

MPC WEEKLY FRIDAY REPORT

DATE: NOVEMBER 15, 2019
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 8

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE			CHICAGO AA BUTTER			NON-FAT DRY MILK	
Blocks	-\$.1250	\$1.8900	WEEKLY CHANGE	+\$.0300	\$2.0675	WEEK ENDING 11/09/19	
Barrels	-\$.1325	\$2.1975	WEEKLY AVERAGE	+\$.0160	\$2.0670	NAT'L PLANTS	\$1.1420 18,465,290
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 11/02/19	
Blocks	-\$.1790	\$1.9310	DAIRY MARKET NEWS	W/E 11/15/19	\$.3025	NAT'L PLANTS \$1.1335 24,503,292	
Barrels	-\$.0820	\$2.2710	NATIONAL PLANTS	W/E 11/09/19	\$.3001		

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
NOV 15 EST	\$19.74 - \$20.24	\$16.92	\$20.25	\$16.70
LAST WEEK	\$19.74 - \$20.24	\$16.99	\$20.02	\$16.74

OCTOBER 2019 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

OCT '19 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$19.44 (TULARE) \$19.94 (L.A.)	\$16.68	\$18.72	\$16.39	\$16.63 (TULARE) \$17.13 (L.A.)	\$16.305 (TULARE) \$16.805 (L.A.)
PERCENT POOLED MILK	26.1%	9.6%	5.2%	59.1%	100% (1.84 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.325/CWT. AS OF SEPTEMBER 2019 MILK



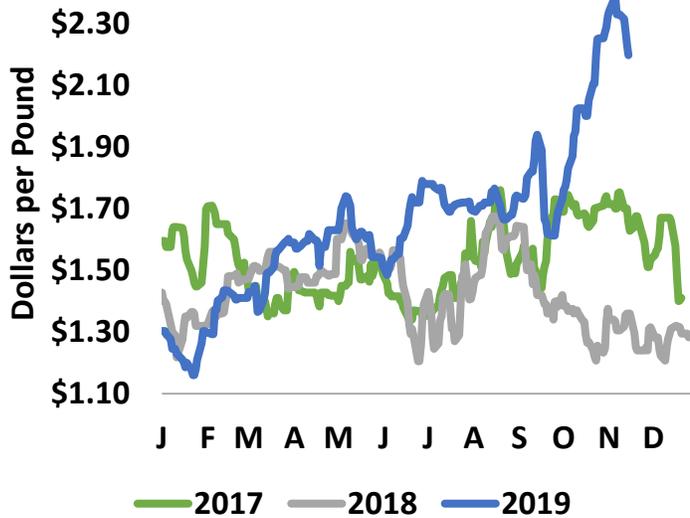
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

The spot cheese markets succumbed to the laws of gravity this week. CME spot Cheddar blocks tumbled 12.5¢, and barrels plummeted 13.25¢. But spot Cheddar had climbed to such heights that even after this week's precipitous descent it is still at a rather lofty

CME Spot Cheddar Barrels



perch. Cheddar blocks closed at \$1.89 per pound, an elevation they never once approached in 2017, 2018, and most of 2019. Barrels stand at \$2.1975. Aside from the past three weeks, that’s the highest value for spot barrels in more than five years.

The markets are doing their job. Barrel supplies were inadequate to meet demand, so prices skyrocketed to boost output and reduce consumption. Right on cue, USDA’s *Dairy Market News* reports that “some regional cheesemakers are reporting slower sales” in the Midwest, and “cheese production has been busier in November.” In the West, cheese output is seasonally high, with “continuous good flows of milk to the vats.” Nationally, fewer retailers are featuring cheese in their promotional highlights than at this time last

year. However, cheese consumption remains firm enough to forestall a steeper setback, and some manufacturers in the central region tell *Dairy Market News* that “buyers remain motivated during the holiday demand season.”

