappearance of cheese in December was the lowest for that month since 2016.

A short week didn't translate to a shortage of action in the spot Cheddar markets. After a lethargic start, with blocks and barrels unchanged on Tuesday, both products began to slide. Blocks gave up 2.75¢ on Wednesday, followed by another 2¢ to hit a weekly low of \$1.51/lb. on Thursday. Friday breathed a bit of life into blocks, pushing them up 2.75¢ to close the week at \$1.5375/lb., 2¢ lower than last week. In an active week during which 26 loads traded hands, barrels moved continuously lower after Tuesday, ultimately ending the week at \$1.4125/lb., 7.75¢ lower than last Friday.

As the March 1 deadline for selling old crop butter rapidly approaches, the butter market seems to have found some traction. Foodservice demand is still depressed, according to market participants, but retail sales remain robust. Commercial disappearance of butter was up a surprising 5.2% year over year in December. Meanwhile, a USDA Section 32 solicitation for purchases of about 15 million pounds of butter between April and June also likely bolstered market sentiment, even as the announcement was aligned with expectations.



The situation remains precarious, however, as cream is readily available, and spot loads have become even more plentiful as facilities affected by winter weather try to rehome supplies. Churns have been working hard and while some concerns persist about inventory build, healthy demand seems to be



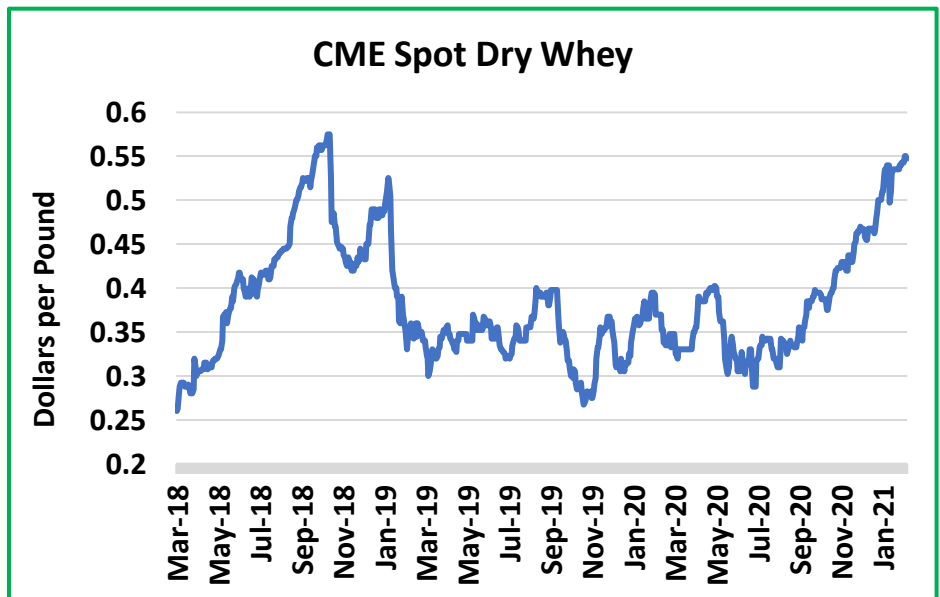
stemming many of these issues. The CME spot butter market moved up convincingly this week, adding 15.5¢ to end the week at \$1.55/lb., the highest price since last September. Even with the spot market gains this week, U.S. butter remains a steal compared to international product. Another strong performance for butter and anhydrous milkfat at Tuesday’s Global Dairy Trade event lifted prices for these products even higher.

After opening Tuesday’s spot session with a .25¢ gain, nonfat dry milk prices slid over the balance of the week, ultimately

closing Friday’s trade at \$1.0925/lb. 17 loads traded hands during the week. Even though some powder manufacturers have been affected by the inclement weather, production has remained robust. A shortage of containers continues to garner headlines and is interrupting the ability of exporters to move product abroad, even where interest from global buyers exists.

The whey markets once again flexed their muscles this week, with spot prices rising to 55¢/lb. on Wednesday and Thursday before retreating slightly on Friday to close the week at 54.75¢/lb., up half a penny from last Friday. Demand is reportedly healthy from both domestic and international sources though logistical challenges, namely the shortage of containers, continues to challenge the ability to exporters to actually get product moved.

Class III milk futures were able to make some gains on Tuesday, even as the spot cheddar markets were quiet on the day. However, these gains were largely erased over the remainder of the week with most nearby contracts giving up ground as spot cheese prices slid. Class IV milk futures performed similarly with Tuesday’s gains subsequently canceled out by losses later in the week. Despite spot butter’s strength, most nearby Class IV contract settled on Friday within a few cents of prior week levels.



