

MPC WEEKLY FRIDAY REPORT

DATE: MARCH 19, 2021
 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	N.C.	\$1.7900	WEEKLY CHANGE	-\$0.0500	\$1.6650
Barrels	-\$1.000	\$1.4525	WEEKLY AVERAGE	+\$0.0015	\$1.7020
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 03/13/21	
Blocks	+\$0.0345	\$1.7980	DAIRY MARKET NEWS	W/E 03/19/21	\$5800
Barrels	-\$0.0140	\$1.5080	NATIONAL PLANTS	W/E 03/13/21	\$5464
				PRIOR WEEK ENDING 03/06/21	
				NAT'L PLANTS	\$1.1014 20,485,474
				NAT'L PLANTS	\$1.1031 19,005,328

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
MARCH 19 EST	\$16.80 - \$17.30	\$15.24	\$16.25	\$14.30
LAST WEEK	\$16.80 - \$17.30	\$15.29	\$16.36	\$14.36



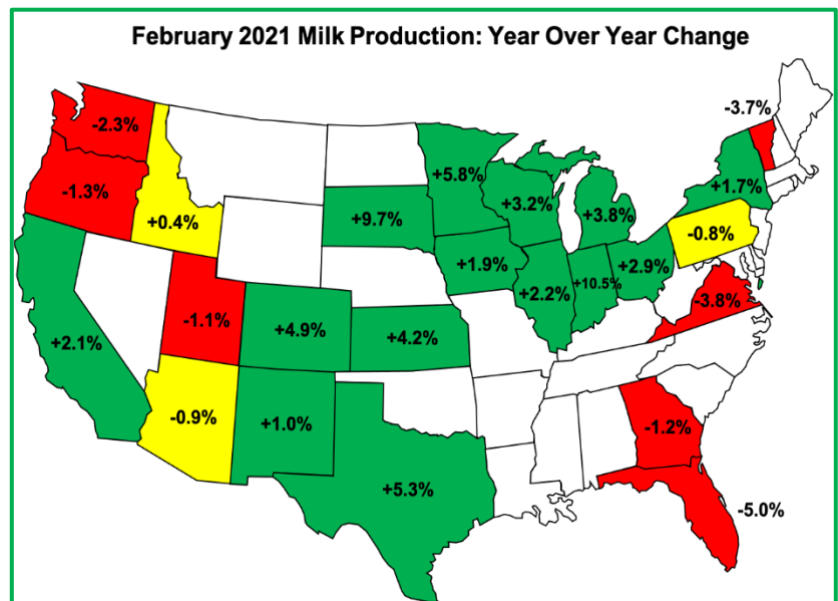
Milk, Dairy and Grain Market Commentary

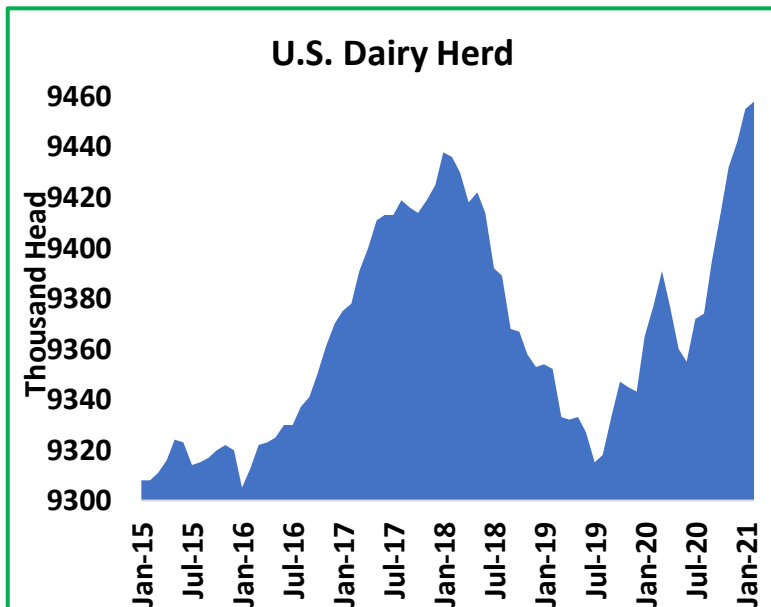
By Monica Ganley, Daily Dairy Report

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Milk & Dairy Markets

The United States dairy herd continues to expand, driving milk production upward. According to USDA's Milk Production report, released Thursday, producers added another 3,000 head of cattle between January and February, pushing the national herd up to 9.458 million cows, the largest herd size in decades. The growing herd drove a 2% increase in milk production in