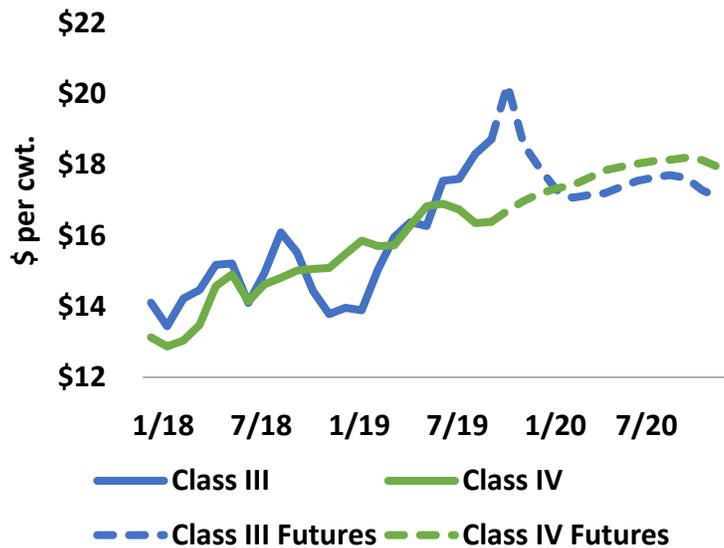
The futures markets had anticipated a decline and largely shrugged off the spot selloff, suggesting that cheese values have held up for longer than the trade expected. Indeed, while December cheese and Class III futures lost ground this week, the November contracts moved appreciably higher.

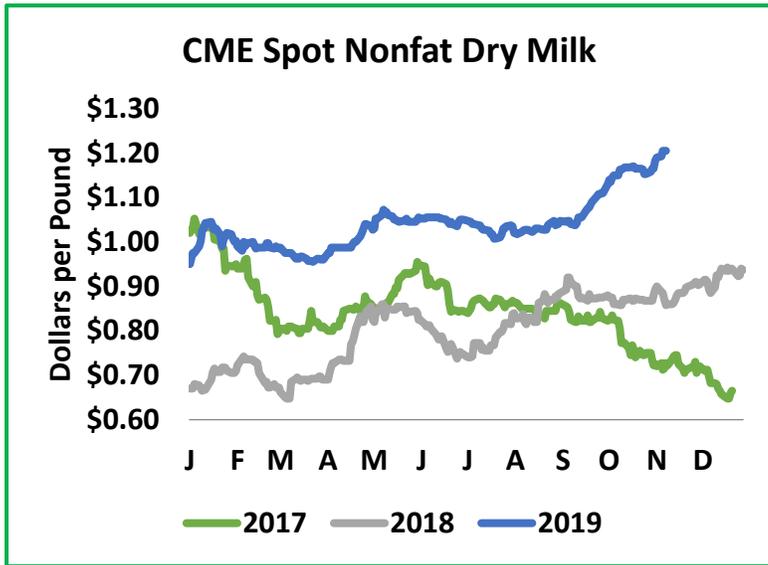
Class III futures also got a boost from the whey market. CME spot whey jumped 4.5¢ this week to 32¢, a more than 16% increase. Spot whey values haven’t been this high since early October. Whey inventories are adequate, and exports remain depressed. But the market seems to once again feel that the worst has passed

and that the next big move is likely to be upward. Before this week’s rebound, there wasn’t a lot of room for prices to go much lower. Whey futures also moved decidedly higher this week, and most Class III futures did as well. Pressured by spot cheese, December Class III fell 53¢ to \$18.56 per cwt. But all other contracts – including nearby November – moved upward with vigor. February through December 2020 Class III futures established life-of-contract highs.

November Class IV futures slipped a penny lower this week, but the other contracts finished higher. First-half 2020 contracts stand comfortably above \$17, and second-half futures are north of \$18. CME spot butter regained some ground; it climbed 3¢ to \$2.0675, still at the lower end of 2019 values. Cream supplies are starting to tighten as the holidays draw near. Multiples are perking up, but they remain

