

# MPC WEEKLY FRIDAY REPORT

DATE: FEBRUARY 7, 2020  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 5

P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018  
 2328 Jonathon Court, Escalon, CA 95320 • (209) 691-8139  
[Office@MilkProducers.org](mailto:Office@MilkProducers.org) • [www.MilkProducers.org](http://www.MilkProducers.org) • Fax (909) 591-7328



## MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE			CHICAGO AA BUTTER			NON-FAT DRY MILK	
Blocks	+ \$.0100	\$1.9300	WEEKLY CHANGE	-.0675	\$1.8325	WEEK ENDING 02/01	
Barrels	-.0225	\$1.4775	WEEKLY AVERAGE	+.0330	\$1.8655	NAT'L PLANTS	\$1.2578 22,120,688
WEEKLY AVERAGE CHEDDAR CHEESE			DRY WHEY			PRIOR WEEK ENDING 01/25	
Blocks	-.0100	\$1.9125	DAIRY MARKET NEWS	W/E 02/07/20	\$3.3650	NAT'L PLANTS \$1.2474 21,481,197	
Barrels	-.0935	\$1.4645	NATIONAL PLANTS	W/E 02/01/20	\$3.3528		

## 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 7 EST	\$19.15 - \$19.65	\$17.18	\$17.06	\$16.57
FINAL JAN '20	\$20.61 - \$21.11	\$17.05	\$17.05	\$16.65



### Milk, Dairy and Grain Market Commentary

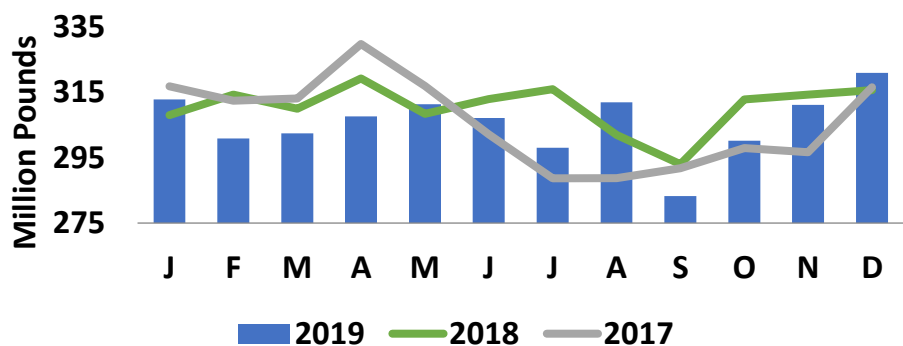
By Sarina Sharp, Daily Dairy Report  
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

#### Milk & Dairy Markets

The dairy markets got off to a very rough start this week. Sentiment improved by Friday, but the damage was done. CME spot Cheddar barrels fell to an 11-month low on Monday and tested the same waters again on Wednesday. They regained much of the ground they lost and closed today at \$1.4775 per pound, down 2.25¢ for the week. Block supplies are not nearly so burdensome, and it shows. They climbed a penny this week to a very respectable \$1.93.

The market is still suffering a hangover after over-indulging in October and November. Sky-high cheese values late last year boosted Cheddar supplies and

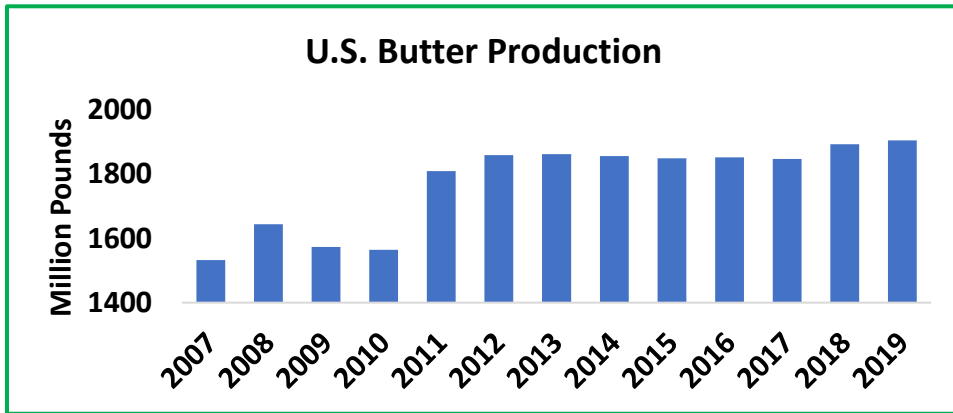
#### Cheddar Production (30-day Months)



