

# MPC WEEKLY FRIDAY REPORT

DATE: AUGUST 21, 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                        | <b>-\$ .1700</b> | \$1.6500          | WEEKLY CHANGE     | <b>+\$ .0300</b>           | \$1.5150                   |
| Barrels                       | <b>-\$ .1700</b> | \$1.3300          | WEEKLY AVERAGE    | <b>+\$ .0380</b>           | \$1.5200                   |
| WEEKLY AVERAGE CHEDDAR CHEESE |                  | DRY WHEY          |                   | WEEK ENDING 08/15/20       |                            |
| Blocks                        | <b>+\$ .0595</b> | \$1.7265          | DAIRY MARKET NEWS | W/E 08/21/20               | <b>\$ .3400</b>            |
| Barrels                       | <b>-\$ .1120</b> | \$1.3660          | NATIONAL PLANTS   | W/E 08/15/20               | <b>\$ .3367</b>            |
|                               |                  |                   |                   | PRIOR WEEK ENDING 08/08/20 |                            |
|                               |                  |                   |                   | NAT'L PLANTS               | <b>\$0.9612</b> 19,338,169 |
|                               |                  |                   |                   | NAT'L PLANTS               | \$0.9773 15,097,236        |

## CALIFORNIA FEDERAL MILK MARKETING ORDER PRICE PROJECTIONS

| PRICE PROJECTIONS | CLASS I ACTUAL<br>(RANGE BASED ON LOCATION) | CLASS II PROJECTED | CLASS III PROJECTED | CLASS IV PROJECTED |
|-------------------|---|--------------------|---------------------|--------------------|
| AUG 21 EST        | <b>\$21.38 - \$21.88</b>                    | <b>\$13.52</b>     | <b>\$19.60</b>      | <b>\$12.85</b>     |
| LAST WEEK         | <b>\$21.38 - \$21.88</b>                    | <b>\$13.80</b>     | <b>\$19.89</b>      | <b>\$13.11</b>     |



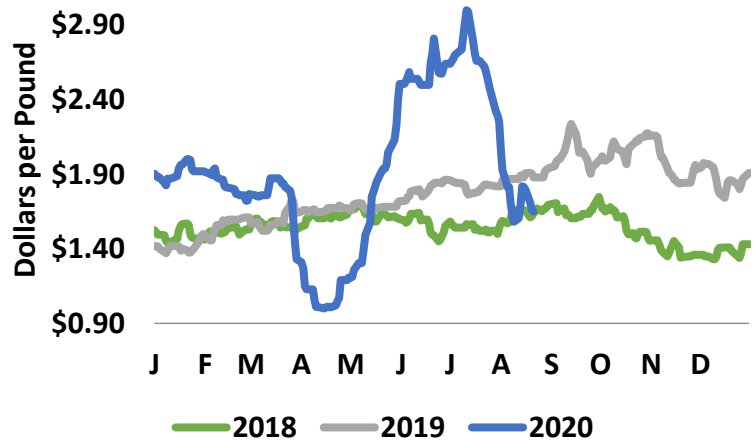
### Milk, dairy and grain market commentary

By Sarina Sharp, Daily Dairy Report  
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#### Milk & Dairy Markets

The spot Cheddar markets retreated once again. They lost a lot of ground, but they at least tried to put up a fight. Barrels regained some territory late in the week, signaling that the market is fumbling about for fair value. Blocks lost ground every day, but they still finished higher than last week's lows. Both blocks and barrels closed 17¢ in the red, preserving the wide spread between the two commodity cheeses. Blocks settled at \$1.65 per pound, while barrels floundered to \$1.33.