Grain Markets

The grain futures markets were mixed during the week with nearby contracts losing value while contracts further out on the curve moved upward. Corn futures saw modest gains early in the week undone by losses on Thursday and Friday. Nevertheless, the MAY21 corn contract, finished Friday’s session at over a nickel higher than last Friday’s settlement. Grain prices remain significantly elevated and will continue to be a threat to producer profitability in the near term.

NMPF President's Update

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

New Immigration Legislation Introduced as NMPF Spotlights Ag Labor – Democratic lawmakers in the House and Senate introduced new legislation this week to reform U.S. immigration policy. Rep. Linda Sanchez (D-CA) and Sen. Bob Menendez (D-NJ) introduced the [U.S. Citizenship Act](#) of 2021, the legislative version of the plan President Biden proposed in January. The bill takes a broad approach to immigration reform, touching on agriculture's workforce by providing current undocumented workers a process for applying for a green card and addressing farmworkers' terms of employment. But since the measure does not reform the H-2A visa program, dairy would still be left without access to a workable guestworker program.

In [our statement](#) on the proposed U.S. Citizenship Act, NMPF made clear that reforms must include changes to address dairy's workforce needs, including legal protections for current workers and their families, and enabling dairy farmers to use a guest worker program. NMPF will continue its current legislative strategy to focus on moving the Farm Workforce Modernization Act through the House as quickly as possible in an effort to build momentum for Senate action. While NMPF will continue to pursue all avenues for ag labor reform legislation that address dairy's needs, we regard the U.S. Citizenship Act as a marker measure rather than the sole vehicle for enacting immigration law improvements that will address these needs.

NMPF Continues Working to Increase Dairy Sector Access to PPP – Since the Paycheck Protection Program was created 11 months ago, NMPF has been working to ensure dairy cooperatives and producers have equitable access to the PPP, one of the COVID-19 relief efforts run by the Small Business Administration (SBA). Historically agriculture has not been able to access most SBA programs, which has led to various administrative and technical obstacles for our co-ops and producers, due to the agency's lack of familiarity with agribusinesses. NMPF has been working closely with our champions in Congress and other ag stakeholder organizations to overcome these obstacles, with improvements to the PPP ranging from increased access for rural lenders to allowing sole proprietor, independent contractor, and self-employed farmers to use their gross income from their Schedule F tax form for determining their PPP loan amount.

In 2021, NMPF has been working to allow dairy producers who were not helped by the changes to PPP made in December's coronavirus stimulus measure, but who also file a Schedule F tax form, to use their Schedule F gross income when calculating their PPP loan amount. We were pleased this week to see Sens. Tammy Baldwin (D-WI), John Thune (R-SD), and John Hoeven, (R-ND), along with Rep. Ron Kind (D-WI), lead other members of Congress in [a bipartisan, bicameral message](#) to SBA and the Treasury Department calling for clear guidance that all farmers and ranchers who file a Schedule F tax form – regardless of formal business structure – can use their Schedule F gross income. Although SBA has not yet issued such guidance, the message from Congress helps demonstrate broad support for the issue, which NMPF will use in our continued work to increase dairy's access to the small business support.

USDA Describes 2021 Dairy Outlook as "Unsettled" – The rapid acceleration of milk production, combined with continued uncertainty about foodservice demand, has created an unsettled outlook for milk prices in the new year, according to the USDA's [annual update on dairy economics](#). The USDA forecast, delivered today at the agency's annual outlook forum, is similar to our own take on how rising milk production and volatility in commercial demand – plus rising feed costs – will challenge dairy producers in 2021. The report, by USDA economist Shayle Shagam, notes that "Although the

impacts of COVID-19 on the economy in general and on dairy demand specifically are expected to diminish over the course of the year, the timing of restriction removals and any government programs remain uncertain.”

In the face of a nearly 2% expected growth rate in milk production, to 227.4 billion pounds, the USDA is forecasting the 2021 all-milk price to decline to \$17.15 per cwt. The Class III price is expected to decline to \$16.60, as projected weakness in cheese pries more than offsets strong whey prices. The Class IV price, which has been fairly weak since the onset of the pandemic, is expected to increase as stronger nonfat dry milk prices overcome a weaker butter price. The Class III price this year is forecast to average \$16.60/cwt. while the Class IV price is expected to average \$13.70/cwt.

CVDRMP Annual Member Meeting on February 24

Courtesy of the [Central Valley Dairy Representative Monitoring Program](#)

The Central Valley Dairy Representative Monitoring Program (CVDRMP) will hold its annual member meeting at 1:30 p.m. Wednesday, February 24, 2021. For the first time, the meeting will not be in person, but instead by Zoom video conference. Please see below for the date, time, Zoom video conference link and an agenda for the meeting.

