

# MPC WEEKLY FRIDAY REPORT

DATE: OCTOBER 9, 2020  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 6

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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	+ \$.0375	\$2.6475	WEEKLY CHANGE	-\$ .0975	\$1.4125
Barrels	+ \$.1000	\$2.0550	WEEKLY AVERAGE	-\$ .0665	\$1.4420
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 10/03/20</b>	
Blocks	+ \$.0690	\$2.6465	DAIRY MARKET NEWS	w/E 10/09/20	\$ .3625
Barrels	+ \$.1980	\$2.0100	NATIONAL PLANTS	w/E 10/03/20	\$ .3378
				<b>PRIOR WEEK ENDING 09/27/20</b>	
				NAT'L PLANTS	\$1.0383 21,761,936
				NAT'L PLANTS	\$1.0227 22,843,430

## 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 9 EST	\$16.80 - \$17.30	\$13.65	\$20.91	\$13.45
LAST WEEK	\$16.80 - \$17.30	\$13.69	\$20.18	\$13.74



### Milk, dairy and grain market commentary

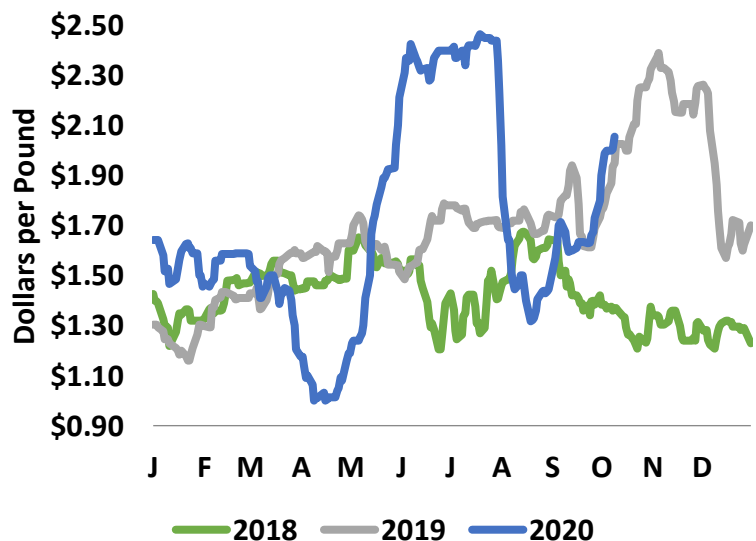
By Sarina Sharp, Daily Dairy Report  
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#### Milk & Dairy Markets

It was another big week for barrels in Chicago. They added a dime and reached \$2.055 per pound. Barrels have moved lower just once in the past 20 trading sessions, and have advanced 46¢ in the past month, a formidable 29% gain. Blocks climbed too, but with a little less gusto. They rallied 3.75¢ to \$2.6475.