#### CME Spot Cheddar Blocks



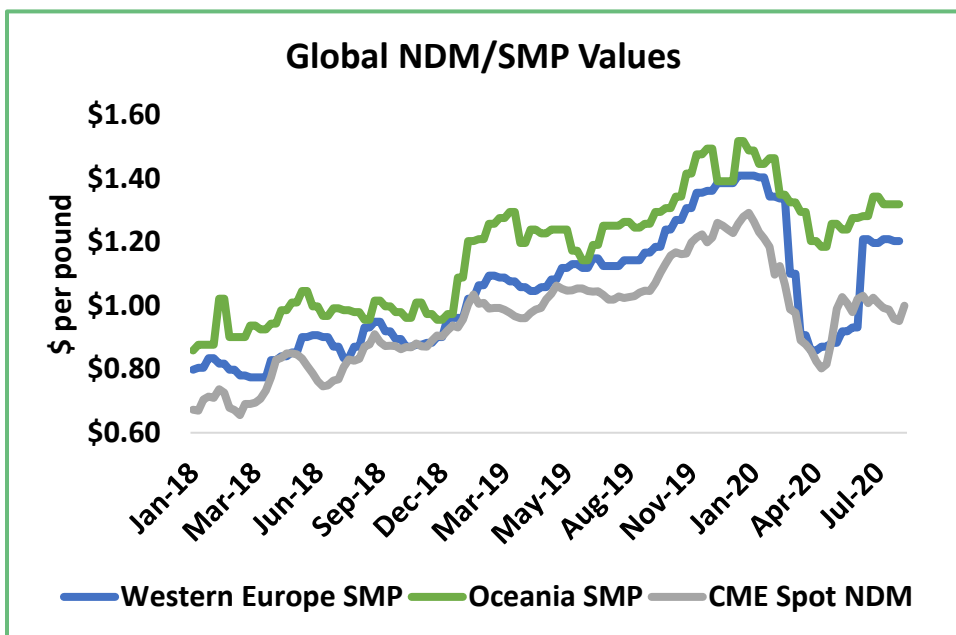
There is plenty of milk in the Midwest, thanks to unusually mild late-summer weather in the Great Lakes states and a lackluster start for back-to-school milk bottling. Spot loads continue to move at a

discount, prompting cheesemakers to top up their vats. In a few months, a new facility in Michigan will open its doors, and regional cheese supplies will climb further. Demand is mixed. Foodservice continues to struggle, with the notable exception of pizzerias, while sales at retail remain brisk. After recent declines in the cheese markets and the dollar index, U.S. cheese is starting to look more competitive in the export arena.

CME spot whey added a penny this week and closed at 33.5¢. But the Class III markets focused on the more significant drop in cheese values, causing a rout in the futures. September Class III plunged \$1.75 to \$15.13 per cwt. Fourth quarter futures lost 70¢ on average.

Spot Class IV products rallied this week. CME spot butter advanced 3¢ to \$1.515. Cream demand has

perked up a bit, which is slowing churn rates. Extremely hot weather in some of the most populated parts of the country has likely boosted ice cream demand. Print butter continues to move through retail quickly, and grocers anticipate a strong baking season ahead. But home cooks may do less entertaining for the holidays this year.

