

MPC WEEKLY FRIDAY REPORT

DATE: MAY 22, 2020
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 7

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE Blocks +\$.1575 \$1.9375 Barrels +\$.1700 \$1.8900 WEEKLY AVERAGE CHEDDAR CHEESE Blocks +\$.2945 \$1.8920 Barrels +\$.3110 \$1.8305		CHICAGO AA BUTTER WEEKLY CHANGE -\$.0525 \$1.5925 WEEKLY AVERAGE +\$.1150 \$1.6160 DRY WHEY DAIRY MARKET NEWS w/E 05/22/20 \$.3800 NATIONAL PLANTS w/E 05/16/20 \$.3845		NON-FAT DRY MILK WEEK ENDING 05/16/20 NAT'L PLANTS \$0.8388 24,351,906 PRIOR WEEK ENDING 05/09/20 NAT'L PLANTS \$0.8396 22,856,230	
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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
MAY 22 EST	\$14.55 - \$15.05	\$12.37	\$12.18	\$10.71
LAST WEEK	\$14.55 - \$15.05	\$12.15	\$12.24	\$10.65

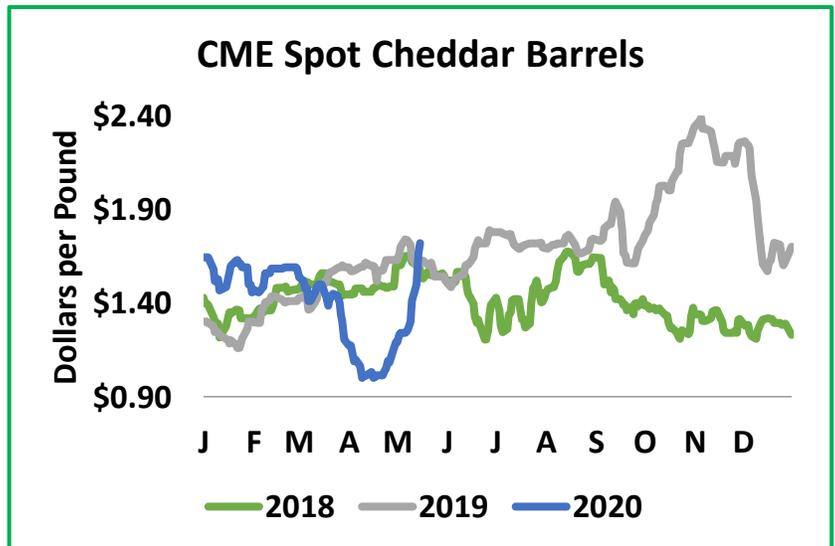


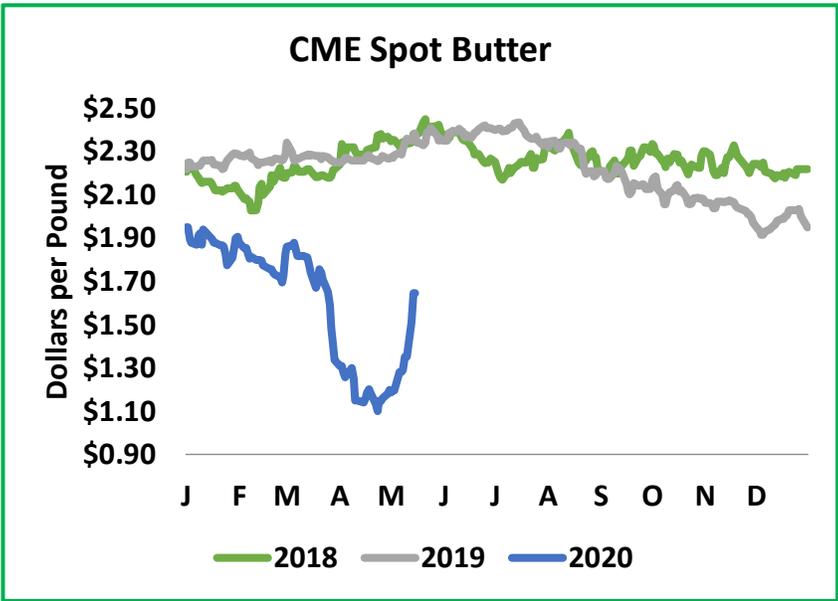
Milk, dairy and grain market commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

The spot cheese markets continued their breathtaking climb. They have scaled great heights at spectacular speed. This week spot Cheddar blocks jumped another 15.75¢ to \$1.9375 per pound. Barrels rallied 17¢ to \$1.89, a new 2020 high. Since the month began, blocks have gained a mind-boggling 73¢ and barrels have added 70¢. Milk powder is perking up too. CME spot nonfat dry milk (NDM) climbed 7.75¢ this week to \$1.0125, its first foray above a dollar in nearly two months. The other spot markets retreated. Butter dropped 5.25¢ to \$1.5925. Still, spot butter is 39.5¢ higher than it was when the month began. Whey powder slipped 2.75¢ this week to 36.25¢.



