

MPC WEEKLY FRIDAY REPORT

DATE: JUNE 5, 2020

TO: DIRECTORS & MEMBERS

FROM: KEVIN ABERNATHY, GENERAL MANAGER

PAGES: 6

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+\$0.3225	\$2.5525	WEEKLY CHANGE	+\$0.2650	\$1.9250
Barrels	+\$0.3375	\$2.3600	WEEKLY AVERAGE	+\$0.2081	\$1.8100
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 05/30/20	
Blocks	+\$0.4050	\$2.4975	DAIRY MARKET NEWS	W/E 06/05/20	\$0.3525
Barrels	+\$0.3236	\$2.2705	NATIONAL PLANTS	W/E 05/30/20	\$0.3812
				WEEK ENDING 05/23/20	
				NAT'L PLANTS	\$0.8455 36,844,021
				NAT'L PLANTS	\$0.8584 24,351,906

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
JUNE 5 EST	\$13.02 - \$13.52	\$13.62	\$19.88	\$13.91
MAY '20 FINAL	\$14.55 - \$15.05	\$12.30	\$12.14	\$10.67



Milk, dairy and grain market commentary

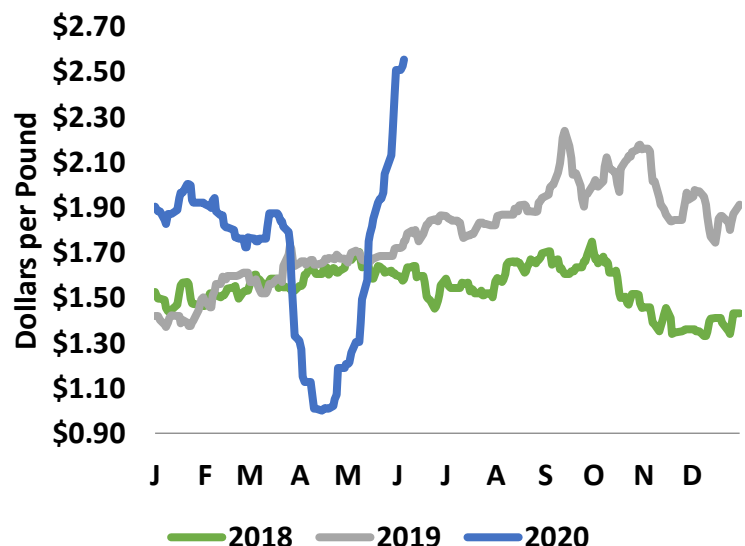
By Sarina Sharp, Daily Dairy Report

Sarina@DailyDairyReport.com

Milk & Dairy Markets

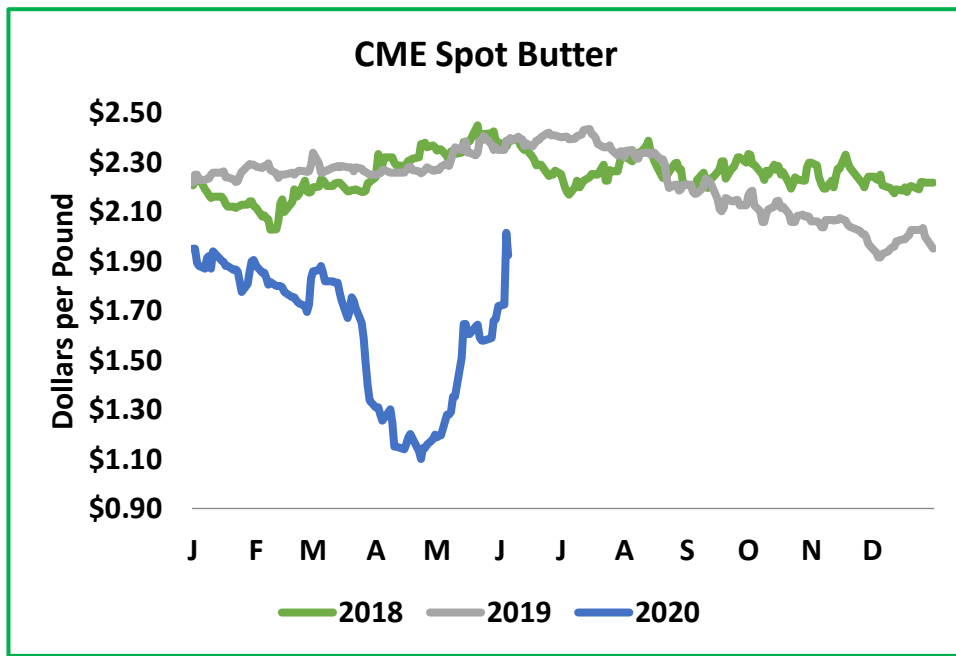
Dairy Month got off to a rousing start. The markets sprinted straight uphill on Monday. With amazing stamina and speed, they maintained their frantic pace for four days. But on Friday, they finally tired. Despite the late-week retreat, the total mileage is impressive, especially at this altitude. June Class III futures settled at \$19.88 per cwt, up \$1.38 from last Friday. July added 99¢ and reached \$18.67. August through October Class III futures posted double-digit gains, but the deferred contracts took a small step back. Class IV futures also climbed, with the strongest advances in nearby months. June Class IV closed at \$13.91, up 52¢ this week.