February, after accounting for the leap day. Totalling 17.63 billion pounds, February milk production was the strongest ever recorded for that month after considering leap days. USDA also revised January milk production growth



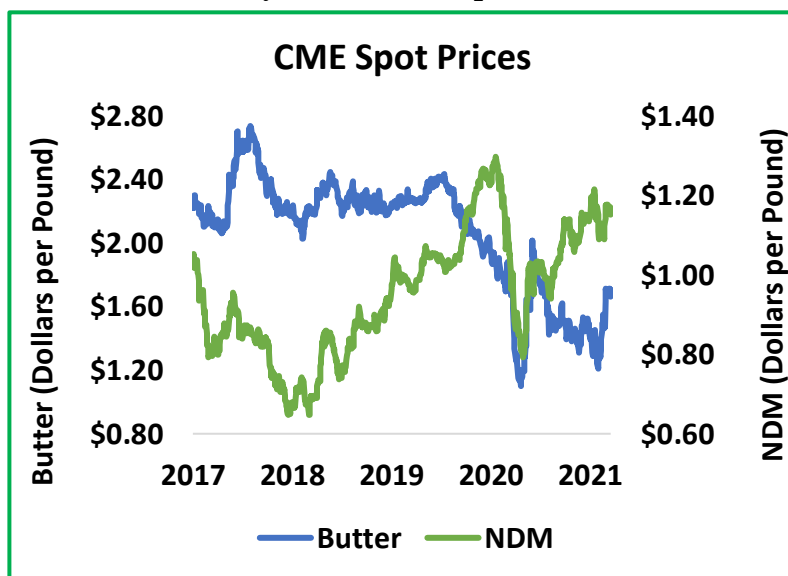


up to 2.4% from the 1.6% published in last month's report. Milk production has been growing for nine consecutive months, following the sudden decline that occurred at the beginning of the pandemic.

Milk production was particularly pronounced in the upper Midwest where relatively mild temperatures during most of the month helped to accelerate gains in milk yields. California milk production also grew by 2.1% during the month and USDA revised the state's surprising January loss of 0.7% printed in last January's report to a gain of 2% in February. Perhaps most shocking, however, was that despite the devastation brought about by winter storm Uri, Texas and New Mexico still managed to post year over

year production increases of 5.3% and 1%, respectively, in February. It is likely that the full effects of the storm will show up in future reports as culling in those geographies increased and dumped milk, while captured in the milk production figures, never made its way into finished products.