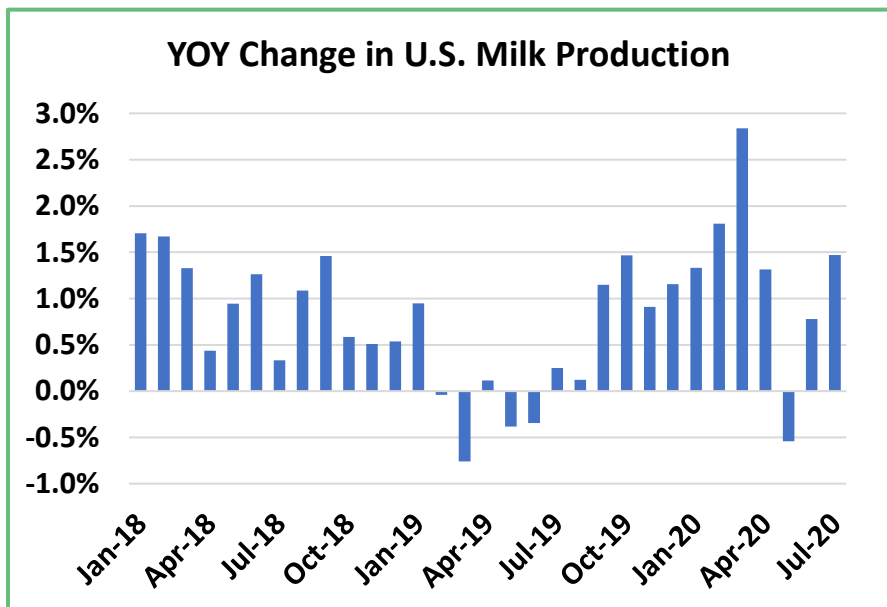


Skim milk powder (SMP) values climbed 1.1% at Tuesday's Global Dairy Trade (GDT) auction, while whole milk powder – and all other dairy products – fell flat. After adjusting for protein,

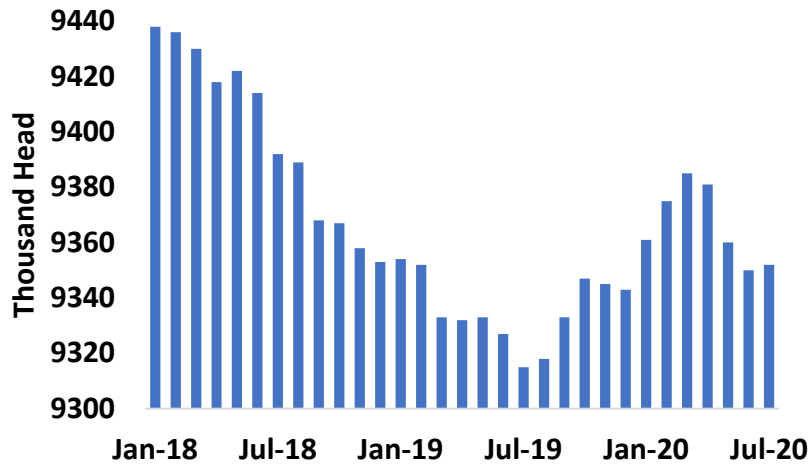
GDT SMP is equivalent to nonfat dry milk (NDM) at roughly \$1.29 per pound. Stronger SMP markets in both Oceania and Europe helped to lift U.S. milk powder. CME spot NDM gained 3.25¢ this week to 99.75¢. U.S. milk powder is priced to move abroad. Domestic demand is steady. Cheesemakers continue to buy milk powder to fortify their vats.

Although butter and powder values moved higher at the spot market, the futures held back. Traders are clearly wary about long-term demand prospects. Class IV futures settled a little lower today than they did last Friday. The September contract fell 9¢ to \$13.26.

Enticed by the promise of \$20+ milk – in the futures, although not in reality, for most – U.S. dairy producers did their best to top up their bulk tanks in July. National milk output reached 18.6 billion pounds,



## U.S. Milk Cow Herd



up 1.5% from the prior year. USDA also revised upward its estimate of June milk production. Dairy producers don't typically add cows in July, when springers are in relatively short supply, but this year low slaughter rates translated into a slightly larger milk-cow herd. There were 9.352 million cows in milk parlors last month, up 2,000 head from June and the first month-to-month increase since March. The dairy herd was 37,000 head larger than in July 2019.

Milk output topped the prior year in most of the major dairy states. Better

milk yields drove the bulk of the increase. Dairy producers managed to improve milk production per cow in most regions. However, in the Pacific Northwest and Idaho, supply management programs and steep discounts on excess milk kept output per cow in check. In the Southeast, sweltering temperatures dampened milk yields. In the Southwest, both factors were in play.