CME Spot Cheddar Blocks



The remarkable run was fueled by the spot markets. Fresh Cheddar

blocks remained difficult to find, and buyers kept upping their bids in hopes of securing enough product to meet their commitments to grocers, restaurants, or food banks. Spot blocks added another 15.25¢ this week and reached an all-time high of \$2.5525 per pound. Barrels gained even more, vaulting 26¢ to \$2.36 per pound, only a few cents away from the all-time high set last November. CME spot dry whey bounced back this week. It climbed 4.25¢ to 34.5¢.

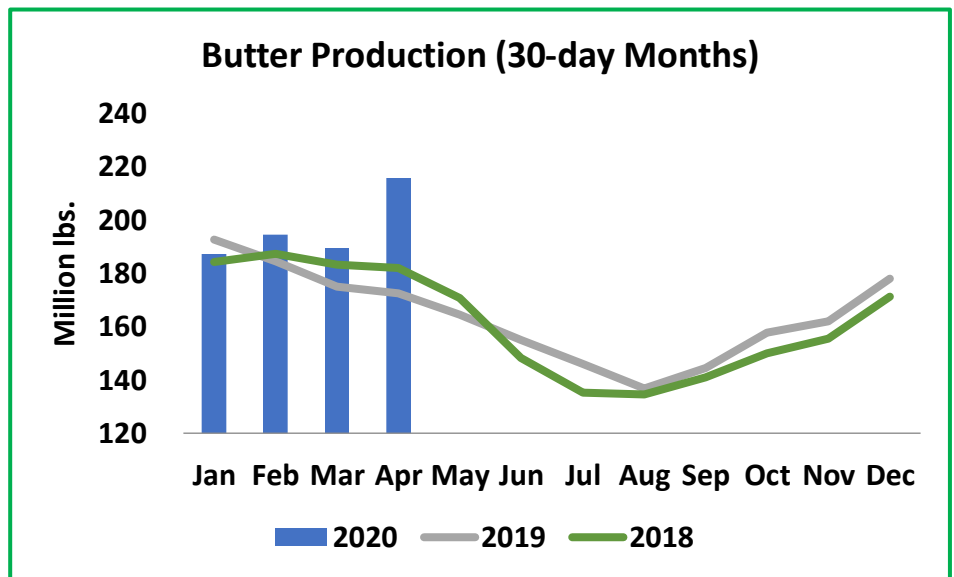


early in the week and then soared 29¢ on Thursday to \$2.015, its first foray above \$2 in 2020. But that was clearly an overreach. Today spot butter fell back 9¢. Still, at \$1.925, it closed 26¢ higher than last Friday.

