

MPC WEEKLY FRIDAY REPORT

DATE: FEBRUARY 5, 2021
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 5

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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+\$0.0650	\$1.6400	WEEKLY CHANGE	+\$0.0225	\$1.2675
Barrels	+\$1.1100	\$1.5000	WEEKLY AVERAGE	-\$0.0185	\$1.2680
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 01/30/21	
Blocks	-\$0.0080	\$1.5810	DAIRY MARKET NEWS	W/E 02/05/21	\$5075
Barrels	+\$0.0330	\$1.4275	NATIONAL PLANTS	W/E 01/30/21	\$4818
				PRIOR WEEK ENDING 01/23/21	
				NAT'L PLANTS	\$1.1424 22,250,804
				NAT'L PLANTS	\$1.1521 18,210,355

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 5 EST	\$17.14 - \$17.64	\$14.05	\$15.64	\$13.27
JAN '21 FINAL	\$16.74 - \$17.24	\$14.18	\$16.04	\$13.75



Milk, Dairy and Grain Market Commentary

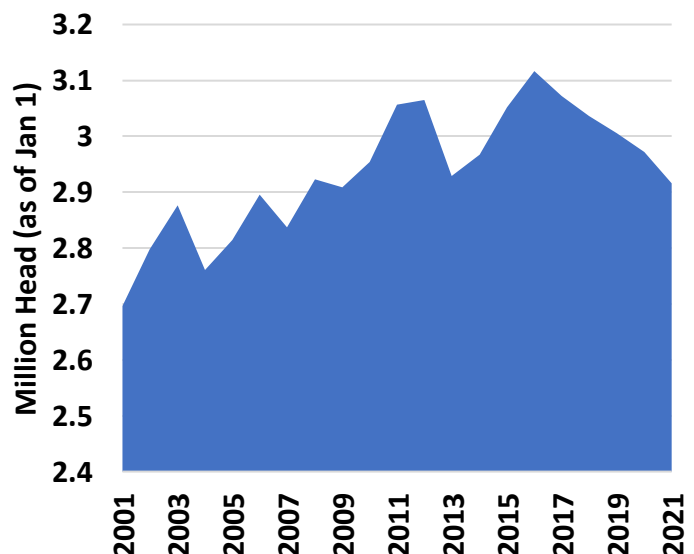
By Monica Ganley, Daily Dairy Report

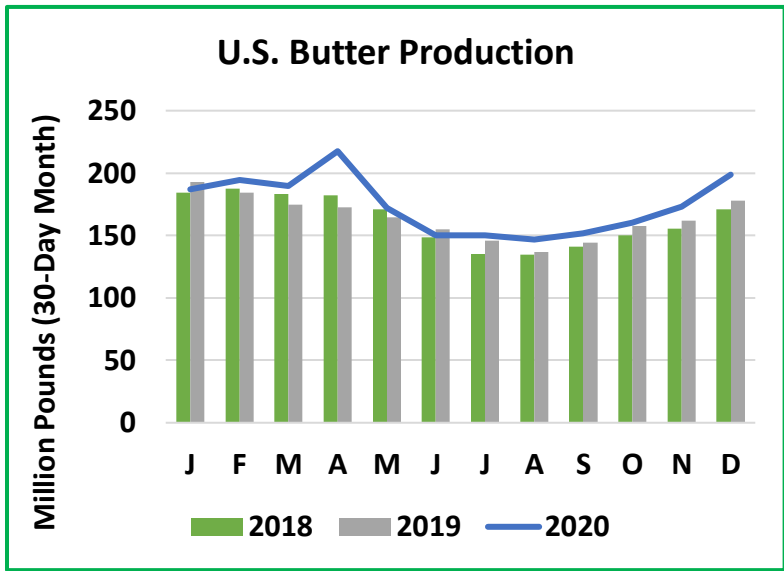
Monica@DailyDairyReport.com

Milk & Dairy Markets

Not even Punxsutawney Phil's declaration of an extended winter could freeze out the dairy markets this week. Most commodities kicked off February with price fluctuations as new market information collided with the realities of supply and demand. Reports from across the country indicate that milk production continues to exceed prior year levels in most places and is growing seasonally as spring approaches. USDA's Cattle report released late last week confirmed that the national milking herd at the turn of the year totaled 9.44 million head – the largest number since 1995. However, the number of heifers expected to calve declined to the lowest levels in over a decade, indicating that there are fewer replacements waiting in the wings.

