

MPC WEEKLY FRIDAY REPORT

DATE: AUGUST 14, 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	+\$.1150	\$1.8200	WEEKLY CHANGE	-\$.0450	\$1.4850
Barrels	-\$.0175	\$1.5000	WEEKLY AVERAGE	-\$.0445	\$1.4820
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 08/08/20	
Blocks	-\$.2015	\$1.6670	DAIRY MARKET NEWS	w/E 08/14/20	\$.3400
Barrels	-\$.2495	\$1.4780	NATIONAL PLANTS	w/E 08/08/20	\$.3456
				PRIOR WEEK ENDING 08/01/20	
				NAT'L PLANTS	\$0.9773 15,097,236
				NAT'L PLANTS	\$0.9752 12,624,646

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
THIS WEEK	\$21.38 - \$21.88	\$13.80	\$19.89	\$13.11
LAST WEEK	\$21.38 - \$21.88	\$13.73	\$19.36	\$13.16

JULY 2020 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

JULY '20 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$18.16 (TULARE) \$18.66 (L.A.)	\$13.79	\$24.54	\$13.76	\$14.22 (TULARE) \$14.72 (L.A.)	\$13.855 (TULARE) \$14.355 (L.A.)
PERCENT POOLED MILK	21.7%	6.6%	0.6%	71.1%	100% (1.879 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.365/CWT. AS OF JUNE 2020 MILK



Milk, dairy and grain market commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

Like summer road trippers with subpar map-reading skills, the cheese markets moved confidently in one direction, and then abruptly changed course. Until Tuesday, they continued their historic descent from \$3 per pound all the way to \$1.58. But on Wednesday, they made a sharp U-turn and sped upward. Spot Cheddar blocks closed today at \$1.82, up 11.5¢ for the week. Barrels bounced back from early-week lows, but still finished 1.75¢ lower than last Friday, at \$1.50.

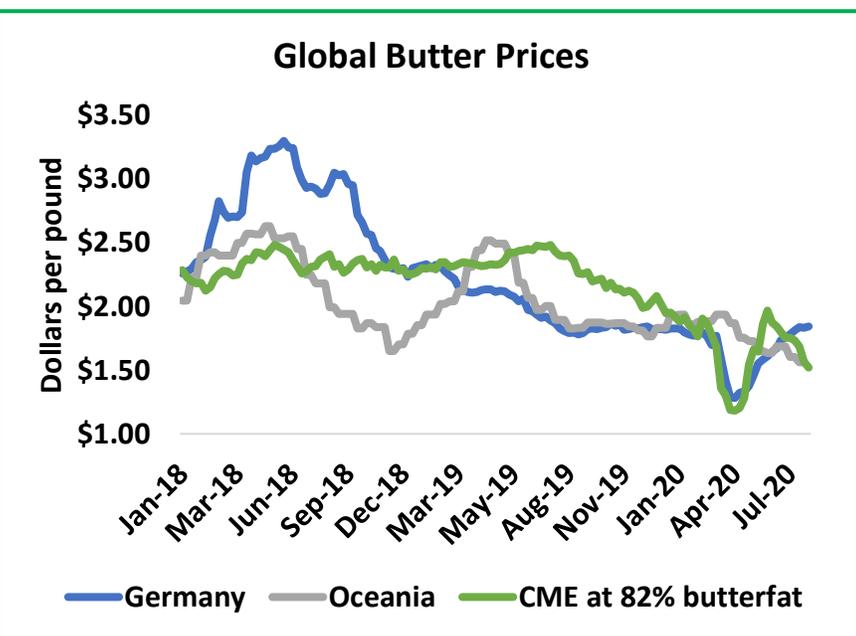
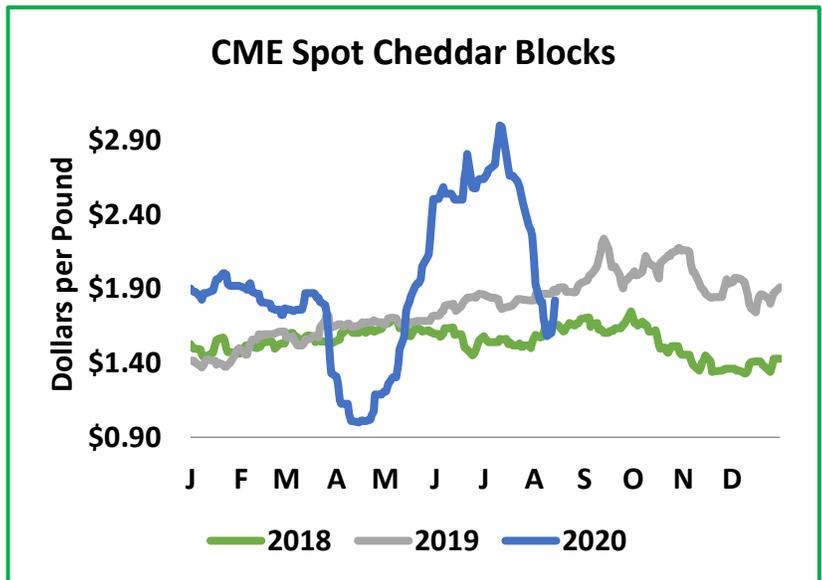
Cheesemakers are still going strong, and spot milk continues to move at a discount in the Midwest. Demand is lackluster, with foodservice outlets pulling back on orders in some areas.