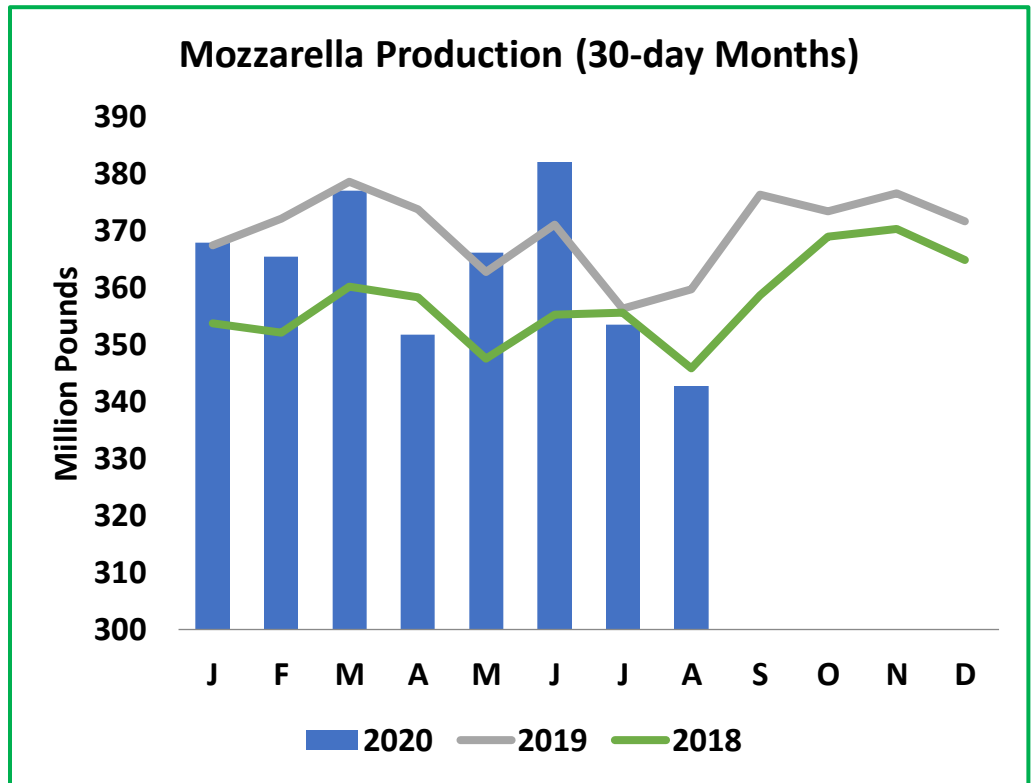
Consumers continue to reach for kitchen staples that are familiar and convenient, and Cheddar fits the bill. And when they tire of cooking, they're apt to order a pizza. Domino's reported a nearly 18% year-over-year increase in same-store sales in the third quarter. Papa John's saw sales

#### CME Spot Cheddar Barrels



surge 27%. Government purchases and exports are keeping cheese moving too. In August, U.S. cheese and curd exports totaled 68.4 million pounds, up 16.6% from a year ago.

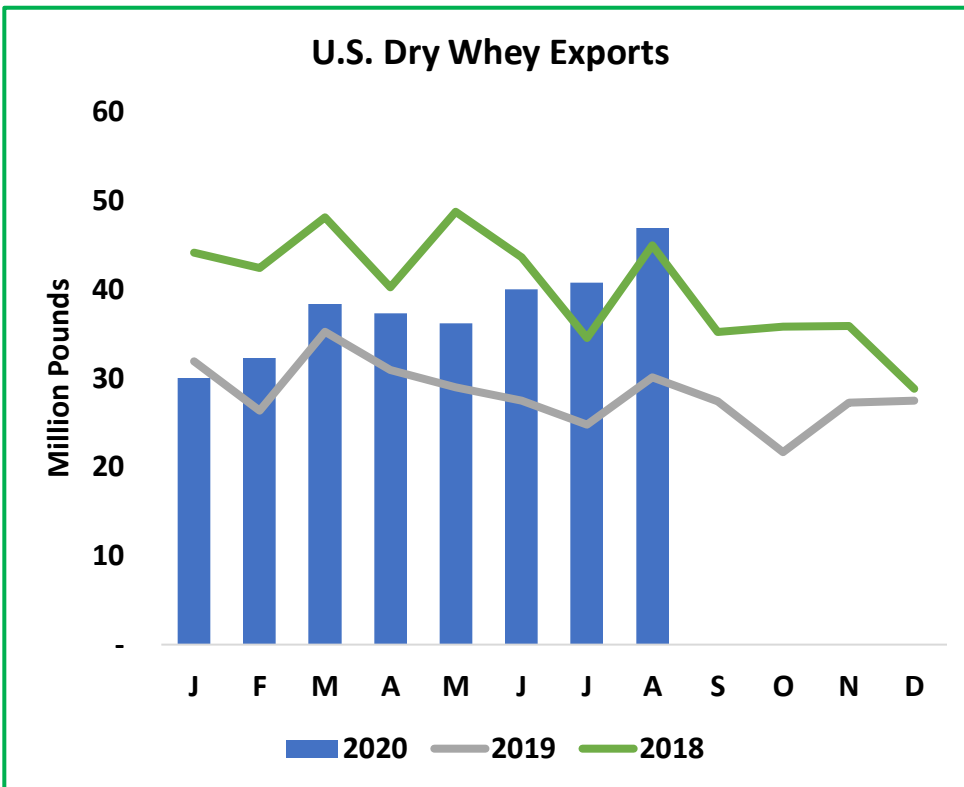
U.S. cheese output slowed in August to 1.09 billion pounds, down 2.1% from August 2019. Surprisingly, mozzarella output fell 4.4% year over year, a curious decline given pizza's popularity. That left more milk for other cheese varieties, and Cheddar output topped the prior year by 0.5%. It's likely that some cheesemakers pushed Cheddar into aging programs in August, when spot values were much lower than they are today. That has contributed to the current shortage of fresh cheese, but a decline in government purchases may free up some product soon.