Heifers Expected to Calve





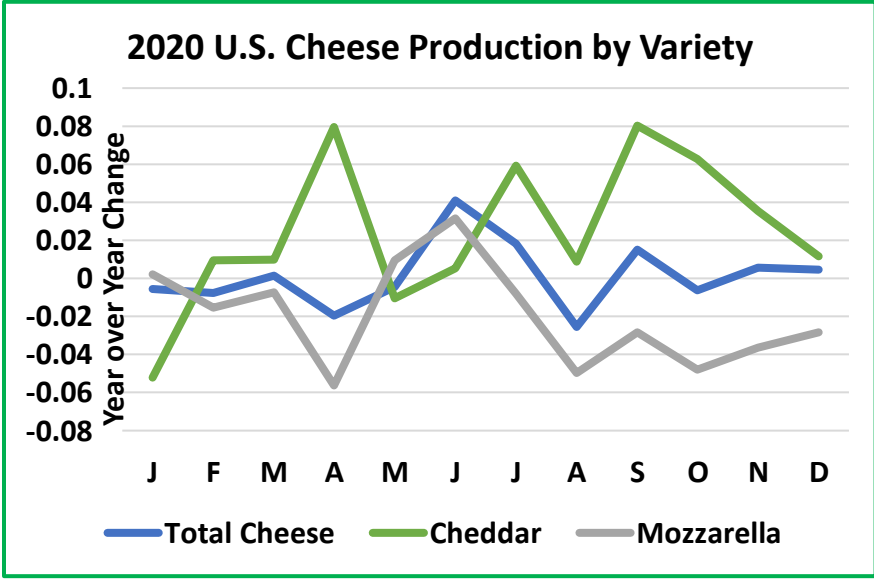
USDA’s Dairy Products report, published on Thursday, confirmed suspicions that plentiful milk supplies led to ample dairy product production in December. Class IV products in particular capitalized on the available milk with butter production hitting a December record of 205.5 million pounds, representing a year over year increase of 11.8%. Dryers were also clearly active in December with combined production of nonfat dry milk (NDM) and skim milk powders (SMP) up 6.8% for the month.

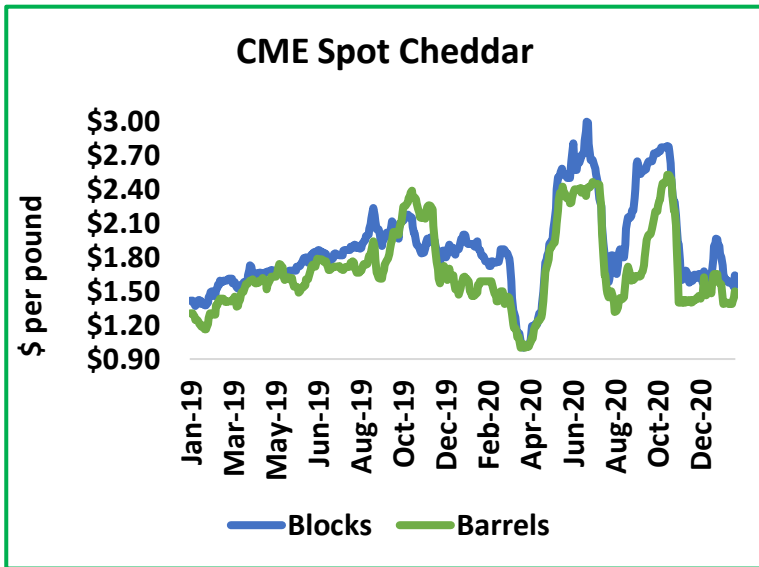
ageing programs. Thus, Cheddar production climbed 1.2% while Mozzarella production slipped by 2.8% year over year. The abundant whey stream provided by the cheese vats pushed dry whey and whey protein isolate production up 2.3% and 15.7%, respectively. Manufacturers indicate that spot milk can still be easily secured at a significant discount to class prices, though the number of available loads is easing. Thus, strong dairy product production is likely to persist into the coming months.

On the Class III side, cheese manufacturers increased production by 0.5%, demonstrating a preference for cheeses that can be put into

The CME Cheddar block market was unsettled over the course of the week. After finding some traction early on, block prices slipped on Wednesday and Thursday, falling as low as \$1.535/lb. before heating up on Friday. A 10.5¢ jump during Friday’s trade erased the early losses and brought the price up to \$1.64/lb., an increase of 6.5¢ versus last Friday. Barrels staged a more measured ascent, rising steadily through the week to finish Friday’s session at \$1.50/lb., 11¢ higher than last week. The trade was active with 14 loads of blocks and 19 loads of barrels changing hands over the five days. Cheese demand continues to be hurt by a lack of foodservice activity though retail sales remain resilient.