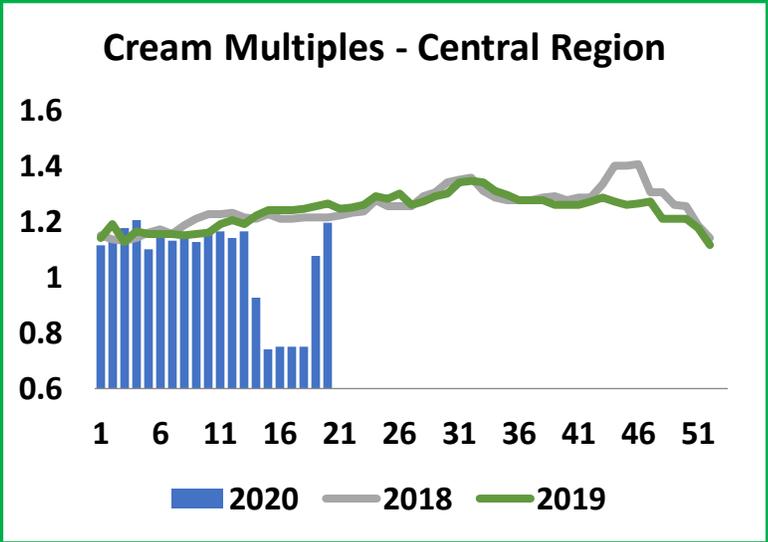


Helped by improving sentiment surrounding milk powder, Class IV futures trudged higher. Most contracts gained about 20¢ this week. Despite the sizeable rebound from the depressing values reported in April, Class IV remains well below the cost of milk production.

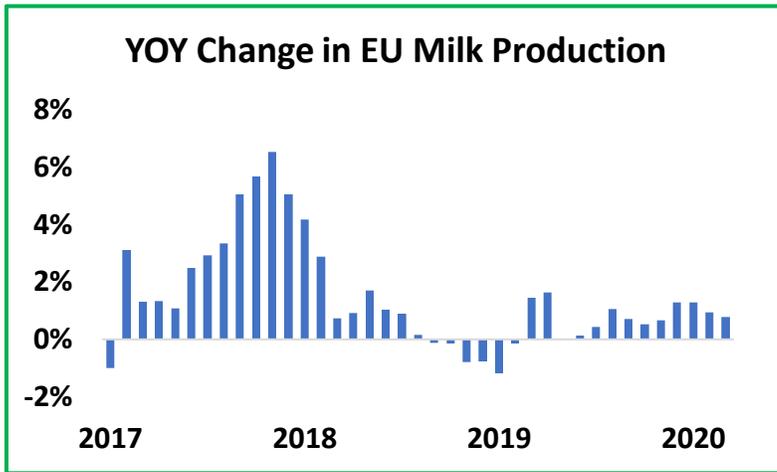
After making great gains in the two preceding weeks, Class III futures found it difficult to keep climbing. Most Class III futures retreated this week, and the August contract lost more than a dollar. The market clearly believes that spot cheese may have climbed too far, too fast. June was the exception. June Class III added another 18¢ and reached \$17.03

per cwt. That marks the highest print on the board, with later months trading between \$15.88 and \$16.44.

The inverted futures curve highlights that the fresh cheese shortage is likely temporary. At the moment, companies that promised to supply food banks are shopping for huge volumes of dairy products, and restaurants are restocking their larders. Once those needs are satisfied, there will likely be more than enough cheese to go around. But immediate demand must be formidable if we have managed to tighten up fresh cheese inventories so quickly after piling up cheese in immense volumes last month. As of April 30, there were 1.48 billion pounds of cheese in cold storage warehouses, the highest total ever. Stocks increased 108 million pounds from March to April, the highest month-to-month increase in more than a century of USDA records.