CME spot dry whey gained another half-cent last week and reached 39.5¢, a nearly five-month high. Whey powder production dropped 5.4% short of year-ago levels in August to 80.3 million pounds. Exports have been pretty respectable throughout 2020, but in August they were downright impressive, jumping 56% from the prior year to the highest volume since May 2018. Nonetheless, whey stocks climbed in August, signaling weak domestic demand.

Dryers processed less milk in August compared to earlier in the year, as the accumulation of summer heat stress and the beginning of back-to-school demand slowed the flow of milk to balancing plants. However, milk powder output was unusually strong given the season. Nonfat dry milk (NDM) production totaled 144.2 million pounds, the highest August volume since 1982. Combined production of NDM and skim milk powder (SMP) was 4.8% greater than in August 2019. Nonetheless, stocks are not burdensome. Manufacturers' inventories of NDM declined more than 40 million pounds from July to August and were just 0.4% greater than the prior year. Competitive pricing and firm international demand are helping to move milk powder abroad at a rapid clip. U.S. exports of NDM climbed 34.7% year over year to 151.7 million pounds, the highest August volume on record. Shipments to Mexico continue to lag, but the U.S. has boosted sales to Southeast Asia. If the U.S. can maintain this new marketshare and capitalize on pent-up demand from buyers south of the border, U.S. milk powder values are likely to continue to climb. CME spot NDM added a quarter-cent this week and closed today at \$1.125. SMP prices took a small step back at the Global Dairy Trade (GDT) auction on Tuesday, but both GDT SMP and European markets remain notably higher than U.S. NDM values.

With the rest of the dairy complex gaining ground, the bears were relegated to the butter market. But they seem quite at home there. CME spot butter has fallen nearly 21¢ in less than three weeks. It slumped to \$1.395 yesterday, its first foray below \$1.40 since early May. It rebounded today and



finished at \$1.4125, still 9.75¢ lower than last Friday. This week, December through March butter futures scored life-of-contract lows.

Butter output slowed seasonally in August to 152.3 million pounds. Although that is much lower than daily average output for much of the year, it's extremely high for late summer, marking the largest August butter output since 1942. Given the ailing foodservice sector and concerns about diminished holiday festivities, we simply don't need to be making this much butter. And foreign butter continues to add to the stockpile. Although U.S. butter imports slowed in August, the

U.S. remains a net butter importer despite months of bargain basement pricing.

Weak butter values weighed on Class IV futures. The November through February lost more than 60¢ apiece this week and continue to lag dairy producers' cost of production by a sizeable margin. October Class III jumped 73¢ this week to \$20.91 per cwt., a life-of-contract high. November Class III added 37¢ this week, while most deferred contracts added a nickel or so. Thus, the chasm between Class III and IV prices widened, creating a huge disparity between producers whose entire milk check is based on Class III and those whose revenue is watered down by the producer price differential and inadequate Class IV values.

