

MPC WEEKLY FRIDAY REPORT

DATE: FEBRUARY 26, 2021
 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	+\$.0800	\$1.6175	WEEKLY CHANGE	-\$.0800	\$1.4700
Barrels	+\$.0075	\$1.4200	WEEKLY AVERAGE	-\$.0128	\$1.4860
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 02/20/21	
Blocks	+\$.0677	\$1.6015	DAIRY MARKET NEWS	W/E 02/26/21	\$.5412
Barrels	-\$.0329	\$1.4090	NATIONAL PLANTS	W/E 02/20/21	\$.5096
				PRIOR WEEK ENDING 02/13/21	
				NAT'L PLANTS	\$1.1168 17,824,900
				NAT'L PLANTS	\$1.1280 16,522,880

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
FEB 26 EST	\$17.14 - \$17.64	\$14.07	\$15.63	\$13.28
LAST WEEK	\$17.14 - \$17.64	\$14.05	\$15.61	\$13.39

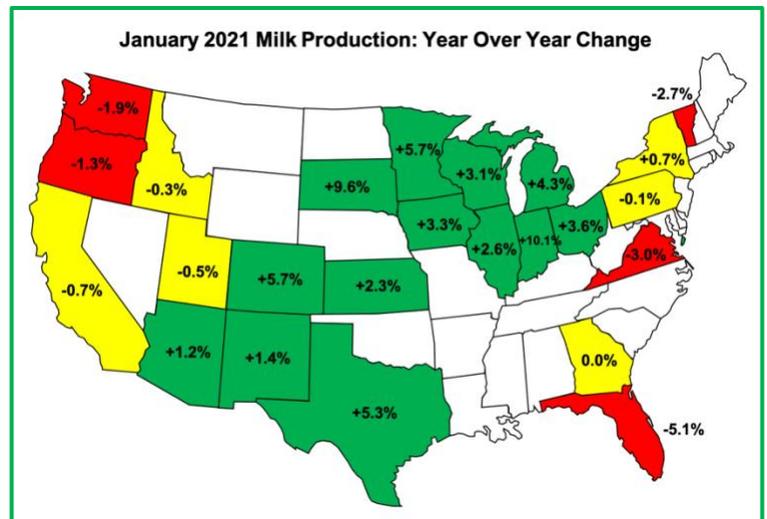


Milk, Dairy and Grain Market Commentary

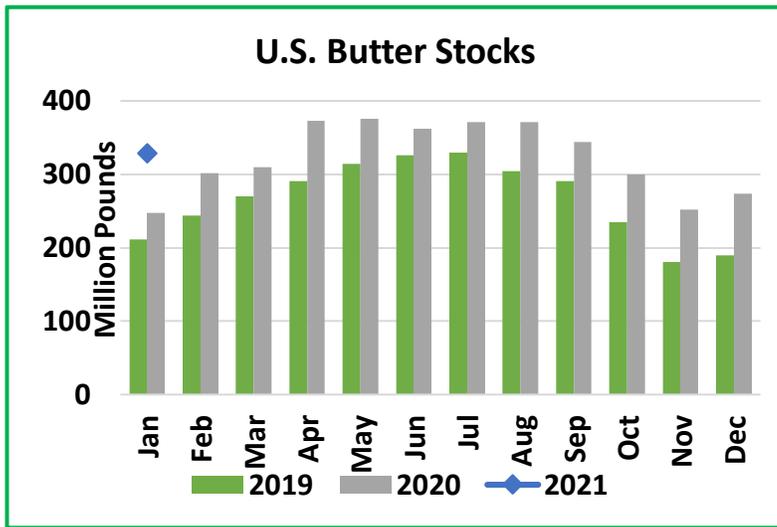
By Monica Ganley, Daily Dairy Report
Monica@DailyDairyReport.com

Milk & Dairy Markets

Last year's milk production growth carried into 2021, albeit at a slower pace. According to USDA's Milk Production report released on Tuesday afternoon, national milk production rose by 1.6% in January, the lowest year over year increase seen since June 2020. Most of the growth was driven by an expanding national dairy herd, as producers added an estimated 8,000 head of cows between December and January. But improved productivity played a hand in the increase as well with yields rising by 0.6% year over year, equivalent to an additional 13 pounds of milk per cow.