Milk Prices



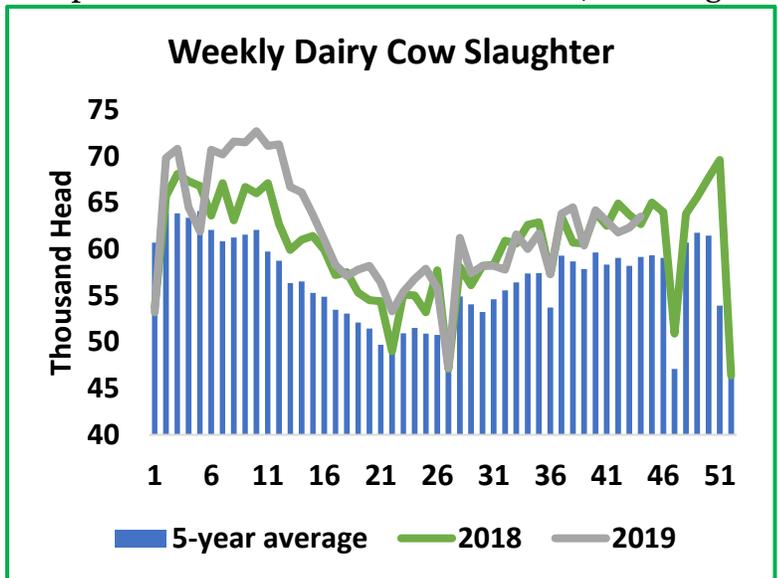


well below last year and the historic average. Inexpensive butter has helped to boost sales, and butter makers report strong demand. Retailers are featuring more butter at lower prices than they did in recent weeks, but promotions are pricier and less frequent than they were a year ago. Given the strong economy, most consumers are likely to notice that butter is on sale, and not draw comparisons to last year's bargains.

Once again, CME spot nonfat dry milk (NDM) climbed to a new five-year high. This week, spot NDM reached \$1.2175, up 1.25¢ from last Friday. The rally in milk powder prices seems less dramatic and more sustainable than the

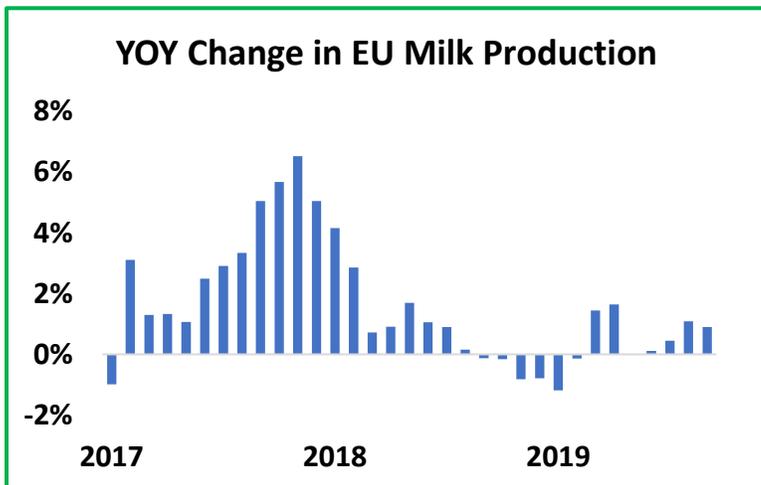
fireworks seen in spot cheese. Milk powder is moving in large volumes to cheese vats and to foreign buyers. Inventories are tightening, and much of the product in warehouses is committed, reducing the supply available to be sold.

High milk yields have likely sustained U.S. milk output at volumes modestly higher than last year despite the smaller dairy herd. Milk is particularly plentiful in the West. Moderate temperatures are keeping milk yields and components high in the Pacific Northwest and mountain states; excess loads are moving at steep discounts. Cull cow prices are climbing, and the \$20 milk check hasn't hit the mailbox yet. Slaughter volumes remain on par with the incredibly high totals of a year ago, and the dairy herd is noticeably smaller.



Milk output is moving quietly higher in Europe as well. Assuming steady growth in Greece and Austria, European milk collections totaled 27.7 billion pounds in September, up 0.9% from last year. Nine of the ten major dairy nations reported year-over-year increases, but the EU's fastest-growing members are shifting into lower gear.

Compared to September 2018, output was up just 0.2% in Ireland, 0.3% in the United Kingdom, and 0.8% in Poland. With tepid growth in milk output on both sides of the Atlantic, demand likely continues to outpace supply.



Grain Markets

The grain markets lost ground. December corn closed at \$3.7125 per bushel, down 6¢. January soybeans settled at \$9.1825, 12.75¢ in the red.

For much of the week, the tone of trade headlines was negative, which didn't help soybean values. Today, Commerce Secretary Ross and White House Economic Advisor Kudlow painted a rosier picture, but the deal is not done yet. The trade is weary of promises and waiting for both sides to put something in writing.

It's mostly dry in the Corn Belt, which allowed for some harvest progress. This season continues to frustrate farmers. The late crop suffered in the early cold snap, and in some areas crops are buried in snow. A regional propane shortage has boosted the cost to dry corn for storage and reduced the incentive to hurry to get it out of the field. But there's more than enough corn to meet underwhelming demand. Exports and ethanol production have been disconcertingly slow, which has weighed on grain values. It's likely that both export and ethanol demand will accelerate, but for now, there's plenty of corn despite the poor harvest.



The Farm Workforce Modernization Act (H.R.5038) is Up for a Vote Next Week

*By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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A bi-partisan agriculture immigration bill that addresses both the current workforce and the future labor needs of agriculture is scheduled for a vote in the Judiciary Committee of the U.S. House of Representatives on Wednesday, November 20.