Spot butter market observers are also likely suffering from whiplash as a 3.5¢ decline at the CME on Monday was followed by an 8.25¢ rise on Tuesday. A strong result for fats at the Global Dairy Trade auction likely caused the rise which was sustained Wednesday. By Thursday, however, the gains began to be whittled away as the realities of the heavy production and inventory situation weighed on the market. Cream multiples have improved slightly, particularly as ice cream demand has picked up in recent weeks. Nevertheless, churns are keeping busy schedules and butter is reportedly plentiful. CME spot butter ultimately finished the week at \$1.2675/lb., still 2.25¢ higher than the prior Friday. U.S. trade data shows that butter exports in December were stronger



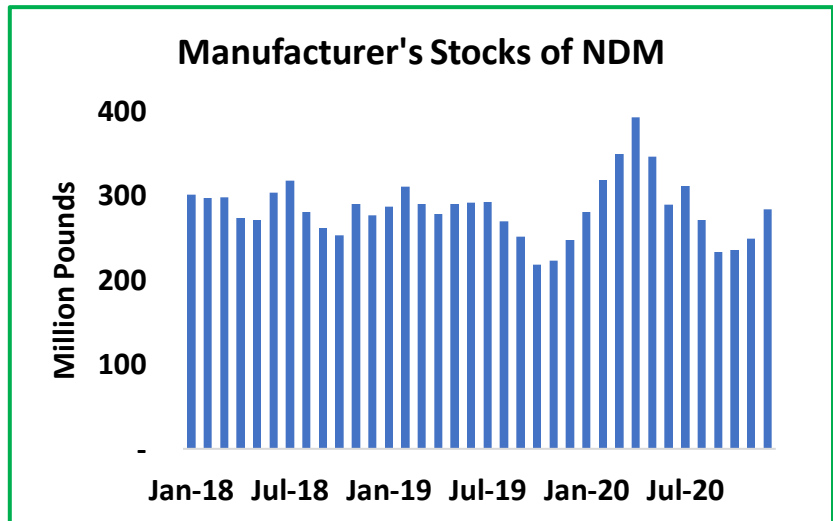


than they have been in years, due to renewed interest from Canada and Mexico, as well as a record large shipment to Bahrain. U.S. product remains at a significant discount to global competitors and if standardization issues can be overcome, the export market may help to clear some of the inventory.

Unlike butter, exports of NDM were weaker in December year over year, even as stronger shipments in earlier months pushed annual exports up 15.6% versus 2019 after adjusting for the leap day. Logistical obstacles, namely a shortage of containers, likely resulted in lower volumes moving abroad. Domestically, there is a lot of condensed skim available and dryers

are working hard to balance milk supplies. At the CME, NDM prices slid steadily through Thursday before bouncing back and adding 2¢ during Friday's trade. NDM closed the week at \$1.12/lb., down 5.25¢ from last week. It was a very active week for NDM trade with a record 33 loads changing hands on Wednesday.

Bucking the trend, spot whey markets remained unchanged all week at 53.5¢/lb. with only one load moving. Though container availability is also an issue for whey traders, exporters were nevertheless able to ship 107.2 million tons of whey products during December, an increase of 27.5% versus the same month last year. Sustained buying interest from China pushed 2020 cumulative whey exports up by 23.4% compared to 2019. Though heavy cheese production has resulted in an ample whey stream, a preference for higher value protein products continues to keep supplies of dry whey in balance.



Milk futures were mixed for most of the week though Friday's spot cheese gains drove Class III contracts decisively upwards. The APR21 and MAY21 contracts settled limit up on Friday, breaching the \$17/cwt threshold. Most Class IV futures contracts softened during the week until finding some life on Friday. Nevertheless, it was not enough to overcome earlier losses and most 2021 contracts finished about a quarter lower than last Friday's settlements.

Grain Markets

In the soybean market, while nearby futures contracts have eased somewhat, another round of concerns about the South American harvest is causing worry further into the future. After months of concerns about dry weather it is now, ironically, heavy rains that are threatening to delay the soybean harvest in Brazil, pushing prices upward. Corn prices were fickle over the course of the week, but near-term contracts ultimately settled on Friday close to prior week values. Feed concerns remain a significant threat to producer profitability in 2021.