Agenda Annual CVDRMP Membership Meeting

DATE AND TIME

1:30 to 3:30 p.m. Wednesday, February 24, 2021

PLACE

Virtual meeting via Zoom video conference, <http://bit.ly/3sikqGI>
Or call: 1 (669) 900-6833, and enter meeting ID #826 5246 5874

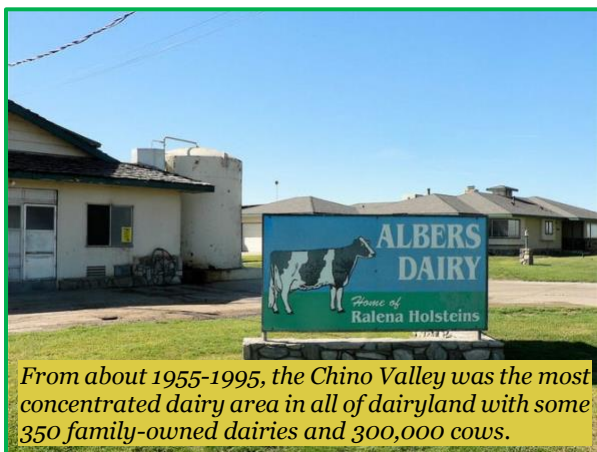
AGENDA

1. Determination of quorum per CVDRMP bylaws
2. Welcome to the members, review CVDRMP mission and goals, and new amendments to membership agreements related to Salt Control Program and Nitrate Control Program (Chairman Scott Wickstrom)
3. Results and certification of 2020 Board of Director elections (Secretary Greg Hooker)
4. Report to the members on organizational finances and changes in billing (Treasurer Rodney Kamper)
5. Implementation of the Salt Control Program and Nitrate Control Program and what these mean for our members (Administrator J.P. Cativiela)
6. Reduction in costs for dairy monitoring and implementation of Bovine Representative Monitoring Program (Technical Program Manager Till Angermann)
7. Questions and comments from members
8. Adjourn

NOTE: CVDRMP bylaws require that no action by the members shall take place unless a) it is included on a properly noticed agenda, AND b) a quorum (one-third) of voting members is present. The membership meeting will take place and informational presentations provided without a quorum present; however, no actions will be taken by the members on matters not on the agenda, nor if a quorum is not met.

Yes, California Has Milked Cows for a Long Time

Story and photos courtesy of John Oncken, Wisconsin State Farmer



From about 1955-1995, the Chino Valley was the most concentrated dairy area in all of dairyland with some 350 family-owned dairies and 300,000 cows.

Recently, a reader of this column, Dean, called with a question: How could he get old copies of the column, especially those relating to dairying in California? I didn't have a good answer other than that I have copies in my computer but don't have a fast way to retrieve them, and there have been quite a few over the years.

While talking with Dean, an idea came to me: Why not write a bit of the history of California dairying – something I've never done? Columns I have written go back only to about the mid-1970s, when I made my first visit to California and its already huge dairy industry. Certainly, there must have been cows there long before.

The first cows of California

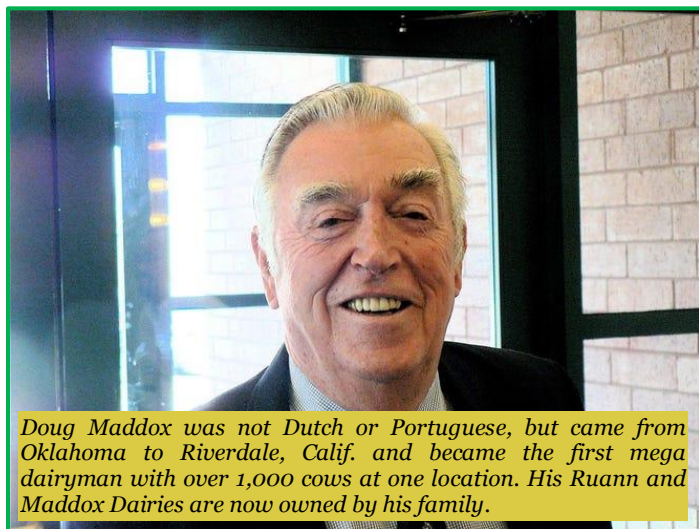
Cattle first entered California with the Spanish missionaries in the late 1700s. In the first few decades after the arrival of cattle in California, dairying was incidental to the more lucrative tallow and hide trades. But as the herds grew stronger and larger, dairying became more popular.

