

MPC WEEKLY FRIDAY REPORT

DATE: MARCH 20, 2020
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 7

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$.0350	\$1.8375	WEEKLY CHANGE	-\$.0575	\$1.7550
Barrels	-\$.0700	\$1.4300	WEEKLY AVERAGE	-\$.0880	\$1.7275
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 03/14	
Blocks	+\$.0710	\$1.8635	DAIRY MARKET NEWS	W/E 03/20/20	\$.3700
Barrels	-\$.0030	\$1.4500	NATIONAL PLANTS	W/E 03/14/20	\$.3710
				PRIOR WEEK ENDING 03/07	
				NAT'L PLANTS \$1.1632 20,057,552	
				NAT'L PLANTS \$1.1549 19,095,537	

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 20 EST	\$19.06 - \$19.56	\$16.88	\$16.26	\$14.90
LAST WEEK	\$19.06 - \$19.56	\$16.94	\$16.34	\$15.11

FEBRUARY 2020 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

FEB '20 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$19.15 (TULARE) \$19.65 (L.A.)	\$16.84	\$17.00	\$16.20	\$16.38 (TULARE) \$16.88 (L.A.)	\$16.055 (TULARE) \$16.555 (L.A.)
PERCENT POOLED MILK	21.3%	6.2%	2.5%	70%	100% (1.87 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

Milk is simply flying off the shelves. Sales at retail have dwarfed the partial loss of the school milk program. USDA's *Dairy Market News* reports that "Class I demand is a bit up" in California, "strong" in the mountain states, "surging" in the Pacific Northwest, "extraordinary" in the

Northeast and “haywire” in the Southeast. That means less milk for churns, vats, and driers, despite the mounting spring flush. In parts of the Southeast, *Dairy Market News* relates that milk bottlers are working nonstop to get ahead of demand, but “retail demand is overtaking milk inventories.”

Higher fluid milk consumption is particularly welcome in the West, where milk supplies were overwhelming processing capacity. In the mountain states, milk is now “in better balance with consumer demand.” Processors still cannot handle all the milk within the region, but they are moving fewer loads to far-flung processors at a discount. Punitive base programs are further helping to reduce the excess by slowing growth in milk output in the West.

Strong fluid milk consumption will benefit the whole industry by reducing dairy product output at a time when overall demand is likely taking a sizeable hit. More directly, higher Class I sales will benefit dairy producers through increased premiums and by shifting a greater share of their milk check away from painfully low Class IV values.

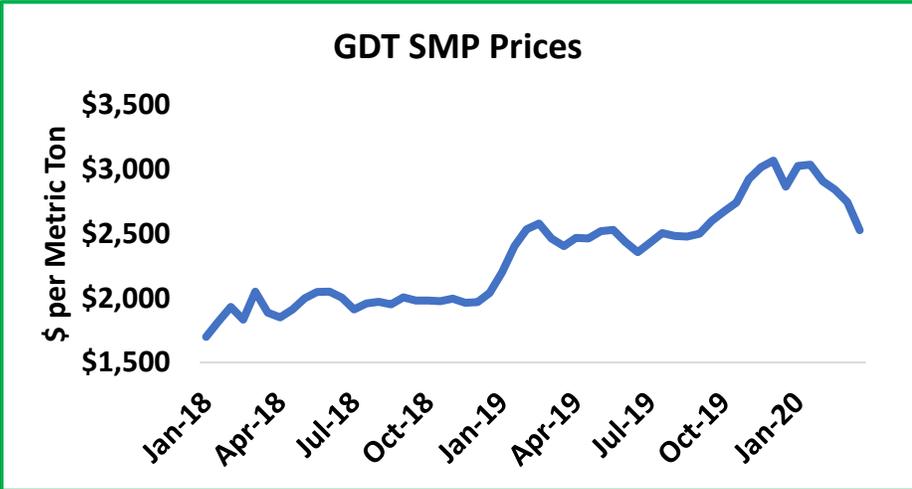
Will milk sales continue at this formidable pace? It’s difficult to predict. Consumers who stocked up to hunker down will likely not be buying at the same volume going forward. But milk is an indispensable source of nutrition for people of all ages, and especially for children. Now that consumers are not looking for on-the-go options, they’re likely to swap granola bars for a bowl of cereal and milk, or take the time to prepare scrambled eggs, pancakes, French toast, or waffles. All of these often include a healthy helping of dairy. Sales will likely step back from the recent surge. But even after consumers have fully stocked their pantry, fridge and freezer, they are expected to buy milk in greater quantities than they did before the pandemic, until they are back to their normal routines.