weighed on cheese demand. After robust Mozzarella production most of last year, cheesemakers shifted milk into Cheddar vats in December. Cheddar production reached a nearly two-year high, and topped December 2018 by 1.7%. In contrast, Mozzarella output fell 1.6% from the prior year. Higher Cheddar output likely prompted the steep selloff in CME spot Cheddar barrels. Discounts in the spot milk market in the Midwest suggest that Cheddar output is still formidable.

U.S. cheese exports fell 9.3% from the prior year in December. Cheese exports are likely to remain soft for a few months more, until more competitively priced product can make its way to the port. All told,

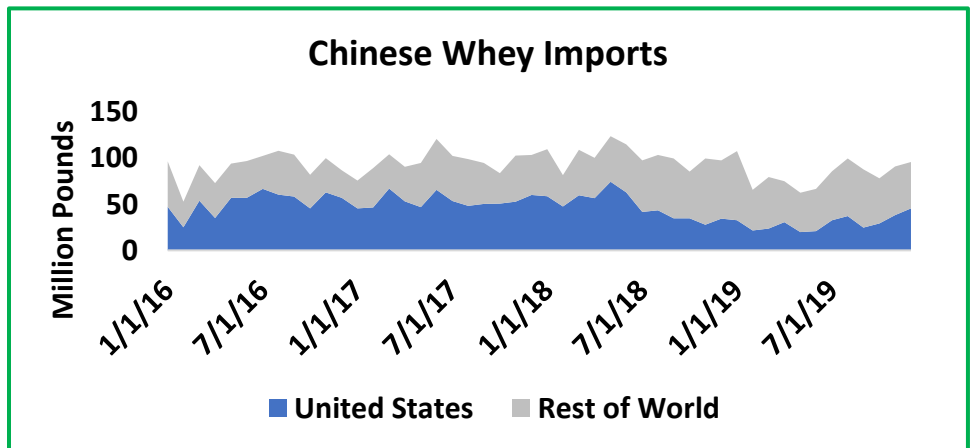
the U.S. exported 789 million pounds of cheese and curd in 2019, 2.7% more than the prior year.



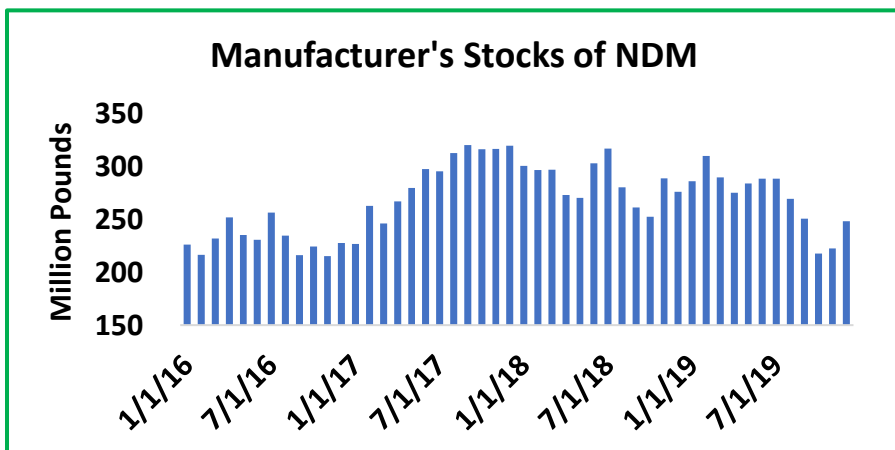
The butter market softened further. Spot butter fell 6.75¢ to \$1.8325. Butter production jumped 4% from the prior year in December, lifting full-year output by 0.8% to the largest annual total on record. Demand

is simply not keeping pace, and butter values continue to slump. U.S. butter has fallen far enough to perhaps stave off another wave of imported butterfat. There is more than enough cheap domestic cream for the market to absorb.