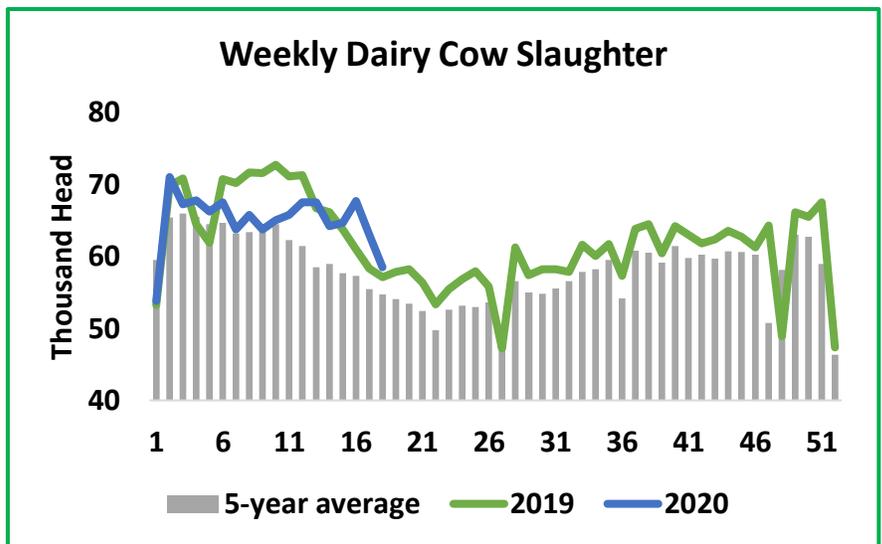
Butter stocks were formidable too. They totaled 368.7 million pounds, up 26.8% from a year ago. Manufacturers struggled mightily to churn their way out of an ocean of butterfat in April. With cream selling for a fraction of the butter price, every churn in the nation was making product and stocks swelled. Now, ice cream output is heating up and restaurants are loading their coolers with fat-laden ingredients. Discretionary butter churning has slowed, and the price has risen accordingly. At the Global Dairy Trade (GDT) auction, skim milk powder (SMP) gained 6.7% and reached the equivalent of NDM at \$1.23 per pound. Most other products moved lower at the GDT. In Europe, SMP and butter values are bouncing back, but Cheddar continues to fade. Manufacturers are taking advantage of the government’s Private Storage Aid program to put some product away for the summer at a subsidized cost. The market will have to contend with these inventories later this year, but so far the volumes are modest.



U.S. milk output – including dumped milk – totaled 18.7 billion pounds in April, up 1.4% from the prior year. USDA revised upward its estimate of March milk production by a significant 0.6%, putting March milk output up 2.8% from last year, the steepest year-over-year increase since December 2014. No wonder we were drowning in milk. April’s more modest increase highlights dairy producers’ efforts, both voluntarily and forced, to reduce milk supplies. With overproduction penalties still in place and May milk prices excruciatingly low, growth in

May milk output is likely to be tepid.

U.S. dairy producers culled hard in April, slaughtering 279,400 head, the highest total for the month since 1986. These numbers clearly reflect immense pain on the farm. The dairy herd contracted by 4,000 head in April to 9.381 million milk cows. Still, that is 49,000 more than in April 2019 and likely more than we need in such a sluggish economy.



Dairy producers have been drowning in red ink, and USDA has rushed to offer a lifeline. Beginning May 26, the agency invites dairy producers to sign up for direct payments to offset losses for COVID-19. Producers will be compensated \$6.20/cwt. for first-quarter milk production, with 80% of

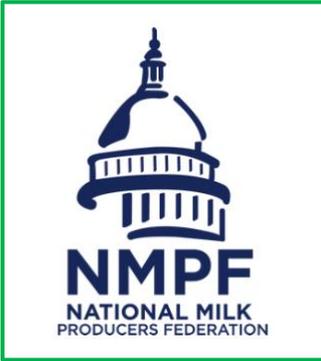
the money up front and the remaining 20%, or a portion of it, to come later if USDA’s funding can cover all the requests. Payments will be capped at \$250,000 per individual, or \$750,000 for a partnership with at least three active members. That’s enough to cover recent losses on smaller dairies, but for large dairy producers, it doesn’t come close. According to research from the Agricultural and Food Policy Center at Texas A&M, on a 1,000-cow dairy, \$250,000 would be equal to roughly \$4.12 per cwt., a far cry from the \$6.20 for their peers with fewer cows. On a 2,500-cow dairy, \$250,000 is equivalent to just \$1.65 per cwt. More than half of U.S. milk is made on farms with more than 1,000 cows, so the caps will disappoint much of the industry. Still the aid is generous and likely to arrive swiftly, which will likely improve dairy producers’ strained relationships with their lenders. There may be an unwelcome side effect, however. The combination of a cash windfall and surprisingly high Class III futures may slow contraction in the dairy herd, to the detriment of prices later this year and into 2021.