Fluid milk sales are a ray of sunshine on a somewhat gloomy horizon. Cheese and butter demand seem to be holding so far; strong gains at retail are making up for steep losses at schools and restaurants. But grocery sales of these storable products are likely to fade once everyone’s refrigerators are full and consumers begin to shop on a more as-needed basis. Class II products like yogurt and perhaps ice cream could become more popular.

Sales in the export-dependent milk powder market have come to a halt. Mexican buyers are on the sidelines. Driers have slowed nonfat dry milk (NDM) output, but product is still piling up. Eventually, Mexican milk powder merchants will need to refill their warehouses, but it’s hard to predict when that will be amidst a global pandemic and rapidly closing borders. While U.S. NDM appears to be on sale, it is quite a bit more expensive when priced in foreign currencies. The Mexican peso dropped to an all-time low against the dollar this week. Mexico’s purchasing power has fallen more than 24% since mid-February.

Milk powder prices moved sharply lower at the Global Dairy Trade (GDT) auction on Tuesday. Skim milk powder (SMP) fell 8.1% to the equivalent of NDM at \$1.22 per pound after adjusting for



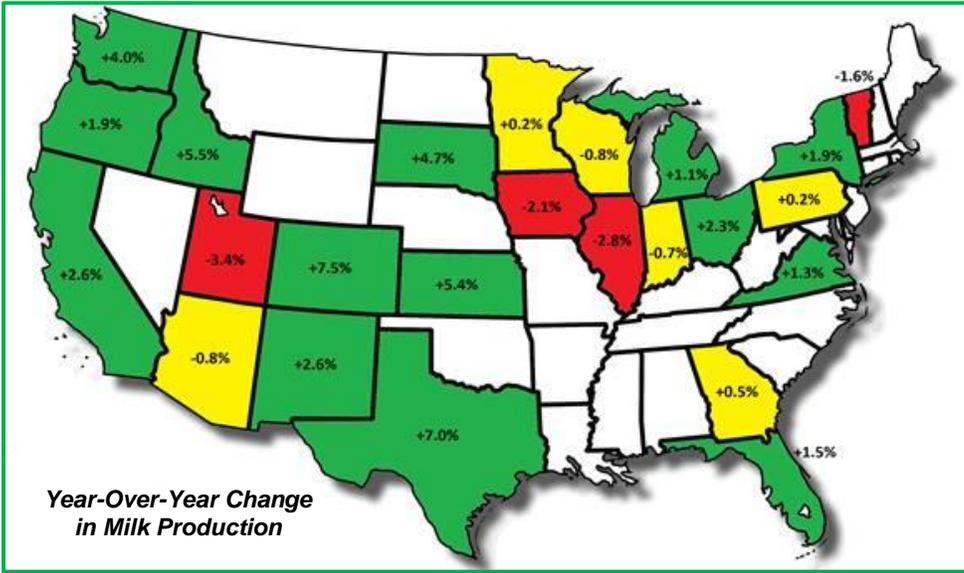
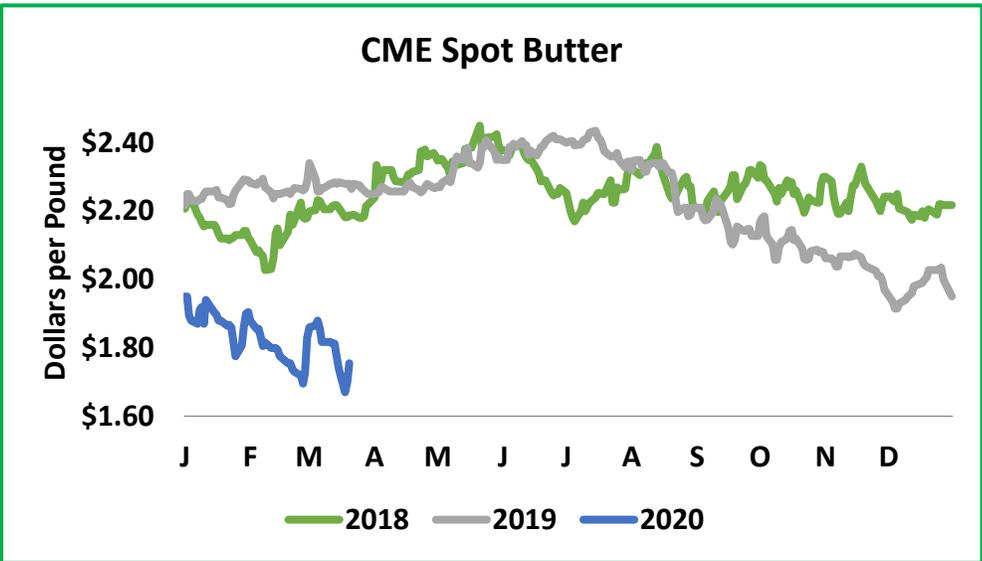