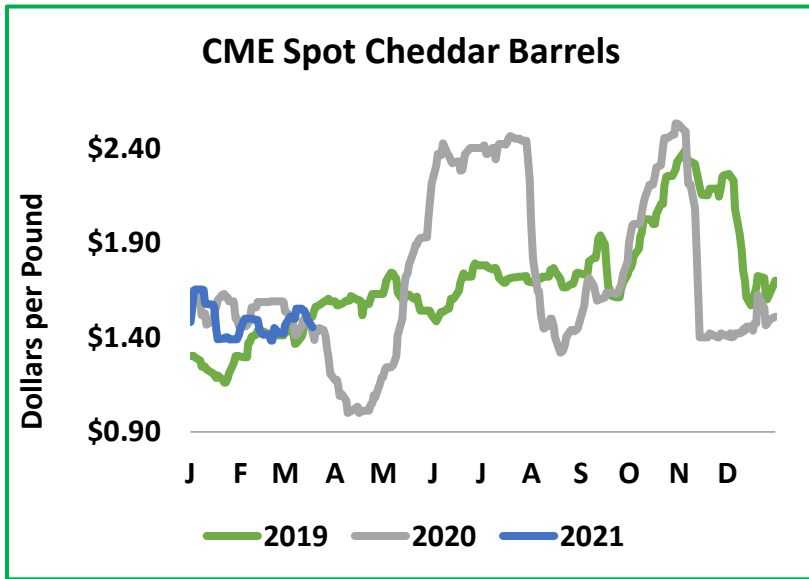
In any case, milk is undeniably long and with the spring flush imminent in most parts of the country, supplies are expected to remain plentiful. Yet even as milk remains abundant, demand has also perked up, helping to keep markets in balance. Bottlers in several areas of the country are reporting improved demand, even as educational institutions head into spring break. The foodservice sector has also begun to improve and retail demand for dairy products, has remained robust as spring holidays near. Dairy product manufacturers report that their schedules remain busy as they attempt to clear spot loads of milk and satisfy customer demands.



With the Easter holiday and other spring celebrations rapidly approaching, butter churns have been gearing up to meet demand. Butter manufacturers report that domestic demand has been healthy from both retail and foodservice outlets while international interest has remained robust. Cream supplies have tightened considerably in the Central and Eastern United States, but the arrival of the spring flush should ease tension on cream markets. CME spot butter prices were rather quiet for most of the week. On Friday, however, spot prices gave up 4.5¢ to ultimately close the week down a nickel at \$1.665/lb., the lowest price since the trading of new crop butter began at the beginning of the month.

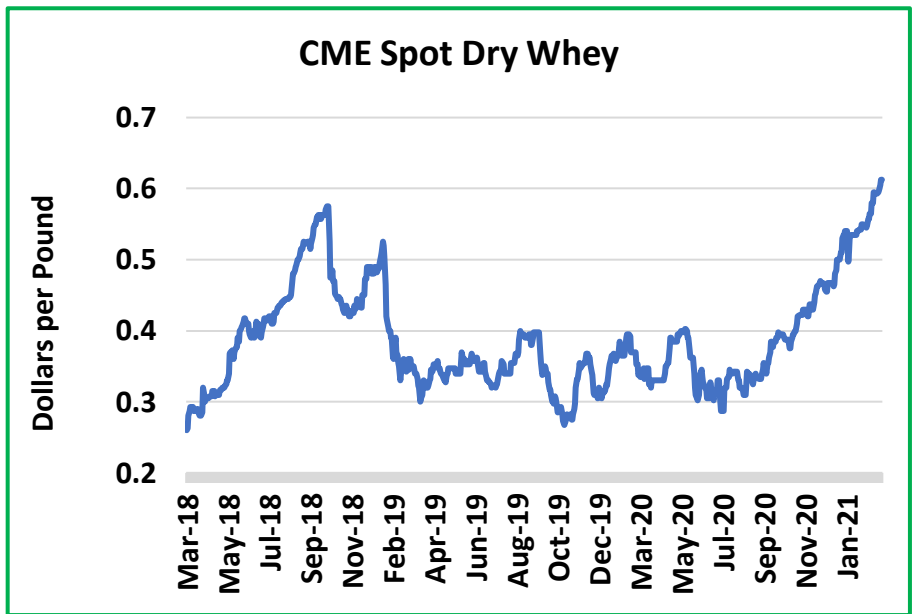
Even after rising by a quarter cent on Monday, the nonfat dry milk (NDM) spot market also ceded some ground over the course of the week, giving up a total of 1.75¢ versus last Friday to end the week at \$1.1525/lb. Despite the losses seen in Chicago, market participants surveyed by Dairy Market News report that the market feels poised to move higher. Export demand, particularly from Mexico has

purportedly improved dramatically and parts of the country are reporting that spot loads of condensed skim are less available. Class IV milk futures were generally quiet though they gave up some ground later in the week as the spot butter and NDM markets saw prices retreat.