Grain Markets

It was another quiet week in the feed markets. Corn slipped 1.25¢ to \$3.18 per bushel. Soybeans lost about a nickel, falling to \$8.3325. Although there are a few trouble spots, most of the Corn Belt has been blessed with an open planting window, plenty of rain, and, finally, warmer temperatures. Corn for ethanol demand is rebounding along with gasoline consumption, but feed demand is likely slipping as livestock growers try to slow production.

What Dairy Farmers need to know about the Coronavirus Food Assistance Program

Courtesy of the National Milk Producers Federation (NMPF)



If you are a dairy farmer whose operation has been directly impacted by coronavirus, you are likely to be eligible for direct support through USDA's [Coronavirus Food Assistance Program](#) (CFAP). CFAP provides support to producers who have suffered a five percent-or-greater price decline due to COVID-19.

Dairy farmers can apply for assistance beginning on Tuesday, May 26, 2020. Call and set up an appointment with your local [USDA Farm Service Agency \(FSA\) office](#) to determine your eligibility and to apply for this assistance. Due in large part to the efforts of our staff, the USDA has raised the initial proposed payment limit for the program, and allowed farmers using other risk management tools this year, such as the DMC, to also receive payments through the CFAP.

PAYMENT LEVELS

For dairy, a single payment will be made derived from two funding formulas intended to calculate losses caused by the coronavirus in 2020. The first and larger component is calculated from a producer's certification of milk production for the first quarter of calendar year 2020 multiplied by \$4.71 per hundredweight. The second component of the payment is based on a 1.4% increase in that first quarter production, multiplied by \$1.47 per hundredweight. **Overall, the payment amounts to \$6.20/cwt. for a farm's production in January through March of this year.**

We have asked USDA to consider whether seasonal producers can divide their annual production by four to obtain their production base, as the winter months of the first quarter tend to feature lower production.

Dairy farmers are also eligible for payments on cull cows, steers, and feed crops. [Click here](#) for a full list of eligible commodities and payment rates. Cull dairy cows are eligible for payment under the category of "[Slaughter Cattle: Mature Cattle](#)".

USDA will make an initial payment of 80 percent of an eligible participant's benefit. By issuing initial payments, FSA can quickly provide assistance to eligible participants while ensuring that overall CFAP payments do not exceed the \$16 billion funding limit. The remaining portion of a farmer's payment will be paid at a later date as funds remain available.

ELIGIBILITY

All dairy operations with milk production in January, February, and/or March 2020 are eligible for CFAP payments. Any dumped milk production during those months is also eligible for assistance. **Milk production enrolled in risk management programs, such as Livestock Gross Margin (LGM), Dairy Revenue Protection (DRP), Dairy Margin Coverage (DMC) or forward contracts, also qualifies for CFAP payments.** Producers must complete all CFAP application forms and provide required documentation. Applications will be accepted through August 28, 2020.

PAYMENT LIMITATIONS

CFAP payments are subject to a per person and legal entity payment limitation of \$250,000. This limitation applies to the total amount of CFAP payments made with respect to all eligible commodities.

- Corporate entities (including limited liability companies and limited partnerships) may receive up to \$750,000 based upon the number of shareholders (not to exceed three shareholders) who are contributing substantial labor or management with respect to the operation of the corporate entity.
- A corporate entity may receive more than \$250,000 in CFAP payments if the applicant, under penalty of perjury, self-certifies that two or three members of the corporation each provided at least 400 hours of active personal labor or active personal management or combination thereof with respect to the production of 2019 commodities for which an application or applications are made.
- A person or legal entity, other than a joint venture or general partnership, is ineligible for payments if the person's or legal entity's average adjusted gross income (AGI), using the average of the adjusted gross incomes for the 2016, 2017 and 2018 tax years, is more than \$900,000, unless at least 75 percent of that person's or legal entity's average AGI is derived from farming, ranching, or forestry-related activities. With respect to joint ventures and general partnerships, this AGI provision will be applied to each member of the joint venture and general partnership.