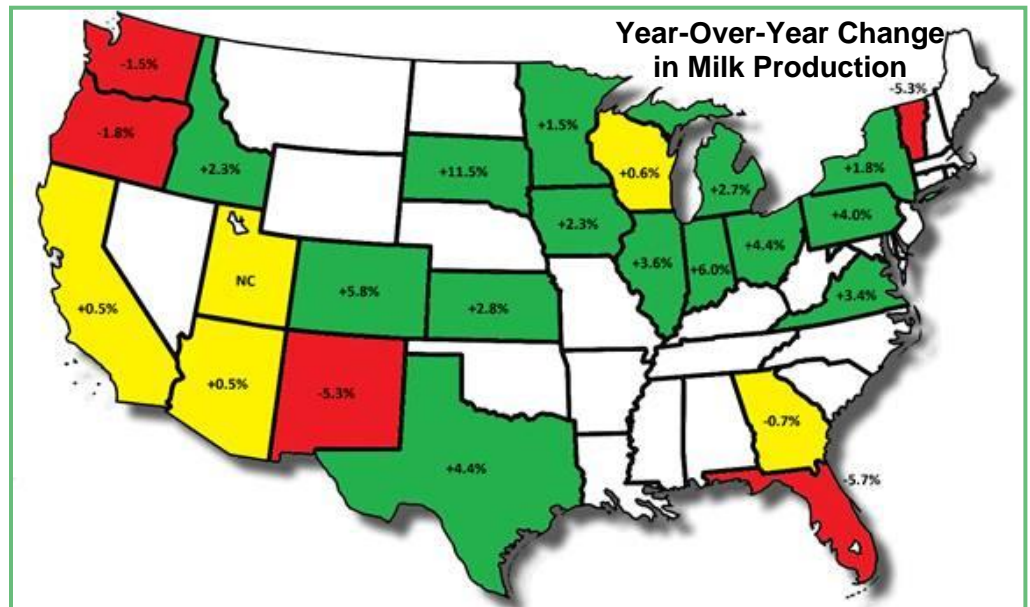
This month, the weather is having an even bigger impact on milk output. A heat wave is scorching California and the Southwest. In California's Central Valley, home to the nation's greatest concentration of dairy cows, record-breaking

temperatures are stressing the herd. The heat has been sufficiently severe and prolonged that it is raising death tolls and likely stymieing conception, which could trim springer supplies at the margins next year.

Once cooler autumn weather arrives, milk output is likely to bounce back. Going forward, gains in U.S. milk production will depend primarily on milk yields, as there are very few places with room for a lot more cows. Limitations on expansion are likely a blessing in disguise, as the industry probably won't need more milk until the pandemic is contained and the economy is on firmer footing.

## Grain Markets

It was a dry week in the Corn Belt, and the crops are starting to look parched. Soil moisture reserves are largely depleted, and there isn't much rain in the forecast until late next week. In many areas, yields are still likely to be above average, but hopes for a record-breaking corn crop are slowly evaporating.



The recent dry spell may be particularly hard on the soybean crop as it transitions from the pod-setting to the important pod-filling stage. Estimates of corn and soybean yields are starting to slip from the recent, nearly euphoric highs. The Pro Farmer crop tour called for a national average corn yield of 177.5 bushels per acre, well short of USDA's latest forecast at 181.8. For soybeans, Pro Farmer called for a 52.5 bushel per acre yield. USDA stands at 53.3.

USDA reported another big week for new crop soybean exports, further lifting bean values. There is potential for large U.S. corn exports as well, but there is still plenty of grain in South America, so significant rallies on LaSalle Street will make U.S. corn less competitive. December corn settled today at \$3.405 per bushel, up 2.5¢ for the week. At \$9.0475, November beans are 6¢ higher than they were last Friday.

## **CDFA Secretary signs judge's recommended decision concerning STOP QIP petition**

On Monday, August 17, California Department of Food and Agriculture (CDFA) Secretary Karen Ross signed Administrative Hearings Judge Tim Aspinwall's recommended decision concerning STOP QIP's petition to hold a referendum to suspend Chapter 3.5 of the Food and Agriculture Code. The judge's recommended decision, issued on July 24, 2020, was brief and clear: "Petitioner's request for a referendum pursuant to Chapter 3.5 is DENIED." Secretary Ross then had 30 days following the judge's recommendation to make a final decision.