In many parts of the country, improved foodservice activity has translated to increased demand for cheese. While most manufacturers report that activity remains understated relative to pre-pandemic levels, demand has markedly improved compared to several weeks ago. The CME block market rose by a penny on Monday and fell by a penny on Friday, ending the week unchanged from last Friday at \$1.79/lb. Barrels, however, gave up a dime over the course of the week, falling to \$1.4525/lb. on Friday with a total of 13 loads trading hands. The block-barrel spread has now grown to 33.75¢, the largest gap since last November.

Meanwhile the spot whey market continued to reach new heights, setting another record this week and gaining ground every day but Friday when it remained unchanged. Closing Friday's trading session at 61.25¢/lb. dry whey prices were up 2¢ compared to last Friday and have once again hit levels not seen since the market was created in 2018. Strong demand from both domestic and international sources for a variety of products across the whey complex continues to drive the prices higher. Despite the whey market's sustained rally, weakness in the cheese market weighed on the Class III milk futures markets during most of the week. Nearby contracts gave up value on nearly every day, with APR21, MAY21, and JUN21 each falling by at least 30¢ over the course of the week.



Grain Markets

After being unimpressed by last week's USDA WASDE report, the grain markets were fickle this week. Grain futures rose and fell on announcements of export commitments and shifts in other markets such as the crude market. Corn futures moved up on Tuesday and Wednesday, fell on Thursday then gained some ground on Friday as additional sales to China were announced. Soybean futures retreated on Wednesday and Thursday before finding their footing on Friday. Nevertheless, grain prices remain elevated while the market anxiously anticipates the release of USDA's Prospective Plantings report, scheduled for publication on March 31.



Farm Workforce Modernization Act Passes House, Moves to Senate for Consideration

By Kevin Abernathy, General Manager
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Yesterday, the U.S. House of Representatives voted 247-174 to pass the Farm Workforce Modernization Act (H.R. 1603), with 217 Democrats and 30 Republicans supporting the bill. It's encouraging to see a move in the direction of bipartisanship, hopefully signaling a return to the art of compromise in Washington, D.C. rather than straight party-line votes.

As we noted in our [March 5 edition of the Friday Report](#), MPC is strongly supportive of this legislation, and we look forward to working with the national dairy coalition to help advance and improve this legislation in the Senate. MPC extends its thanks to the following California House Congressional members for their support of H.R. 1603:

- **Jim Costa (D-Fresno)**
- **John Garamendi (D-Walnut Grove)**
- **Josh Harder (D-Turlock)**
- **Doug LaMalfa (R-Oroville)**
- **Zoe Lofgren (D-San Jose)**
- **Devin Nunes (R-Tulare)**
- **Jimmy Panetta (D-Carmel Valley)**
- **David Valadao (R-Hanford)**

National Milk Producers Federation (NMPF) has been leading the national dairy coalition on this effort. Here's what NMPF President and CEO Jim Mulhern had to say yesterday:

“Today’s bipartisan passage of the Farm Workforce Modernization Act (FWMA) in the House of Representatives provides crucial momentum toward addressing dairy’s ongoing workforce crisis, which has only intensified during the COVID pandemic. NMPF thanks the House members who have championed these reforms, Immigration Subcommittee Chair Zoe Lofgren (D-CA) and Congressman Dan Newhouse (R-WA), for undertaking the difficult task of negotiating an agricultural labor bill that’s attracted a wide range of support as it has moved through the chamber. NMPF will continue its bipartisan efforts in Congress and calls on the Senate to enact its own ag labor reform measure that gives dairy reliable access to the workforce farmers and farmworkers need to nourish the nation and the world.”