The powders fared much better. CME spot whey climbed 2.5¢ to 39¢ per pound, its highest value since September. The whey market has good reason to rebound. Chinese whey imports appeared to stabilize in December. They were just 1.7% lower than in December 2018. This suggests that demand destruction wrought by African



swine fever may be starting to ebb. Furthermore, Chinese importers have turned their attention back to the U.S. after tariffs were waived. Chinese imports of U.S. whey jumped 33% compared to December 2018. The data and the détente bode well for U.S. whey exports to China in 2020.

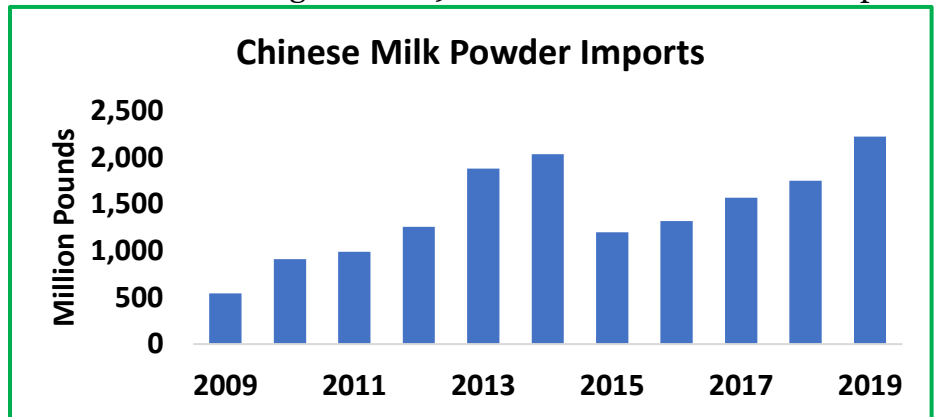


Processors are flush with milk throughout the West, and the driers are running hard. In December, nationwide production of nonfat dry milk (NDM) and skim milk powder (SMP) reached 217 million pounds, the highest monthly total since April 2018 and 12.5% more than the prior year. Manufacturers' stocks of NDM

jumped 26 million pounds, the largest November-to-December increase since 2012. Still, year-end NDM inventories were the lowest since 2016, some 13.6% smaller than they were at the end of 2018.

Milk powder values moved decidedly lower at the Global Dairy Trade (GDT) auction on Tuesday. Whole milk powder (WMP) fell to a six-month low, down 6.2% from the previous auction. SMP dropped 4.2%, to the equivalent of NDM at \$1.41 per pound. Fears that the coronavirus would continue to spread likely weighed on GDT values as the market priced in the risk that Chinese consumption will falter.

But the fundamentals of the milk powder market are otherwise sound. Global stocks are significantly tighter, and China's appetite remained formidable throughout 2019. Chinese WMP and SMP imports in December topped the prior year by 65% and 29%, respectively. China brought in a record-breaking volume of SMP in 2019. While WMP imports fell short of the high set in 2014, they were still 29.5% greater than the 2018 total. New Zealand is China's main supplier, but the Kiwis are not likely to finish strong. Drought is taking hold on the North Island. Strong Chinese demand and tighter New Zealand milk powder supplies leave room for both the U.S. and Europe to sell SMP at a heady clip.



U.S. merchants sent 152.5 million pounds of NDM and SMP abroad in December, up an impressive 37% from the year before. But milk powder exports got off to a very slow start in 2019; for the year, U.S. NDM/SMP exports fell 1.7% short of 2018.