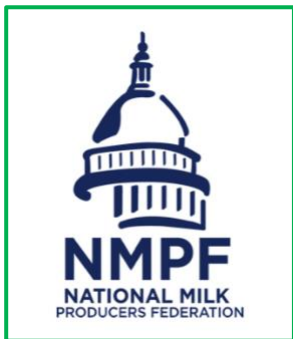
### Grain Markets

The feed markets marched upward once again, buoyed by another week of strong exports and the growing threat of the La Niña in South America, where planting season is off to a very dry start. USDA did nothing to check the advance in today's Crop Production and World Agricultural Supply and Demand Estimates (WASDE) reports. The agency held steady its assessment of the national average soybean yield, at 51.9 bushels per acre. It nominally trimmed the corn yield from 178.5 in September to 178.4 today. But it chipped away at acreage estimates, reducing its assessment of corn harvested for grain by nearly one million acres and dropping harvested soybean area by 731,000 acres compared to the September report. The lower acreage reduced the harvest forecast for both crops, creating a little more feed for the bulls.

There is no reason for corn buyers to panic. USDA expects that when the season ends next September, there will be 2.17 billion bushels of corn in inventory, roughly on par with the historically high stock levels of the previous four seasons. But soybeans are likely to feel tight. End-of-season soybeans are projected to drop to 290 million bushels, a five-year low. December corn settled today at \$3.95 per bushel, up 15.25¢ from last Friday and up 75¢ from the August lows. November soybeans added nearly 45¢ and reached \$10.655. December soybean meal jumped almost \$12 to \$363.70 per ton.

## CFAP 2.0 Program begins making payments

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



USDA released its initial update this week on the second round of payments under the Coronavirus Food Assistance Program, noting that it has already distributed nearly \$2 billion of the \$13 billion available for CFAP 2.0. [Of that sum](#), \$204 million has gone to dairy producers. Payments to corn growers were the largest among the major commodities at \$687 million, followed by cattle (\$414 million), soybeans (\$255 million) and hogs (\$120 million). Signup for CFAP 2.0 is open until Dec. 11, and USDA has more details about that process [here](#). The first round of CFAP distributed about \$10.2 billion of the \$16 billion that was originally budgeted.

As a reminder, **signup for the Dairy Margin Coverage program [will begin next week](#)** and also conclude on Dec. 11. The USDA's DMC [Decision Tool](#) currently is predicting sub-\$9.50/cwt. margins in the first half of 2021.

## NMPF shares ag issue perspectives with Presidential campaigns

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

As we have done in previous elections, NMPF has joined 20 other agricultural organizations in providing a broad-based [set of policy recommendations](#) to the presidential campaigns of both Donald Trump and Joe Biden. The document was put together by the Ag CEO Council – a group I belong to along with my counterparts from other leading agricultural associations – and calls attention to the challenges that have roiled the farm economy in recent years, both prior to and during the COVID-19 pandemic.

NMPF contributed heavily to the document so that it includes many issues affecting dairy farmers and cooperatives, encompassing critical priorities like the importance of expanded trade, ag labor reform, climate and sustainability, rural broadband, and a robust and sound farm safety net. NMPF will actively engage with whichever candidate is victorious this November to lay the groundwork for securing the best outcomes possible on dairy's priorities.

## California Dairy Sustainability Summit goes virtual

*Courtesy of Dairy Cares*

Organizers of the California Dairy Sustainability Summit announced that their second industry event would take place virtually this November 5 and 6. The Summit is hosted by California's leading dairy organizations—Dairy Cares, California Dairy Research Foundation, California Milk Advisory Board, California Dairy Quality Assurance Program, and Dairy Council of California. The online event will virtually bring together dairy farmers, state and local officials, researchers, technology providers, and others, to promote continued advancement of planet-smart, sustainable farming practices.