The 1.6% increase was lower than most analysts' predictions. Surprisingly weak production in key dairy states like California and Idaho - which saw milk production contract for the first time since 2017 -



weighed on the national figure. The report also made some important revisions, both to national and state level data. In particular, the 3.2% increase in California’s December milk production published last month was reversed to a 0.5% decline in Tuesday’s report.

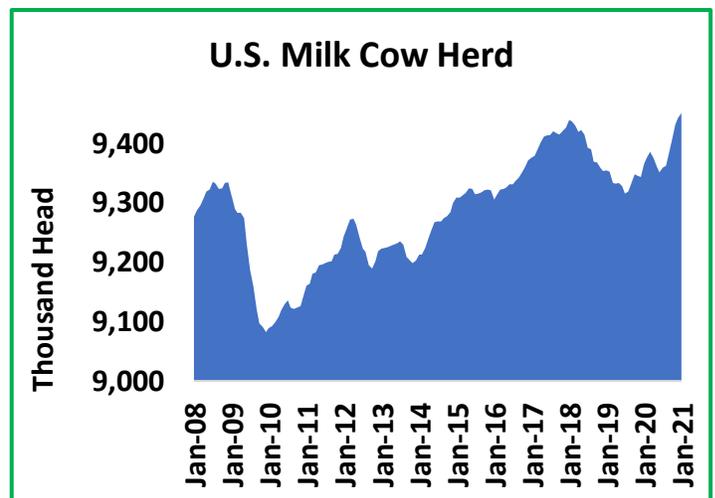
Though last week’s horrific weather has largely become a memory, its impact on the dairy sector has not. Many plants are keeping busy schedules as they attempt to compensate for last week’s closures. Meanwhile, displaced spot loads of milk and cream are still moving around the country

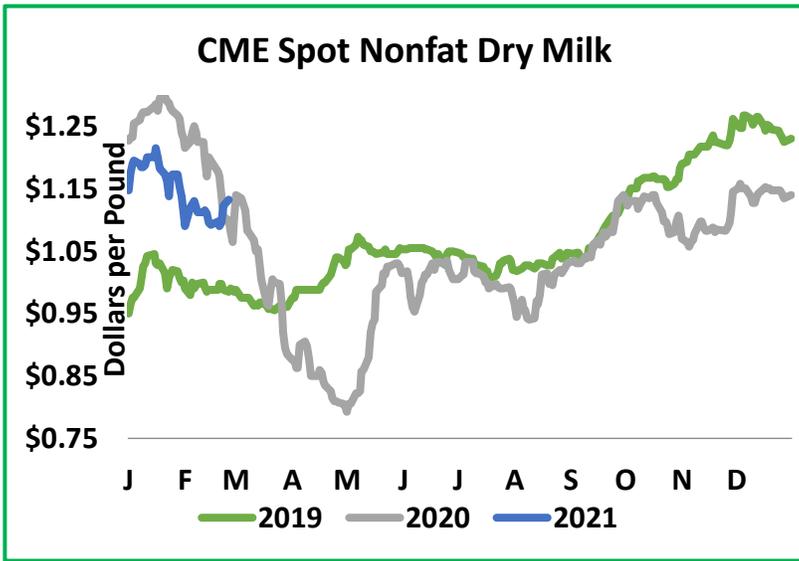
searching for homes. Especially in Texas, the storm’s impact on milk production, and particularly yields, has yet to be fully realized. Nevertheless, milk for manufacturing remains abundant in most areas. Midwest spot milk could be obtained last week with discounts as large as \$7/cwt. below Class III prices, larger discounts than what were available the week prior.