With the Secretary signing the "Order of Decision," thereby adopting the "Proposed Decision," this concludes the petition process initiated by STOP QIP. You can read the recommended decision and signed order [here](#).



## **South Valley Producers: Watch your email inbox for more information about emergency disposal options**

*By Kevin Abernathy, General Manager*

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Producers in southern Fresno County down to Kern County have been dealing this week with delayed pick-up services from licensed rendering facilities. MPC has worked with these south valley counties – most of which have declared states of emergencies related to the disposal of animal carcasses – to give producers more options should pick-up be unavailable or delayed. We're also in contact with the rendering facilities so we can get the latest information about pick-up schedules and processing capacity.

MPC members should watch their email inboxes as we will provide an update in the very near future about the latest guidance south valley counties will be issuing for emergency disposal. There has been a lot of conversation about what that guidance may or may not look like from county to county, but as always, we will provide our producers with the facts and most up-to-date information as it becomes available. As of 5:21 p.m., the situation is still changing. Stay tuned, as I will send out information as soon as we have it.

## With Congress away, NMPF continues CFAP advocacy with USDA

By Jim Mulhern, President and CEO, The National Milk Producers Federation

Excerpted from NMPF's President's Update – August 21, 2020

The August Congressional recess is upon us, reducing the likelihood of legislative action on any additional COVID-19 disaster assistance until September.

Following USDA's extension of the sign-up deadline for USDA's Coronavirus Food Assistance Program to September 11, Secretary Sonny Perdue said this week he will announce details on a CFAP 2 later this month or in early September.

I had the opportunity to speak by phone with Secretary Perdue this week regarding dairy issues in the program. I urged the Secretary to lift the arbitrary payment limitations that have been imposed under the program, especially given that the \$1.7 billion in CFAP payments [made so far to dairy](#) fall far short of USDA's initial estimates. I also asked the Secretary to work with us to resolve a number of ownership structure-related challenges that are limiting payments, including those related to trusts.

Since USDA still has \$14 billion available to spend from the Commodity Credit Corporation, it was important to voice these concerns with Secretary Perdue directly as he contemplates how to make use of this funding as well as any remaining CFAP dollars. We will continue to engage with USDA and Congress as these discussions continue. On that point, Senate Republicans this week drafted a scaled-down version of a coronavirus aid package (reportedly without agriculture provisions) in an effort to kickstart the talks that failed last week between the White House and House Democrats. But again, it appears talks will not resume in earnest until Congress returns after Labor Day.

## Dairy Methane Reduction Programs: Providing great bang for the buck

*Courtesy of Dairy Cares*

California dairy methane reduction programs are providing a valuable mitigation strategy in the state's efforts to fight climate change. A growing body of evidence shows that the [Dairy Digester Research and Development Program \(DDRDP\)](#) and [Alternative Manure Management Program \(AMMP\)](#) have proven to be among the state's most cost-effective approaches for reducing greenhouse gas emissions.

The California Department of Food and Agriculture (CDFA) recently released its [2020 report of dairy digester projects](#) funded through the DDRDP. Anaerobic digesters, like the one pictured here, capture biogas from decomposing manure, which can be used to create renewable fuel or electricity. The 108 dairy digesters funded to date are already reducing 6 percent of the total greenhouse gas (GHG) emissions from all California agriculture. That's a reduction of 19.9 million metric tons of carbon dioxide equivalents (MMTCO<sub>2e</sub>) over ten years. Alternative manure management projects avoid the creation of methane emissions by promoting drier handling and storage practices. The AMMP has funded a total of 105 of these projects, which are estimated to reduce about 1.1 MMTCO<sub>2e</sub> over 5 years.



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