A Russian settlement at Fort Ross on the Sonoma coast milked cows and shipped butter and cheese to fur-trapping settlements in Alaska between 1812 and 1841. After the Russians left California in 1841, John Sutter of Sacramento acquired the small dairy herd and operated small dairies on land in Mills Station and Yuba City. But until the great influx of fortune seekers in the 1850s following the discovery of gold in California, dairying in the state was still primarily a domestic activity.

Cows came west and herds grew

Many families who braved the trek from the eastern US brought cows to provide milk for their children. In the mining communities, dairy cattle soon became a valuable commodity. Often while husbands were mining, wives managed the family's livestock and found that they could sell fresh milk and butter at a favorable price. Dairy herds began appearing in the Sierra Foothills to satisfy the Easterners' desire for the milk and butter that they had left behind.

Initially, milk had to be produced within a short wagon ride of its consumers. Larger dairy herds first emerged close to California's most populated areas and growing urban populations. According to the 1860 census, there were 264,000 people in California and 104,000 cows, and the principal dairy regions were the San Francisco Bay area and the Sacramento Valley.

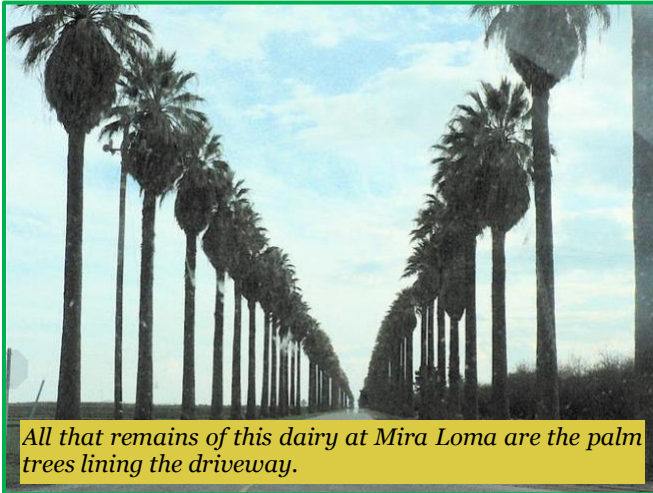


Doug Maddox was not Dutch or Portuguese, but came from Oklahoma to Riverdale, Calif. and became the first mega dairyman with over 1,000 cows at one location. His Ruann and Maddox Dairies are now owned by his family.

Meanwhile to the south, Los Angeles was experiencing rapid growth with the "oil boom" and rise of the movie industry. Dairying was scattered in many close-by regions. Many dairy regions that served the

Los Angeles area in the early 1950s to mid-1960s are long gone, the result of conversion of dairy land to more urban-oriented land uses. Three such areas – Cypress, Dairyland and Dairy Valley – incorporated in an effort to forestall encroaching urbanization and to preserve the land for dairying.

When these areas incorporated in the mid-1950s, nearly all of their land uses were associated with dairying. However, by the late 1960s, much of this dairying activity, along with most other agriculture, was eliminated by booming development.



All that remains of this dairy at Mira Loma are the palm trees lining the driveway.

Looking eastward for expansion

Meanwhile, the dairy farmers, most of whom were Dutch and Portuguese people who came to the US after World War II or whose ancestors came to America from Holland or the Azores during the early 1900s, were looking east toward the Chino, Ontario and San Bernardino areas to buy land for new dairies.

The Chino Valley, often referred to as a “desert,” was actually a prominent farming area. In 1917, the sugar beet factory in Chino shut down, but new opportunities arose in the canning industry, and soon Chino was a leader in agricultural production, including dairying. By 1926, Chino dairymen were already receiving high honors in the state and nation for milk production and had established the area as a good place to milk cows.

Twenty-five new dairies were built in the city from 1954 to 1955 as a result largely of the flight of greater Los Angeles dairymen. The city also eased the way for dairymen by forming the Dairy Preserve. The region’s milk profits were increasing as more and more dairymen sold their property in Los Angeles County and moved into the Chino Valley.

Chino dairying was also aided by innovations like the smaller parlor type barn and dry lot operation, which improved milk production. The number of dairies greatly increased in the early 1960s with 172 dairies built in 1960, and by the mid-1970s there were some 350 dairies and 300,00 cows in the valley. The Chino Valley became the most concentrated and highest milk production area in the US and, in 1993, California surpassed Wisconsin as the highest milk producing state, a situation that remains today.

We’ll continue the story next week.

John Oncken is the owner of Oncken Communications. He can be reached at 608-837-7406 or email him at jfodairy2@gmail.com.