CFAP AND SMALL BUSINESS ADMINISTRATION PROGRAMS

Participation in the Small Business Administration's [Paycheck Protection Program](#) (PPP) or [Economic Injury Disaster Loan](#) (EIDL) program does not impact producer eligibility for CFAP or for any USDA farm program. The PPP duplicate benefit provision does not have an impact on FSA farm programs or farm loan programs.

HOW TO APPLY ONCE SIGNUP BEGINS

USDA Service Centers are open for business by phone appointment only. Once the application period opens on May 26, 2020, please call your [FSA county office](#) to schedule an appointment. FSA staff will work with producers to file applications. Applications will be submitted electronically either by scanning, emailing, or faxing.

Additional information and application forms can be found at farmers.gov/cfap. FSA has streamlined the signup process to not require an acreage report at the time of application and a USDA farm number may not be immediately needed.

ADDITIONAL RESOURCES

- [USDA Coronavirus Food Assistance Program Webpage](#)
- [Coronavirus Food Assistance Program FAQ](#)
- [CFAP Introductory Webinar](#)
- [CFAP Prepare Now Infographic](#)
- [USDA Announces Details of Direct Assistance to Farmers through the Coronavirus Food Assistance Program](#)
- [NMPF Appreciates USDA's Aid Efforts, Encourages Further Assistance](#)

Visit www.nmpf.org/coronavirus for a full list of coronavirus resources, including the Small Business Administration's [recently-released](#) Paycheck Protection Program [Loan Forgiveness Application and Instructions](#).

Vacancy on Central Valley Dairy Representative Monitoring Program Board

Courtesy of CVDRMP

The Central Valley Dairy Representative Monitoring Program (CVDRMP) is seeking interested owner/operators of Central Valley dairies, beef feedlots, calf or heifer ranches to serve on CVDRMP's Board of Directors. The Board currently has a vacancy through the end of 2020 in District 5 (San Joaquin County and all Central Valley counties to the north).

CVDRMP's 12-member board includes 10 directors who serve in defined geographical districts and two at-large positions. CVDRMP directors govern the activities of this not-for-profit coalition of dairy producers, which was formed in 2010 to provide a lower-cost alternative to meet groundwater monitoring requirements for dairies in the Central Valley. To qualify for this appointment to the Board, interested parties must be a CVDRMP member in District 5.

Interested parties should submit brief biographical information (especially where and how long the applicant has owned or operated a qualifying facility, and any experience serving as a director on boards for nonprofits, community or trade associations, businesses or co-ops) and contact information to cvdrrmp@gmail.com. Please include the words "board vacancy" in the subject line.

Historic \$10 Million for California Stewardship

Courtesy of the USDA Natural Resources Conservation Service

The Conservation Stewardship Program (CSP) in California has received a historic \$10 million to help farmers, ranchers and forestland managers enhance their levels of stewardship and receive payments for doing so. The 2020 application deadline is June 5, 2020.

Through CSP, USDA's Natural Resources Conservation Service (NRCS) helps farmers, ranchers and forest landowners expand stewardship activities and receive

payments for both their existing conservation work and new enhancements they undertake. Enhancements are available to help with soil health, pollinators, changing weather patterns, western forest structure, irrigation, rangeland health and much more.

"California has been a leading state in conservation implementation including USDA NRCS Environmental Quality Incentives Program (EQIP) participation for more than two decades," says RaeAnn Dubay, assistant state conservationist for Farm Bill programs. "This means we have hundreds of farmers who have successfully completed prior conservation projects and are well positioned to move to the next level of conservation with additional practices through CSP." Dubay added that in today's unfortunate pandemic circumstances, this \$10 million investment in conservation can also help support rural economies throughout California.

"This is a program especially well-suited to California where many agricultural industries and supporters promote and reward advanced levels of stewardship," says Dubay. "CSP can help with those



additional goals. It can also help producers meet regulatory requirements or further work they have been doing to promote organic production, forest health and rangeland management.”

While conservation applications are accepted throughout the year, interested producers should submit CSP applications to their local NRCS office by the deadline of June 5 to ensure their applications are considered for 2020 funding.

For additional information about CSP, please schedule an appointment with your local USDA Service Center [here](#). More information can be found [here](#).