Around the nation, gyms are closed or sparsely populated, and sales of high-protein recovery drinks are sluggish. Whey values continue to languish near 30¢ per pound, a price which signals oversupply. CME spot whey regained a little ground this week, climbing a half-cent to 32.5¢.

While cheese took the elevator straight down and then straight back up, butter took the stairs. Its progress is slower and less consistent, but it is still moving inexorably downward. CME spot butter lost 4.5¢ this week and closed at \$1.485. U.S. butter values are increasingly competitive in the international arena, which at the very least should slow the flow of butterfat to our shores. However, domestic demand remains uninspiring.

The milk powder market moved this way and that but ultimately finished a penny higher than last Friday at 96.5¢. USDA's *Dairy Market News* reports that demand is fair. Milk powder production has slowed seasonally in some regions, but there is still plenty of milk for driers.

The recovery in cheese and whey pushed Class III values sharply higher this week. Most 2020 contracts gained between 50 and 90¢. Even so, September closed at \$16.88, well below the recent highs. Class IV futures rallied too, but the advance was more moderate; most contracts added between 20¢ and 50¢. August through October Class IV futures remain below \$14 per cwt.

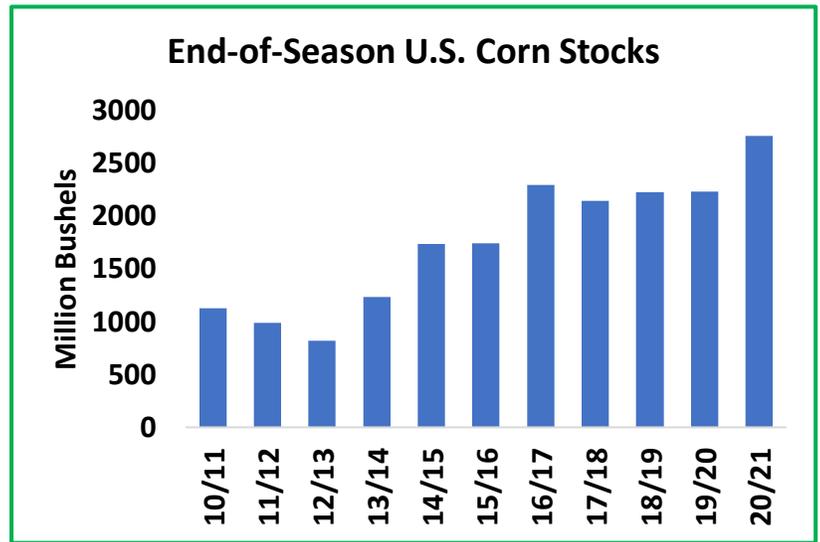


It's still summer, but weeks of mild temperatures have allowed milk yields to inch higher in the Midwest. And by all accounts, the nation's barns and parlors are full. Dairy slaughter is in the doldrums. Since Memorial Day, dairy producers have culled 46,000 fewer cows than during the same period in 2019, a decline of 9%. The dairy herd is likely growing, and there will be milk in abundance this autumn. The back-to-school boom in fluid milk demand is a bit of a bust, with most students learning from home at least part of the time. Data tracker Burbio estimates that 52% of U.S. K-12 public school students will begin the school year virtually, while a share of the remainder