Milk Producers Council strongly supports the passage of H.R.5038 in the House and thanks Congresswoman **Zoe Lofgren**, the chair of the Subcommittee on Immigration and Citizenship, and a bi-partisan group of California House Members who are co-sponsors of H.R.5038, including Representatives **Jim Costa, Devin Nunes, Linda Sanchez, Doug LaMalfa, Jimmy Panetta, TJ Cox, Josh Harder, Judy Chu, Luis Correa, Tony Cardenas, Scott Peters** and **Norma Torres**.

The bill includes three titles, which are summarized below. The complete text of the bill is available [here](#).

Getting this bill passed through the U.S. House this year sets-up the opportunity for the Senate to take up similar legislation early in 2020. This bill is the result of intense negotiations facilitated by Congresswoman Lofgren between agriculture interests and the farm labor union representatives. The bill is not perfect but reflects the best possible chance for addressing the very real challenge agriculture faces obtaining a legal labor supply. **We strongly urge the House to pass H.R.5038.**

Summary of H.R.5038 continues on next page

Summary of Title I: Securing the Domestic Agricultural Workforce

The bill offers current workers without proper documentation the opportunity to earn legal status. The fact that conditions apply helps reinforce that nothing in this bill can be construed as “amnesty” for someone who has been in the country without legal status.

In addition to a background check, the bill includes three work requirements:

- **Work history**
 - The worker must be able to document at least 180 days of work in agriculture in each of the two years prior to enactment.
- **Current residency and employment in agriculture**
 - The worker must be in the U.S. and working in agriculture on the date of enactment.
- **Future work requirements**
 - A worker who can document 10 or more years of work in agriculture must agree to work at least 115 days/year in agriculture for the next four years to remain eligible to stay in the U.S.
 - A worker who can document less than 10 years of work in agriculture must agree to work at least 115 days/year in agriculture for the next eight years to remain eligible to stay in the U.S.
- Eligible current workers and immediate family qualify for protection from deportation while rules are being written for the new program.
- Immediate family receive protection from deportation while the worker is in the program. Family does not receive work authorization unless they qualify for the program.
- Eligible workers will be able to apply for “Certified Agricultural Worker” (CAW) status.
 - CAW status can be renewed indefinitely in five-year increments.
 - A worker in CAW status who has completed the future work requirement may apply for Legal Permanent Resident (LPR or Green Card) status with payment of a \$1,000.00 fine.
 - The Green Card applicant is at the back of the line. There is no new pathway to citizenship created by this bill.
- Current workers gaining legal status as a result of this legislation are considered “U.S. workers” or “domestic workers” going forward. They can work on any operation meeting the definition of agriculture to fulfill future work requirements to maintain program eligibility.
- Current workers gaining legal status under this bill are not part of H-2A. They do not count against any numerical limitation or “cap,” there are no touchback requirements and H-2A program wage, transportation, housing and training requirements do not apply.

Summary of H.R.5038 continues on next page

Summary of Title II: Ensuring an Agricultural Workforce for the Future; Expansion of H-2A to Year-Round Work

In addition to the many improvements to H-2A in the bill, employers would now be allowed to petition for temporary workers to fill jobs on their farms that are done year-round.

The current H-2A picks winners and losers among farmers. Seasonal agriculture is covered. Farms with jobs done all year are not. In fact, there is no program for farmers to access foreign workers for year-round jobs. Predictably, that has resulted in a year-round workforce that is substantially improperly documented because farmers know from experience that not many people authorized to work here are looking for jobs on farms.

Features of the Bill:

- Offers farmers the opportunity to petition for workers for visas of up to three years. Workers must be out of the country a cumulative 45 days during that time.
- Maintains the temporary nature of H-2A because annual round trip transportation out of the country, at employer expense, is a requirement just as it is in seasonal H-2A.
- Wage structure and housing requirements of H-2A apply. In addition, family-style housing must be offered if that is the prevailing practice in the industry or area. The employer may charge rent for the cost of housing the immediate family of a worker who chooses that option.
- The bill authorizes funding for building and improvements to farmworker housing.
- A written heat safety plan is required of all employers seeking workers in year-round H-2A. Dairy employers utilizing the program must have written worker safety and anti-sexual harassment and violence plans.
- Because year-round access to H-2A is new, this section of the program has a numerical limitation of 20,000 visas per year for the first three years. Beginning in year four that cap can increase as much as 12.5% per year. In year 10 the need for a cap is to be evaluated and it could be eliminated.
- The bill authorizes an additional 40,000 Green Cards each year for 10 years with farm employers having right of first refusal to use them to sponsor workers for their operation.
- We agree, the cap on year-round H-2A is too low. But 20,000 per year is far better than today's effective cap of zero. The current seasonal H-2A program continues uncapped.
- Without moving this bill forward farmers with year-round workers are facing at least three more years with enforcement officers literally at the farmgate and no chance to resolve the problem. Is the bill perfect? No. Is the bill better than continuing with the status quo? For farmers with year-round employees, unquestionably YES.