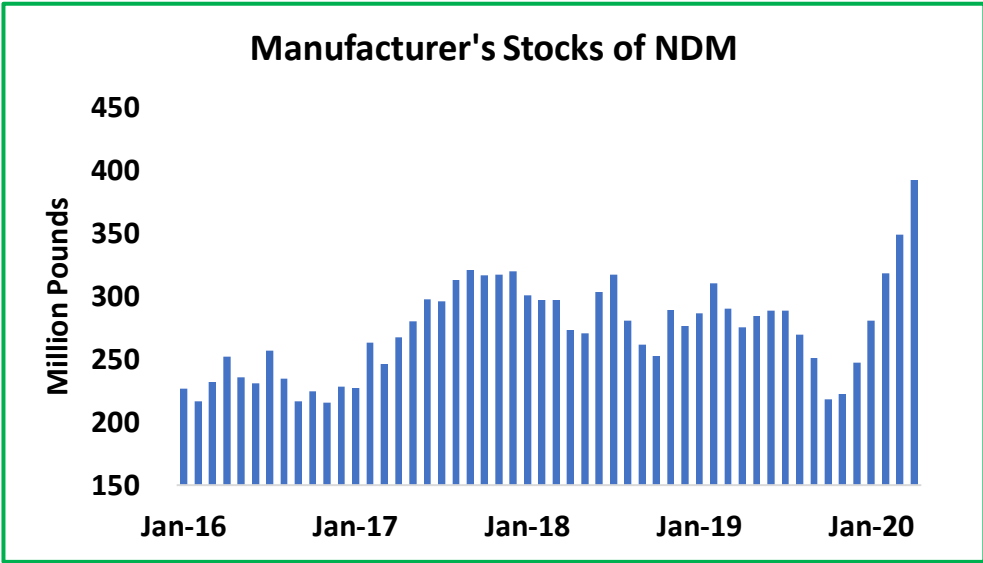
The spot butter market was the most volatile. It inched upward

In contrast to the other dairy markets, milk powder lost a little ground every day. That added up to a 4.75¢ loss for CME spot nonfat dry milk (NDM), which slumped to 97.75¢. Skim milk powder (SMP) took a small step back at Tuesday’s Global Dairy Trade (GDT) auction, slipping 0.5% to the rough equivalent of NDM at \$1.22 per pound.

The relentless rally and the futures curve clearly argue that dairy products are tight. Anecdotal reports confirm that buyers are looking for product for immediate delivery, and they’re willing to pay up for it. At first glance, it’s difficult to fathom how we can be caught short in the current environment. Milk output overwhelmed processing capacity in March and early April, and demand surely suffered when restaurants around the nation shut their doors for two months. This week’s Dairy Products report



highlights the impact of the disarray in April. Butter output exploded to a record high of 216 million pounds, up 25.1% from April 2019. Combined production of NDM and SMP tallied 223.7 million pounds, up 4.5% from a year ago and the highest total ever for April. Milk powder piled up, with

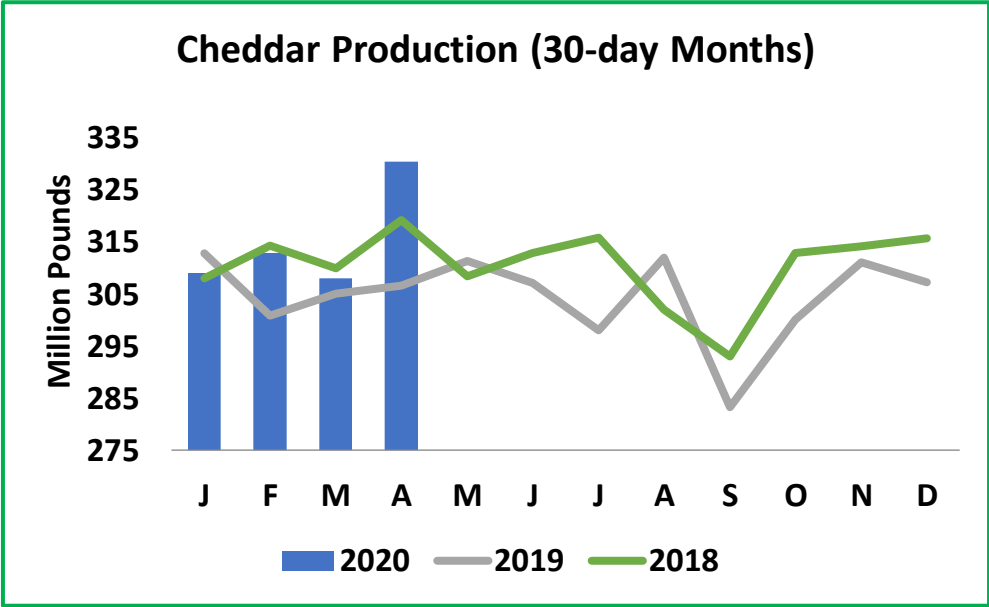


manufacturers' inventories climbing to 392.6 million pounds, the highest privately held stockpile on record. Cheese output lagged, as manufacturers who make cheese for restaurants slowed production or stopped altogether. But Cheddar production jumped 7.8% year over year.