Generally speaking, cheese manufacturers continue to turn out product at a healthy clip and are playing a key role in absorbing excess milk from the market. Given the robust production seen since the beginning of the year it was somewhat surprising to see that at 1.4 billion pounds, total cheese inventories at the end of January were only 2.2 million pounds, or 0.2%, greater than at the end of December. Last year, total cheese stocks increased by 31.6 million pounds over this same period. Perhaps even more surprising was the 0.1% drop in American cheese stocks, indicating that the increase was driven by growing inventories of Swiss and Other types of cheese.

CME spot Cheddar blocks were able to gain some ground this week, posting price increases on Monday, Wednesday, and especially Thursday, when the market jumped 7¢ while 11 loads traded hands. However, some of these gains were erased on Friday when blocks gave up 4.25¢. Nevertheless, the market ended the week at \$1.6175/lb., an increase of 8¢ compared to prior week. Barrels were a bit more fickle, losing 3¢ on Tuesday’s trade, only to move up by 6.5¢ on Thursday, before retreating again on Friday. When all was said and done, CME spot Cheddar barrels closed today’s session at \$1.42/lb. just .75¢ higher than last week.

In the last week during which old crop butter could be traded at the CME, the spot market bowed under the pressure. Following a surprising rally during last Friday’s session, spot butter prices lost ground over most of the week with the only exception being a 3.25¢ gain on Thursday. This was not enough to undo the losses, however, and the market closed on Friday at \$1.47/lb., down 8¢ from last week. Despite this, appetite for cheap butter persists as an astonishing 51 unfilled bids were left on the board at the conclusion of today’s spot trade. Butter inventories also grew over the turn of the year, rising to 328.4 million pounds at the end of January. Though the 54.6-million-pound build





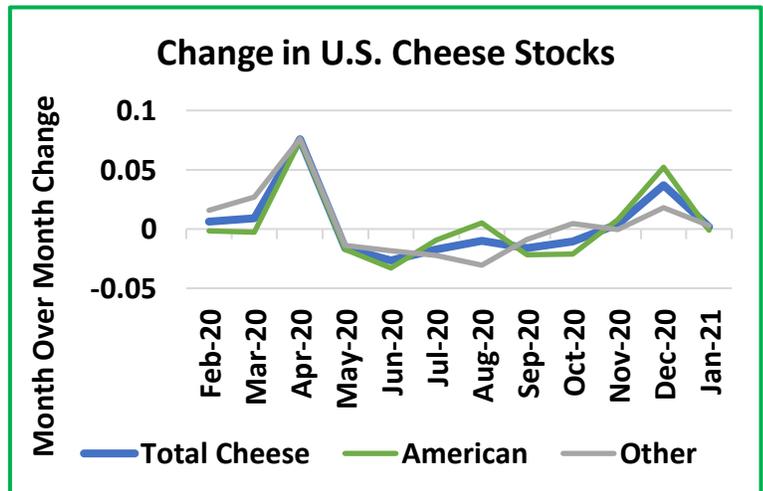
was seasonally typical, butter inventories remain heavy by historical standards. Stocks at the end of January were the largest for that time of year since 1993.

The nonfat dry milk (NDM) market continues to be weighed down by heavy supplies. Manufacturers report that condensed skim for dryers remains abundant, particularly as balancing plants faced the most severe interruptions from last week's inclement weather. U.S. product remains competitively priced compared to global suppliers, but manufacturers report that export interest has been inconsistent. Spot NDM was able

to make a bit of headway during the week with prices rising in four of the week's five sessions. Friday's trade ended at \$1.1325/lb., an increase of 4¢ versus last Friday with 27 loads changing hands during the week.