Summary of Title III: Electronic Verification of Employment Eligibility

E-Verify for new hires is phased in for employers who will be able to access workers as the programs in the bill are implemented and workers become available.

November CDQAP e-Newsletter

Courtesy of California Dairy Quality Assurance Program



Earlier this month, the California Dairy Quality Assurance Program (CDQAP) released its November 2019 e-newsletter. Please follow this [link](#) to view the update. Topics included updates on the new FARM Animal Care Standards and Central Valley Water Quality Permits.

CVDRMP Bovine Representative Monitoring Program Deadline in One Week

Courtesy of Central Valley Dairy Representative Monitoring Program

The Central Valley Dairy Representative Monitoring Program (CVDRMP) has opened membership to non-dairy cattle operators – including stand-alone dairy heifer ranches.

Anyone interested in joining has **one week left** to sign up. To learn more, please visit CVDRMP's Bovine RMP website at www.bovinermp.org.

Joining the program is simple and straightforward. Anyone interested can download a copy of the membership agreements on the Bovine RMP website and submit it with the registration fee. Beginning in 2020, members will receive an annual invoice for membership fees (\$972 per year for operations with less than 5,000 animal units and \$1,300 annually for larger facilities). CVDRMP must receive the application and registration fee payment **no later than November 22 to avoid penalties and late fees**. The minimum late penalty begins at \$500 and increases over time. Please contact CVDRMP at bovinermp@gmail.com if you have any questions.

Why sign up for the Bovine Representative Monitoring Program offered by CVDRMP?

- Save time and money!** Members of the Dairy RMP saved at least an estimated two-thirds of costs compared to conducting individual groundwater monitoring.
- It helps keep you in compliance with your permit!** Membership in the Bovine RMP is voluntary, but regulations require some form of groundwater monitoring. This is the most cost-effective way to meet the requirements.
- A track record of success!** CVDRMP has operated a RMP for dairies for nearly a decade. Our experience means you don't have to worry about getting the job done.
- We work for you.** CVDRMP is not for profit, and we're governed by real cattle owners and operators elected from our dues-paying members. We **ARE NOT** a government agency.
- It's easy!** Just go to the website below to download the membership agreement and receive easy, step-by-step instructions or email or call our friendly staff for assistance.

Contact CVDRMP

Visit: www.bovinermp.org
Write: bovinermp@gmail.com
Call: (916) 573-3941

Visit the Bovine RMP website [here](#).



Calling all California college students passionate about dairy science!

Dairy's Future Leaders College Student Writing Contest

Win a \$1,000 Scholarship!

The grand-prize winner will receive a \$1,000 scholarship and will be invited (expenses paid) to share their story with attendees at the California Dairy Sustainability Summit, taking place March 25-26, 2020 at Cal Expo in Sacramento. This important event brings together hundreds of dairy farmers and processors, state officials, researchers, dairy service/technology providers, and others **who all want to hear from you!**

First Place: \$1,000 scholarship and invitation to speak

Second Place: \$500 scholarship

Third Place: \$250 scholarship



The scholarships are sponsored by Milk Producers Council.

The top ten essays will be shared on the Summit website after the event.

To learn more about the event, visit CADairySummit.com.

Your Essay Should Tell Us...

- What has inspired you to be a part of the California dairy community?
- What does "sustainability" mean to you?
- How do you envision the future of California dairy?
- Why is dairy an important part of a sustainable, nutritious global food system?
- What are you most excited about as you think about your future in dairy?

Submitting Your Entry

Email your essay to Events@DairyCares.com. The deadline is **midnight, Friday, December 13**. Send with the email subject line, "Dairy's Future Leaders." Include your name, year in school, and the name of the university or community college you attend. Essays must be 1,000 words or less.

The California Dairy Sustainability Summit is Hosted by



Look for the Seal
California Milk Advisory Board

What
Does
**SUSTAIN-
ABILITY**
Mean
to You?