But much has changed since April. Milk production and components have slowed noticeably. Balancing plants

are drying considerably less milk. Demand has improved. Cheese and butter makers are fielding simultaneous orders from regular grocery customers, returning restaurateurs, and new buyers armed with USDA funding and empty food boxes. Driers are selling large volumes of NDM to cheesemakers looking to fortify their vats. It is likely that these orders overstate consumption. Food box recipients and those who are returning to their favorite restaurants will inevitably need fewer groceries. But at the moment, grocers find it understandably difficult to forecast how quickly shoppers will return to their old ways, and they don't want to risk empty shelves.

In time, the market will sort out the disconnect between manufacturers' sales and actual consumption. But if demand is truly overstated, then today's sky-high Class III values could be sending the wrong signals. The industry probably needs dairy producers to keep a lid on production, but it's hard to resist the urge to top up the tank with June Class III near \$20.



Grain Markets

The corn market shook off the doldrums and climbed 5.5¢ this week to \$3.3125 per bushel. The funds are short a lot of corn, and they likely tried to trim their position as the market climbed, adding further fuel to the rally. The crop is safely in the ground and off to a good start. It was mostly hot and dry this week, but there are big rains in the forecast. Soybean futures moved sharply higher. The July contract jumped 27¢ to \$8.6775. Brazil has sent massive volumes of soybeans abroad in recent months. Its storehouses are likely running low, so China is shopping at U.S. ports. The Chinese government reportedly asked two major state-owned firms to pause on U.S. pork and soybean imports as diplomatic tensions heated up. But U.S. soybeans are a bargain in China, and private buyers are making purchases.



Participation details, documents for June 9-10 Quota hearing now available at CDFA website

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
Geoff@MilkProducers.org

As we reported [last week](#), the California Department of Food and Agriculture will hold a virtual public hearing to consider a petition seeking to suspend Chapter 3.5 of the Food and Agriculture Code. The hearing is scheduled for **9 a.m. to 4 p.m. on Tuesday, June 9** and **9 a.m. to 12 p.m. on Wednesday, June 10**. Producers have two options for participating in the hearing: 1) Through video conferencing via Microsoft Teams Meeting or 2) By telephone.

- **Video conference link:** [Join Microsoft Teams Meeting](#)
- **Call-in number:** 916-245-8850; **Conference ID:** 923784401#

CDFA recently created a page on their website, which houses a number of helpful documents related to next week's hearing. You can view that page [here](#) to view evidence and comments entered into the official hearing record. CDFA has already submitted 10 documents into the record, and we understand that comments submitted by individual producers and organizations will also appear here as they are received by CDFA.

Other documents currently available on the CDFA website include:

- [Questions and Answers for participating in remote hearing](#)
- [Notice of Public Hearing](#)
- [Petition to Terminate the QIP submitted by Stop QIP](#)

Coronavirus Food Assistance Program webinars for dairy and livestock producers June 11 & 16

Courtesy of USDA Agricultural Marketing Service

USDA Farm Service Agency is hosting outreach webinars to help producers understand the basics of, and resources available in, the Coronavirus Food Assistance Program. Dairy producers can attend the June 11 webinar at 12 p.m. Non-dairy livestock producers should tune-in on June 16 at 12 p.m.

More information about the webinars is available [here](#).

Nitrate Notices to Comply have arrived, now what?

Courtesy of Central Valley Dairy Representative Monitoring Program

This week, as many as 650 dairies and around 170 calf and heifer ranches and beef feedlots received certified letters from the Central Valley Regional Water Quality Control Board (Regional Board).

Now that these "Notices to Comply" with the Regional Board's new Nitrate Control Program have arrived, what is the next step for dairies and cattle operations?

For virtually all dairies and cattle facilities, the next step is to join a Nitrate Management Zone (we explained why in last week's article, go [here](#) to review).