The spot whey market managed to build on prior gains to move even higher this week. After starting the week unchanged on Monday and Tuesday then balking slightly with a quarter cent decline on Wednesday, the market staged its rally, rising by .25¢ on Thursday and a full penny on Friday. This brought the Friday price to 55.75¢/lb., a 1¢ increase versus last week. Demand for higher protein products continues to pull the whey stream away from dry whey production, keeping supply limited. Meanwhile international demand remains robust, even as logistical challenges persist

Milk futures were on the move during the week, following the ebbs and flows of the spot trade. Following a relatively uneventful Monday, Class III milk futures dipped on Tuesday as spot barrel prices slipped. The decline was short lived, however, with gains seen on Wednesday and especially Thursday as blocks rallied, with the APR21 contract finishing limit up. With a mixed settlement on Friday, most contracts beyond MAR21 appreciated over the balance of the week. Class IV milk futures were relatively quiet for most of the week though Thursday's spot butter gains breathed a bit of life into the 2021 contracts.



Grain Markets

USDA's Outlook Meeting, held late last week, included predictions of large corn and soybean crops in the 2021/2022 market year driven by increases in both area and yield. But strong supply is expected to be countered by solid demand, namely continued grain and oilseed shipments to China. Corn futures moved up on Monday and Tuesday, before retreating on Thursday and Friday. Most nearby contracts gave up a few cents over the course of the week. Soybeans followed the same trend but larger gains earlier in the week meant that most nearby contracts settled a few cents higher on Friday than on Monday.



Quota Q&A: Insight Into Upcoming Producer Referendum

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

There was some news this week on the upcoming referendum on the [Quota Sunset Proposal](#). The United Dairy Families of California (UDFC) group, which petitioned for the referendum, sent some specific questions to the California Department of Food and Agriculture (CDFA) regarding the logistics of the referendum process. The group received responses to its questions this week.

Question

Will the ballots be mailed out on March 4th, or will they arrive in producers' mailboxes by March 4th?

Response

The ballots will be mailed via USPS on March 4th. As such, we cannot guarantee when they will arrive in the producer's mailbox.

Question

Does CDFA have any particular protocols for enabling industry communication with producers during the referendum? For example, we understand Section 62716 gives the Secretary the discretion to reveal the names of producers who have voted during the referendum. In addition, we understand CDFA's Marketing Order Policies (M205) set forth a process for communication with producers via the Department during a referendum. Please advise.

Response

The CDFA will not be releasing the names of those producers that have submitted ballots. However, if a producer were to contact our unit to verify we received their ballot, we will let that producer know. In the event of a lost/missing ballot, a duplicate ballot may be sent out upon request. The ballot will state "DUPLICATE" and will include the ballot number and producer number. If we receive both the original and duplicate ballots, we will only count the duplicate.

Please note, CDFA's Marketing Order Policies are associated with other State marketing order programs operating under a separate statutory authority than the Quota Implementation Program and their policies are not applicable to this referendum.

Question

CDFA provided frequent updates to the producers and the industry on the percentage of ballots submitted during the 2017 QIP referendum. Please confirm that CDFA will again publish regular updates (2x a week, as was done in 2017) on voting percentages throughout this referendum.

Response

CDFA will not monitor, report, or publish percentages of ballots received. Ballots will not be opened and counted until the referendum voting period has ended.

Quota Q&A Continues on the Next Page

Question

Does CDFA plan to send any correspondence to producers during the referendum period reminding them to vote? (We would suggest sending a reminder postcard 45 days into the referendum period.)

Response

No.

Question

Will CDFA again publish the details about voting in the referendum in the California Dairy Review (similar to what was done during the 2017 QIP referendum)?

Response

With the implementation of the California Federal Milk Marketing Order and loss of the Milk Pooling and Dairy Marketing Branches, CDFA no longer produces the California Dairy Review publication. The notice that accompanies the ballot will include details of the referendum.

Question

Once the ballots are mailed, would CDFA provide us with a sample of the complete ballot package, including envelope and cover letter, that we may use in our producer outreach efforts?