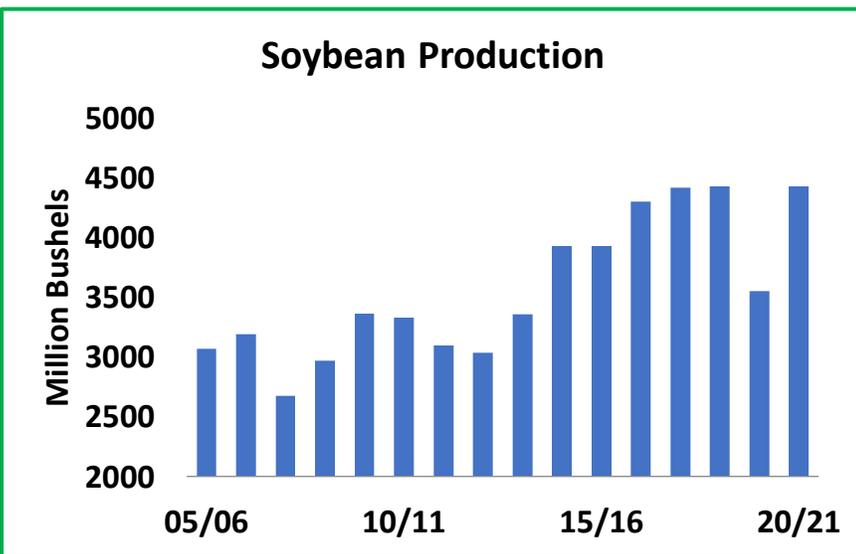
will be in a classroom only part of the time. A severely diminished football season is also likely to cut into dairy product sales, as football fans will probably consume less pizza and fewer nachos this fall. Coronavirus continues to sicken dairy demand.

Grain Markets

The feed markets faded to historic lows early in the week, ahead of USDA’s monthly World Agriculture Supply and Demand Estimate (WASDE) report. As expected, the agency forecast a record-breaking national average corn yield at 181.8 bushels per acre. Although USDA raised its demand estimates, we cannot use up enough corn in the form of feed, fuel and foreign sales to make a dent in the massive crop. USDA projects that at the end of the season, in September 2021, there will still be nearly 2.8 billion bushels of corn in the bin, the highest end-of-season corn stocks since 1988. USDA assessed the national average bean yield at 53.3 bushels per acre, much higher than the trade anticipated. This year’s crop will likely be a little smaller than the record-breaking harvest of 2018-19, but it’s still going to be a bin buster.



The WASDE should have pushed the markets decidedly downward. Instead, both corn and soybean futures gained ground on Wednesday and leapt enthusiastically on Thursday. September corn futures settled at \$3.245 per bushel, up 17.5¢ from last Friday. September soybeans climbed 31.75¢ to \$8.97. It seems that everyone who might have a reason to sell feed futures had already done so. Wednesday’s rebound sparked a short-covering rally. USDA added fuel to the fire Wednesday evening, when it published acreage data from the Farm Services Agency (FSA). Taken at face value, the data suggest that USDA’s corn and soybean area projections are millions of acres too high. However, this is likely an administrative issue. FSA’s August acreage data is often incomplete and misleading, and this year it is especially so, as short-staffed government offices are scrambling to process a wave of farmer filings they received much later than normal. Nonetheless, the FSA numbers fanned the flames of Wednesday’s rally into a full-fledged conflagration.



Concerns about the impact of powerful derecho winds in central Iowa also gave corn values a boost. The storm devastated some of the nation’s finest farmland, snapping corn stalks and smashing grain bins to smithereens. While the aftermath is heartbreaking for those who suffered damage, significant crop losses were likely limited to a relatively narrow swath. The blight is likely only a blip in an otherwise excellent national crop. There will be more than enough grain to go around this fall.