If you're interested in further reading about H.R. 1603 and the current political climate in Washington, D.C. surrounding immigration reform, you can check out [this article](#) published yesterday in *The New York Times*.

Southern California Producers: Financial Incentives Now Available to Purchase Zero and Low Emission Heavy-Duty Vehicles and Equipment

Courtesy of South Coast Air Quality Management District

The South Coast Air Quality Management District recently announced the availability of funds for the 2021 Carl Moyer Program (including the SOON (Surplus Off-Road Opt-In for NOx) Provision). At least \$36 million is available for eligible projects including:

- On-Road Heavy-Duty Vehicles, including transit fleet vehicles, drayage trucks, solid waste vehicles, public agency/utility vehicles and emergency vehicles (fire apparatus)
- Off-Road Equipment, including:
 - Marine Engine Repower
 - Shore Power (if project is not subject to CARB's At-Berth Regulation)
 - Construction Equipment
 - Agricultural Mobile Equipment (loaders, tractors, water pulls, etc.)
 - Locomotives
 - Cargo Handling Equipment
- Infrastructure to fuel or power a zero or near zero emission, heavy-duty vehicle or equipment, including but not limited to: on-road heavy-duty vehicles, cargo handling equipment, and marine vessels (shore power).

To apply online, please visit our Carl Moyer Online Portal [here](#). The application deadline is 1:00 pm PST on Tuesday, June 1, 2021.

WEBINAR WORKSHOPS

In response to public safety concerns related to the Coronavirus (COVID-19), the Carl Moyer Program workshops will be webcast only. The webcast dates will be established shortly. Please visit the Carl Moyer Program webpage for webcast updates and other information at www.aqmd.gov/moyer

For additional information, please visit www.aqmd.gov/moyer or www.aqmd.gov/soon or contact us at carlmoyer@aqmd.gov

CDQAP Quality Assurance Update

Courtesy of California Dairy Quality Assurance Program

The California Dairy Quality Assurance Program (CDQAP) recently published its March 2021 Quality Assurance Update. Below are excerpts from the Update, which you can read in its entirety [here](#).



Tips for Water Board Inspections

By Deanne Meyer, Ph.D., Livestock Waste Management Specialist, UC Davis, Department of Animal Science, UC ANR

Reducing the spread of COVID-19 in California will allow us to open up. As we return to the more familiar, we'll see more normal inspections from Central Valley Regional Water Quality Control Board Staff. Here are some reminders to prepare for inspections. [Continue reading.](#)

Whatever Happened to Prop 12?

By Dr. Michael Payne, UC Davis, School of Veterinary Medicine and Director, CDQAP

Three years ago California's voters passed Proposition 12, the Farm Animal Confinement Initiative. The ballot initiative established minimum space requirements for veal calves, breeding pigs and egg laying hens. In addition, the initiative banned the sale of products from animals produced outside the state

not meeting those requirements. One year later in a U.S. district court challenge, it was ruled that the initiative did not violate the Interstate Commerce Clause. [Continue reading.](#)

Tune in Next Week! Golden State Dairy Management Webinars

Hear from experts as they discuss a wide variety of interesting topics. [Register](#) today.

Cows, and Farmers, Are Part of the Solution to Climate Change

By Frank Mitloehner, published in the Washington Examiner



Cows are often assigned [disproportionate climate change blame](#), but recent weeks in Washington bring hope that political leaders may begin to embrace livestock’s potential

game-changing solutions to climate challenges.

When President Biden issued his Jan. 27 [executive order](#) on tackling the climate crisis, he said his administration sees farmers “making American agriculture first in the world to achieve net-zero emissions and gaining new sources of income in the process.”

During his [first hearing](#) as House Agriculture Committee chairman, Rep. David Scott noted that many farmers are “already adopting production practices that not only improve productivity but store carbon and reduce emissions in the atmosphere ... and there is tremendous opportunity to do more.”

In fact, livestock farmers are leading the way toward the future of sustainable agriculture.

Read the full story [here](#).