Response

The CDFA will provide a copy of the notice on its website. However, to ensure ballot integrity, we will not provide a copy of a blank ballot for any purposes.

Question

Can you provide an outline for the process of validating the ballots? Please also address how the Department will identify and handle ballots deemed “invalid,” and how that will be remedied.

Response

CDFA is using the January 2021 Market Milk producer list to verify production numbers and will be used to verify ballots received for tallying purposes. CDFA will combine multiple Market Milk dairies under same/exact ownership and count as one eligible producer. Ballots will include the names of the authorized Market Milk producers on record for the dairy (or dairies under same ownership) and the respective mailing address. Ballots received by CDFA will remain sealed and will not be opened until ten days after the close of the voting period which is June 1, 2021. This allows time for USPS to deliver those ballots mailed and postmarked June 1, 2021. A ballot would be deemed invalid for one or more of the following reasons:

- Did not provide January 2021 market milk production for the tallying
- Did not sign and certify the ballot
- Un-authorized signature on the ballot
- No indication of a yes or no vote
- Was not received or have a postmark on or before the June 1, 2021 voting deadline

There will be no curing of ballots after the close of the voting period.

Quota Q&A Continues on the Next Page

Question

For process integrity, it is important that producers know the right production number, ballot signatory, and that the ballot gets to the right party. We recommend that a cover letter accompany the ballot to each producer indicating CDFA's records as to:

- Their correct Market Milk production for January 2021
- The name of the eligible ballot signatory producer per dairy
- The correct mailing address associated with each dairy (and therefore ballot)

Response

Each ballot will indicate the following (and is the same method used during the implementation referendum):

- Mail number and Producer number or numbers
- Names of individuals on title for the dairy or dairies
- Mailing address for the dairy or dairies.

So for example, let us say John and Jane Smith are number 16 on the mailing list and they own two dairies: Dairy #1 with number 12345 and Dairy #2 with 56789. Their ballot would have the following addressed:

16 12345, 56789
Smith John Jane
1234 Cow Rd
Dairyville, CA 99999

The ballot will indicate that only named individuals are eligible to sign. If the producers listed on the ballot has changed (such as additions or deletions), the producer should contact us in order to make corrections and so we can issue a revised duplicate ballot.

We will be including the January volume on each ballot so producers will not need to include that information. Note that in the event there are more than one dairy associated with the ballot, the January production amount listed will be the combined total for all dairies under the same ownership.

Grandin, Mitloehner Serve Up Facts About Animal Ag and Greenhouse Gases

Courtesy of Katie James, Farm Journal

Animal agriculture gets a bad rap when it comes to sustainability. But that is why it's vital that the industry take a bigger role in correcting misperceptions and using its voice to be its own best advocate and share the strides it has made over the last few decades, said NCBA CEO Colin Woodall. Modern cattle ranching produces the same amount of beef as was produced in the 1970s, but with a third fewer cattle—a change driven by the industry, without governmental mandates.

Read the full article [here](#).



CDQAP Quality Assurance Update

Courtesy of California Dairy Quality Assurance Program

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



How to Protect Your Farm from Undercover Activists

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

It's a common strategy for animal rights organizations to have individuals go “undercover” on farms to record videos that are taken out of context, stage scenes of mistreatment, or to encourage abuse and record it without intervening. Such misrepresentations have included difficult deliveries, appropriate use of hip lifts, and singeing udder hair.

Winter Modifications and Cleaning

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

This hasn't been an average winter. Producers either have had no rain or lots of rain. Crops are nearing harvest or still quite small. Everyone has worked to keep COVID at bay.

[Watch This! Complementing Flush Manure Systems to Manage Solids & Increase Solids Exports](#)

A variety of technologies and strategies have been funded through the California Department of Food and Agriculture's Alternative Manure Management Program (AMMP) since 2017. Learn first-hand from peer dairy farmers as they discuss the solutions they've implemented to improve manure management on their operations.