As we mentioned last week, Management Zones in Priority 1 areas are just getting started, so there is no way to join them just yet. That will change soon. Over the next 270 days, local Management Zones will form, then begin to make decisions about supplying safe drinking water in their communities, including how to provide it, who pays for it, and how additional members can join the effort. These are particularly important, local decisions. Dairies and cattle operations should make sure their voices are heard before final decisions are made. Contact the people leading efforts to organize Management Zones in your area now, tell them you are interested, let them know how to contact you and asked to be notified of meetings.

A list of contacts for each management zone is provided below:

- **Modesto Subbasin and Turlock Subbasins**
 - Parry Klassen, East San Joaquin Water Quality Coalition (559) 288-8125, klassenparry@gmail.com, or J.P. Cativiela, Dairy Cares (916) 476-5153, jcativiela@cogentcc.com
- **Chowchilla Subbasin**
 - Christina Beckstead, Madera County Farm Bureau (559) 674-8871, cbeckstead@maderafb.com or Sarah Woolf, Water Wise, (559) 341-0174, sarahwoolf@me.com
- **Kings Subbasin**
 - Charlotte Gallock, Kings River Conservation District, (559) 237-5567 x105, cgallock@krcd.org or Debra Dunn, Kings River Conservation District, (559) 237-5567 ext. 135, ddunn@krcd.org
- **Kaweah Subbasin**
 - Sarah Rutherford, Provost & Pritchard, (559) 636-1166, SRutherford@ppeng.com
- **Tule Subbasin**
 - David De Groot Tule Basin Water Quality Coalition (559) 802-3052, davidd@4-creeks.com and Don Tucker (559) 802-3052, don.tucker@4-creeks.com

You can learn more at cvsalts.info, at cvdrmp.org and at bovinermp.org, where you can also sign up for updates. CVDRMP is working to facilitate participation of its members in management zones as part of a group effort, to minimize costs and confusion for individual dairy and cattle ranch operators. We will keep our members apprised of these efforts.

CDQAP Quality Assurance Update – May 2020

Courtesy of the CDQAP



From Kevin Abernathy, MPC General Manager

Last month, CDQAP released its May 2020 e-newsletter. Please follow [this link](#) to view the update. Topics include how to prevent hay fires on dairies, updates regarding the Nitrate Control Program and the importance of the attention to detail to control flies.

USDA Modifies Dairy Revenue Protection sales period

Courtesy of USDA Risk Management Agency

USDA's Risk Management Agency (RMA) is modifying the sales period over weekends for Dairy Revenue Protection (DRP) because of the high volatility of milk prices. Starting June 5, 2020, the sales period will begin no later than 4:30 p.m. Central Time (CT) when the coverage prices and rates are published and will end at 9:00 a.m. CT of the following business day or 9:00 a.m. CT on Sunday, whichever is earlier. The next sales period will begin no later than 4:30 p.m. CT on the following business day. This change only impacts when milk producers can purchase DRP quarterly endorsements, not the timing of indemnity payments. This modification will also be incorporated into the DRP policy for the 2022 crop year.

“The DRP program is an excellent risk management tool for dairy producers, providing peace of mind during unpredictable market fluctuations such as the dairy industry is experiencing now,” RMA Administrator Martin Barbre said. “USDA wants to be sure that we make the necessary adjustments to ensure that the Federal crop insurance program continues to serve the risk management needs of our nation's producers during this unprecedented time.”

DRP is designed to insure for unexpected declines in the quarterly revenue from milk sales compared with a guaranteed coverage level. The expected revenue is based on futures prices for milk and dairy commodities and the amount of covered milk production elected by the dairy producer. The covered milk production is indexed to the state or region where the dairy producer is located. Currently DRP is covering around 25 percent of the milk producers in the United States.

More Information

For more information about DRP, visit RMA's [website](#) or contact your local crop insurance agent using the [RMA Agent Locator](#).

RMA has announced many [other flexibilities](#) starting on March 27. See all [RMA Managers Bulletins](#) for more detailed information. RMA staff are working with Approved Insurance Providers and other customers by phone, mail and electronically to continue supporting crop insurance coverage for producers. Farmers with crop insurance questions or needs should continue to contact their insurance agents about conducting business remotely (by telephone or email).

For the most current updates on available services, visit farmers.gov/coronavirus.