protein. Whole milk powder (WMP) dropped 4.2%. The other products moved a little higher, and Cheddar climbed 2.6%.

The CME spot dairy products took some big steps back early in the week. On Wednesday, butter dropped to a five-year low. Spot NDM hit a one-year low on Thursday at 96.25¢ per pound. But most markets started to bounce back late in the week. At the closing bell, spot NDM was 98.75¢, still

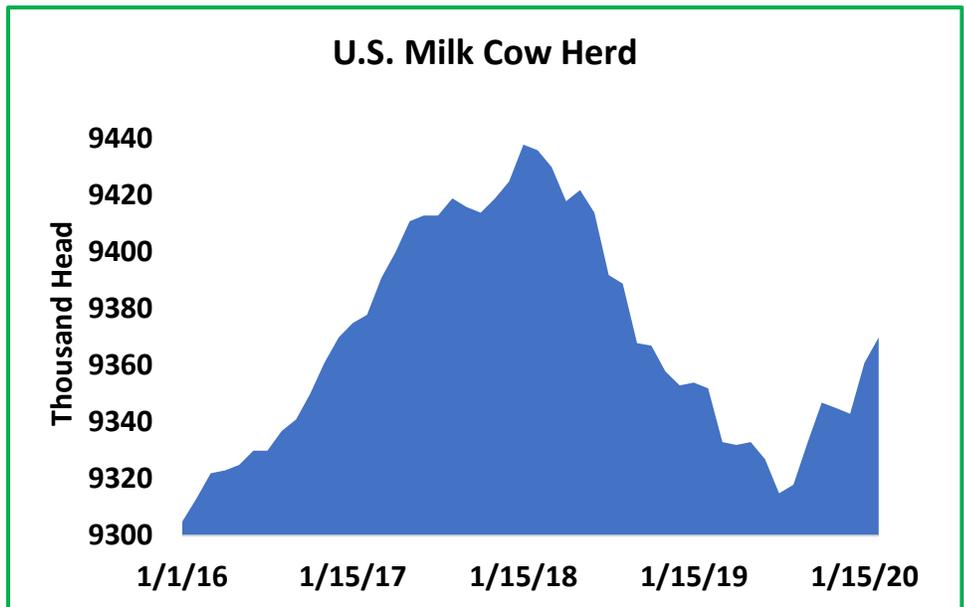
down 6.5¢ from last Friday. At \$1.755, butter was 5.75¢ in the red, but up 8.5¢ from the mid-week low. Cheddar blocks slipped 3.5¢ to \$1.8375 and barrels dropped 7¢ to \$1.43. Spot whey powder fell 1.75¢ and closed at 33¢.

Despite strong performances on Thursday and Friday, the milk markets finished much lower than last week. April Class III managed to gain 15¢ and climbed back over \$16 per cwt. But most Class III contracts settled 40 to 50¢ lower than last Friday. Class IV futures suffered another rout. Most contracts lost roughly 70¢ this week. April and May Class IV are barely holding above \$14. Those checks will not pay the bills, and U.S. milk output is likely to suffer if prices do not recover soon.