Updated COVID-19 Vaccine Allocation Guidelines Released

Courtesy of the California Department of Public Health

On February 4, 2021, CDPH released updated guidance governing COVID-19 vaccine allocation. Based on available supply, individuals described below are or will be eligible for COVID-19 vaccines:

- Phase 1A, all tiers (healthcare workers and long-term care residents)
- Phase 1B, Tier 1:
 - Persons 65 years of age and older
 - Sector populations:
 - Education and Childcare
 - Emergency Services
 - **Food and Agriculture***

*Persons at risk of occupational exposure to SARS-CoV-2 through their work in any role in the [Emergency Services & Food and Agriculture Sectors from CA Essential Workforce](#) list and any employee working in a restaurant to the extent not described in the Food and Agriculture Sectors from the CA Essential Worker list.

Minimizing disuse of scarce COVID-19 vaccine

To avoid wastage or disuse of scarce supplies and maximize their benefit to Californians:

- Allocations of doses are made on the assumption that immunization will be accepted by some but not all who are offered the vaccine, and then adjust later allocations based on the number of doses that are accepted.
- After focused and appropriate efforts to reach the groups prioritized at that moment, providers may offer vaccine promptly to persons in lower priority groups when:
 - Demand subsides in the current groups, or
 - Doses are about to expire according to labeling instructions.
 - Providers may temporarily adjust prioritization based on other resource constraints while continuing efforts to immunize higher priority groups as soon as feasible.
- Other Frequently Asked Questions:
 - If someone was given a first dose of vaccine that does not meet the most up to date vaccine eligibility criteria, should they receive a second?

Individuals who have already received their 1st dose of COVID-19 vaccine should receive their 2nd dose at the recommended interval for that vaccine.

Sign up for [COVID-19 vaccine notification](#) to know when it's your turn to get vaccinated.

For more information about the updated guidelines, click [this link](#).

Dealing with Trespass and Drones on California Dairies

Courtesy of California Dairy Quality Assurance Program

Criminals and animal activists are re-doubling their efforts to trespass on dairies, which can have public relations, animal health and even personal safety implications for you, your family and your employees. With this in mind, MPC is sharing these important tips from the California Dairy Quality Assurance Program (CDAQP). Some highlights are below:



- California Penal Code makes entering a farm with the purpose of interfering or injuring it punishable by up to \$1000 and/or 6 months in a county jail.
- Posting *No Trespassing* signs improves the ability of law enforcement to arrest and prosecute trespassers.
- Property fraud and drug operations are other forms of trespass of concern to rural property owners.

There are no California laws which allow someone to enter a farm and “rescue” livestock or poultry. Activists thinking otherwise have been arrested in California.

- In most areas of the state, it is legal for hobbyists or commercial companies to operate drones over private property.
- A number of federal and state restrictions exist which drone operators must comply with. Frightening livestock and viewing private areas on a property is illegal.
- In all cases of trespass, either by persons or drones, the first action is to call 911 asking for response from the police or sheriff. Damaging a drone invites legal repercussions.
- Trespass is only one aspect of rural crime. For a more comprehensive review focusing on farm theft, visit [CDQAP Ruminations: Preventing Rural Crime on Your Dairy](#)

To read the full article, click [here](#).

NMPF President's Update

By Jim Mulhern, President & CEO of National Milk Producers Federation



FARM Program Monitoring New Anti-Dairy Activist Project – Our Farmers Assuring Responsible Management (FARM) program is closely monitoring a new anti-livestock project undertaken by the animal rights organization Direct Action Everywhere (DXE). Last summer, DXE launched “Project Counterglow,” a public, online interactive map of cattle, dairy, chicken, layer pig and fur farms in the U.S., as well as slaughter and medical testing facilities. Project Counterglow defines itself as a small team of activists and investigators who have created an interactive map of “animal abuse facilities,” and that group is urging followers to visit local farms, capture video footage, and use the internet to gain access to publicly available farm-related records.

This month, Project Counterglow has started a campaign specifically targeting dairy farmers. From what we understand, the organization will be naming dairy farms on their social media channels with all the information they can gather on that farm, including aerial photos, government documents, images and videos. FARM and NMPF along with DMI and the Animal Agriculture Alliance are monitoring this issue daily. Any questions can be directed to our FARM staff at dairyfarm@nmpf.org.