“While much of the world has been disrupted in 2020, our dairy farms haven’t skipped a beat,” said Charles “Chuck” Ahlem, a California dairy farmer and director for three of the hosting organizations.



“With the added challenges of keeping our employees and families’ safe, we’ve continued to produce wholesome and nutritious milk each day to support the health and comfort of millions of families. California’s family dairy farms also remain dedicated to protecting our planet. It’s important that we continue to do so collaboratively, to ensure our efforts are sustainable—economically, socially and environmentally. That’s why we couldn’t wait to host this summit.”

Organizers will use an interactive online platform to host educational sessions, a virtual expo hall, and valuable networking opportunities to promote the advancement of dairy sustainability efforts in California and beyond. The two-day agenda will spotlight opportunities to further environmental sustainability, reduce emissions and conserve water resources, improve nutrient management and soil health, develop new business opportunities, improve operational efficiency and reduce on-farm costs.



Confirmed speakers include:

- Karen Ross, Secretary, California Department of Food and Agriculture
- Phil Lempert, Founder and Editor, The Lempert Report and Founder and CEO, Retail Dietitians Business Alliance
- Dr. Frank Mitloehner, Professor and Air Quality Specialist, University of California, Davis
- Ashley Rosales, Program Director of Nutrition Sciences, Dairy Council of California
- Justin Gioletti, Dairy Farmer and Vice President, Robert Gioletti & Sons Dairy, Inc.
- Dr. Ermias Kebreab, Associate Dean of Global Engagement and Director, World Food Center, University of California, Davis
- John Talbot, Chief Executive Officer, California Milk Advisory Board
- Neil Black, President, California Bioenergy
- Genevieve Regli, Dairy Farmer and Agricultural Communications Student, California Polytechnic State University, San Luis Obispo



California is among the most efficient producers of milk and dairy products, and its life-cycle carbon footprint (per gallon of milk produced) is among the lowest of any region in the world. Dairy farmers have an established history of partnering with the state to further reduce dairy methane emissions through a voluntary, incentive-based approach. These efforts put the California dairy sector—the nation’s largest—on track to

achieve climate neutrality in the near future. The state’s dairy families are working to further advance the protection and conservation of water resources, improve air quality, and implement clean, renewable energy technologies. The virtual event aims to support farmers in these efforts, by further fostering important partnerships, developing new business opportunities, and advocating for dairy’s role in a healthy and sustainable food system.

“California’s dairy families have long been dedicated to providing consumers with nutritious and affordable foods, while continually focusing on reducing our environmental footprint,” said Josh Zonneveld, a third-generation dairy farmer and chairman of the California Milk Advisory Board. “However, we’re also facing many challenges that make it difficult to operate in our home state. The California Dairy Sustainability Summit is important because it provides an opportunity to communicate and work together with our regulators. It also provides farmers with a venue to discuss best practices and proactive solutions for issues that will impact our future.”

In its inaugural year, the Summit welcomed more than 650 attendees, including 200+ dairy farmers, innovative technology and fuel providers, researchers, industry associations, and public agencies. The Summit also attracted leaders from throughout state government, eager to work with dairy farmers to ensure that they can help California meet its environmental, energy diversity and economic goals. Organizers look forward to welcoming more local, state, national, and international stakeholders, who can participate from wherever they are digitally connected through the new virtual event format.

Official event partners include the California Farm Bureau Federation, California Dairy Campaign, California Dairies, Inc., Dairy Farmers of America - Western Area, Dairy Institute of California, Hilmar Cheese Company, Joseph Gallo Farms, Land O’ Lakes, Milk Producers Council, Producers Dairy Foods, Inc., and the Western States Dairy Producers Association.

Sponsor and exhibitor opportunities are now available for the virtual Summit. To learn more or to register, visit [www.cadairysummit.com](http://www.cadairysummit.com).