U.S. milk production jumped to 17.9 billion pounds in February, up 1.7% from the prior year after adjusting for Leap Day. Excellent weather boosted milk yields throughout the nation, except in Wisconsin, where low-quality feed remains a drag. Dairy producers were much more optimistic last month than they are today, and the dairy herd continued to grow. In fact, USDA revised its estimate of the January milk-cow herd sharply higher.

According to the new figures, dairy producers added 18,000 cows in January and a further 9,000 cows in February. Such a steep increase seems improbable given record-high slaughter in January. At 9.37 million head, the dairy herd is 18,000 higher than it was a year ago and larger than it has been for the past 18 months. If these figures are correct, there may be plenty of milk around for a while.



Grain Markets

Oil is cheap and many consumers aren't driving anywhere at all. Ethanol demand has plummeted, and ethanol futures stand at all-time lows. It's likely that a lot less corn will be routed to gas tanks, leaving more for other uses. Corn is likely to remain cheap, even as the price of dried distillers grains climbs. This week corn futures touched multi-year lows. May corn settled at \$3.4375 per bushel, more than 20¢ lower than last Friday.

The soy complex moved higher. May soybeans closed at \$8.625, up 17.75¢ from last Friday. May soybean meal climbed \$25.70 to \$325.20 per ton. Soybean values have fallen far enough to attract some Chinese purchases, and those may accelerate in the near term as China tries to stay ahead of snarls in international trade. Last night an Argentine mayor closed the nation's key grain port. It's unclear if the port will remain closed given a national outcry, but fears of such closures are surely rippling through the global supply chain.

COVID-19 federal government information resources for farmers

Courtesy of Congressman Kevin McCarthy's office

House Minority Leader Kevin McCarthy put together and shared the following informational resources for farmers based on a recent USDA teleconference briefing. MPC thanks Congressman McCarthy and his legislative director Kyle Lombardi for getting this information out to farmers in a timely fashion.

www.farmers.gov/coronavirus

This website can help agriculture producers get updates on USDA actions during the coronavirus emergency, including how to access certain services and programs and local Service Centers.

www.usda.gov/coronavirus

This website has comprehensive information on all USDA announcements and actions related to the coronavirus emergency, as well as detailed FAQs.

www.farmers.gov/manage/h2a

This website will be updated to provide the latest information related to the H2A visa program and processing of applications.

foodsupplychain@usda.gov

This email is for folks who have questions, concerns, or suggestions about maintaining the food supply chain throughout this current situation.

feedingkids@usda.gov

This email is for folks who have questions, concerns, or suggestions about ensuring kids and others have access to food and meals.

aglabor@usda.gov

This email is for folks who have questions, are experiencing problems, or need assistance with getting H2A workers during this coronavirus emergency.

COVID-19 resources for dairy producers

Courtesy of Center for Dairy Excellence



As cases of the coronavirus disease (also known as COVID-19) continue to appear in the United States, many dairy farm families and small business owners are working to navigate the crisis and manage their operations the best they can.

The Center for Dairy Excellence connects dairy farm families with tools and resources to strengthen their dairy operations. Below you'll find a library of resources to help you manage crisis planning, stress and wellness, and financial planning during this time.

List of COVID-19 Farm Resources

- [Coronavirus Overview](#) – Understand the COVID-19 and its transmissibility, host range, incubation period, environmental stability, and other required information for infectious disease outbreak response.
- [What You Need to Know About COVID-19 in Your Dairy](#) – Learn how COVID-19 is spread and how you can protect yourself and the employees at your dairy.
- [Prevention and Control for Farms](#) – As an employer, your farm workforce is not immune to coronavirus. [Follow this guide](#) to begin taking steps to protect yourself and your employees.

- [COVID-19 and Your Dairy](#) – Cornell Cooperative Extension shares the steps that dairy managers should consider to protect their workforce, their business and their markets. [View slides from their webinar](#) to learn more about the steps employers should take to protect employees, animal health considerations, and more.
- [Preventing Workplace Exposure](#) – The Centers for Disease Control and Prevention recommend strategies for preventing workplace exposure to COVID-19. [View the recommendations](#).
- [Preparing the Farm for the Novel Coronavirus](#) – As farms and agricultural businesses work to prepare for COVID-19, [this resource](#) will help you determine where to start.
- [How Dairy Farmers Are Navigating the Pandemic](#) – The National Milk Producers Federation’s Vice President for Sustainability and Scientific Affairs, Dr. Jamie Jonker, discusses why U.S. milk supplies are safe and details the precautions dairy farmers are taking to protect their workers and facilities. [Listen to the podcast](#).