This Week's Quota News

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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California Department of Food and Agriculture (CDFA) attorney Michelle Dias [rejected STOP QIP's Motion to Reconsider](#). The motion asked that Administrative Hearings Judge Timothy Aspinwall reconsider his opinion on the Chapter 3.5 Quota hearing where he recommended that Secretary of Agriculture Karen Ross deny the request for a referendum to have producers vote to suspend Chapter 3.5 of the Food and Agriculture Code, thereby ending the quota program. The rejection was based on two factors. One, that CDFA hearings on petitions are not conducted according to the Administrative Procedures Act and therefore do not offer an opportunity to file a Motion to Reconsider. Secondly, Ms. Dias wrote that she saw no grounds for a reconsideration of the Judge's original opinion. What we did not learn this week is what Secretary Ross is going to decide with regards to the Chapter 3.5 petition. So, this issue is still not closed.

[A Producer Review Board meeting](#) has been scheduled for August 27 at 10 a.m. It will be a virtual meeting on Zoom. [The agenda](#) for the meeting includes several housekeeping reports and a consideration of the United Dairy Families of California's (UDFC) petition for a referendum on the proposal to immediately change the Regional Quota Adjusters to equalize the quota payments at \$1.43 per cwt. and then terminate the QIP on March 1, 2025. The UDFC petition is filed in accordance with the QIP rules for change or termination. A referendum held on the UDFC petition would require 51% of the producers to vote to have a valid referendum. Of those voting, 51% of the voters producing 65% of the voting milk or 65% of the voters producing 51% of the voting milk would have to vote yes for the referendum to pass.

USDA will issue remaining 20 percent of Coronavirus Food Assistance Program payment

Courtesy of United States Department of Agriculture

U.S. Secretary of Agriculture Sonny Perdue announced earlier this week that additional commodities are covered by the Coronavirus Food Assistance Program (CFAP) in response to public comments and data. Additionally, the U.S. Department of Agriculture (USDA) is extending the deadline to apply for the program to September 11, and producers with approved applications will receive their final payment.

For producers who have applied: To ensure availability of funding, producers with approved applications initially received 80 percent of their payments. The Farm Service Agency (FSA) **will automatically issue the remaining 20 percent of the calculated payment to eligible producers.** Going forward, producers who apply for CFAP will receive 100 percent of their total payment, not to exceed the payment limit, when their applications are approved.

If you haven't applied for the CFAP, producers, especially those who have not worked with FSA previously, are recommended to call 877-508-8364 to begin the application process. An FSA staff member can help producers start their application during the phone call.

Read the full USDA release [here](#).

AgUTV Replacement Funding Now Available

Courtesy of the San Joaquin Valley Air Pollution Control District

The Zero-Emission Agricultural Utility Terrain Vehicle (UTV) Voucher Program provides monetary incentives for the replacement of existing diesel or gasoline-powered UTVs and tractors with less than 25 horsepower with new, zero-emission UTVs to qualified individuals, businesses, educational institutions, and non-profit organizations involved in California agricultural operation as defined by The California Air Resources Board. Funds are provided on a first come, first serve basis and applicants must obtain a signed voucher from the SJVAPCD prior to the purchase of new equipment.

Read more [here](#).

CDQAP Quality Assurance Update – August 2020

Courtesy of California Dairy Quality Assurance Program

The California Dairy Quality Assurance Program (CDQAP) recently published its August 2020 Quality Assurance Update. Below are excerpts from the Update, which you can read in its entirety [here](#).



Winterize Now, While the Sun is Shining!

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

It's that time of the year again! With hot weather comes the reminder to prepare for winter. Now is the time to think "winter" as you drive around the dairy. According to the Farmers' Almanac, we have a cooler than normal summer with rainfall slightly above normal for much of California (Pacific South West Region).

Veterinarians Using Barbiturate for Euthanasia

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

Effective July 30, veterinarians using barbiturates to euthanize livestock must mark the forehead with an orange "B" that is at least 4 inches in height. Barbiturate solutions are a humane and effective method of euthanasia. Trace amounts of the chemical found in animal feed or pet food, however, can threaten a rendering company's standing with the Food and Drug Administration.

Cal/OSHA Moving Toward COVID-19 Compliance

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

CDQAP previously reported that Cal/OSHA was making "compliance assistance visits" to ag businesses related to COVID-19 worker safety. Reports from the field indicate that Cal/OSHA has recently shifted its emphasis from these educational efforts to actual compliance inspections. To protect employees and prevent citations for violation of worker safety, producers should review their coronavirus prevention program. Cal/OSHA released a comprehensive guidance for employers of livestock farms addressing COVID-19 worker safety, along with an abbreviated checklist.