**California Department of Food & Agriculture
postpones Quota Hearing**
By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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The April 7-8 hearing in Visalia scheduled to consider the STOP QIP petition to suspend Chapter 3.5 of the Food and Agriculture Code has been postponed due to the restrictions on public gatherings imposed by the state. A new date for the hearing has not been announced. See CDFAs announcement [here](#).

Dairy situation outlook webinar scheduled for March 25
Courtesy of Dr. Marin Bozic

Dairy farmers and industry professionals are invited to hear Dr. Marin Bozic address the current dairy situation during a free webinar at 10 a.m. (Pacific time) on Wednesday, March 25. The webinar will last one hour and will include questions at the end. Dr. Bozic is an Assistant Professor in Dairy Foods Marketing Economics in the Department of Applied Economics at the University of Minnesota.



While registration is free, on-line pre-registration is required. You can sign up [here](#).

A link to the webinar will be sent to your email after you register. The webinar is hosted by the I-29 Moo University and Minnesota Milk.

Significant progress being made in implementing the state's groundwater law

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

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Regular readers of the MPC Friday Report know that I have shared developments about the Sustainable Groundwater Management Act (SGMA) to help producers prepare for changes in how groundwater will be managed in the future. I recently wrote a piece about SGMA that was published in *Maven's Notebook*, an online publication that presents the many sides of California's water issues with original and aggregated news from around the internet. Not surprisingly, there are lots of opinions about how SGMA is proceeding among water policy experts and stakeholders. One of those opinions is that the state should take over the SGMA process rather than allowing local control of groundwater basins. That's an opinion that I don't agree with, which led me to write the commentary below that was published in *Maven's Notebook* earlier this week.

From Maven's Notebook; published March 18, 2020

I remember being surprised when attending a local Groundwater Sustainability Agency meeting and I first saw a schematic that visually depicted the various levels of groundwater underneath one of the Central Valley's numerous subbasins. There was a horizontal line going across the chart that said "base of freshwater". Beneath the freshwater line there was another line labeled "top of basement". I asked the subbasin hydrologist about what occupied the space between those lines and he explained that it was ancient salt water that occupied the lowest depths of the aquifer. He said a study done decades ago had identified that the salt water was there, but they were now guessing about exactly where, because other than that one study done many years ago, no one had a reason to drill down into it to attempt to characterize it. Why does this matter? If you are going to estimate how much fresh water is contained in a groundwater basin, you need to know how deep it is.

This story is just one example of what has been going on in the Central Valley over the past few years since the adoption of the Sustainable Groundwater Management Act (SGMA) by California in 2014. This law made actually understanding and managing our underground water aquifers a matter of necessity. Unlike surface water which can be observed, groundwater cannot be directly measured. It is present in various geological formations often separated by clay layers of various thicknesses. Professionals use hydrologic models that extrapolate the location and characteristics of the water layers by using data from wells that have been drilled through them. The passage of SGMA kicked off a coordinated effort to gather tens of thousands, if not millions of points of data from wells and water sources that have been developed over the decades in each specific part of the Central Valley. Using what data they could gather, the models create a picture of the current condition of the groundwater basins. However, given the quality of the data, much of it gathered from inconsistent and old sources, most hydrogeologists admit that their confidence level in the precision of their model results is probably not much better than plus or minus 25%. But far from being an indication of failure, the rapid and exponential expansion of knowledge, albeit imperfect, brought about by SGMA requirements is a real accomplishment.

It is important to put SGMA in its historical context. Agriculture in the Central Valley was developed over the past 150 years. At no time during its development was the pumping of groundwater regulated. People could drill a well and start pumping anytime they wanted and for most there was groundwater to be found. Thousands of acres were developed into productive farmland using only groundwater and these farmers did nothing illegal or wrong.

Continue reading [here](#)