Whey, NDM, and Cheddar blocks helped to shore up the dairy futures by Friday, but they could not entirely overcome the red ink from early in the week. Most Class III futures finished roughly 5 to 10¢ lower than last Friday. The March contract plummeted 33¢. All 2020 contracts stand above \$17 per cwt. Weakening butter values weighed on the Class IV market. Most futures contracts lost between 15 and 20¢.

### **Grain Markets**

The grains gained a little ground after steep losses last week. March corn climbed 2.25¢ to \$3.835 per bushel. March soybean futures rallied a dime to \$8.82.

On Thursday, China promised to cut in half the tariffs that took effect on September 1. In that round, China boosted the tariff on U.S. soybeans by 5%. Under the new rates, U.S. soybeans will face a 27.5% border tax beginning next Friday, rather than the current 30%. That's a step in the right direction, but a pretty small one, and the soybean market's reaction was appropriately miniscule. China will buy more U.S. farm goods, and soybeans top the list. But those purchases will likely depend on Beijing offering importers exemptions on the border tax, just as they have for the past six months. Meanwhile, crop analysts continue to raise their estimates of the size of the South American soybean crop, and those crops enjoy a big currency and tariff advantage.

Dairy producers in the Midwest continue to reap the consequences of a very rough season. As they dig into new crop forages, many in the region are watching in dismay as milk yields fall. But, judging by the spot market, there is still plenty of milk to be had.



## Registration now open for February 11 Quota meeting at Farm Show in Tulare

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs  
[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)

As we reported last week, Dr. Marin Bozic and Mr. Matt Gould recommended a path forward for the industry to address the quota issue. Their recommendations come after months of work, which included producer think tanks, feedback sessions and critical analysis of the various ideas related to quota.

In summation, Dr. Bozic and Mr. Gould's recommendations include:

- A QIP sunset with a termination date of March 1, 2025, i.e. 5 years from March 1, 2020;
- Equalization of regional quota adjusters such that quota premium in all counties equals \$1.43/cwt.;
- A five-year sunset with equalized regional quota adjusters, which provides a cumulative payment of \$300 per pound of quota, distributed over 60 months; and
- Implementation of the quota reform plan via a producer referendum.

You can read the entire California Quota Reform Proposal [here](#) as well as the Phase III survey results and key insights [here](#).

Dr. Bozic and Mr. Gould will present their recommendations on **Tuesday, February 11 at 11 a.m. in the VIP Tent at the World Ag Expo (Farm Show) in Tulare**. Please note that the VIP Tent will be located near the Heritage Complex on the west side of the Farm Show and not by the dairy complex as it has been in years past. Register for the quota meeting [here](#).

## Congressman Kevin McCarthy announces funding for critical water infrastructure projects in California

*Courtesy of Office of Congressman Kevin McCarthy*

February 4, 2020 (WASHINGTON, D.C.) – Today, Congressman Kevin McCarthy applauded the U.S. Bureau of Reclamation's (BOR) Fiscal Year 2020 Distribution of Additional Funding [plan](#). The plan details how BOR will spend funds appropriated by Congress in the Further Consolidated Appropriations Act, 2020 (Public Law 116-94), which McCarthy supported. This includes \$11 million for subsidence repair work on the Friant-Kern Canal – which is in addition to the \$2.35 million Congress specifically provided for this project – as well as \$8 million for design and pre-construction work on the Shasta Dam and Reservoir Enlargement Project. McCarthy released the following statement:

*“The Friant-Kern Canal delivers critical water to Tulare and Kern Counties, providing invaluable support to many of the farms that grow the food we eat. Restoring capacity of the canal is expected to increase average annual water deliveries by 8,000 acre-feet, while the Shasta Enlargement Project will capture and store an additional 634,000 acre-feet of water during wet years for use during future dry years. These projects will be a huge benefit to our communities, all Californians, and the environment.*”

*I am grateful to President Trump, Interior Secretary Bernhardt, and Reclamation Commissioner Burman for continuing to prioritize critical water infrastructure projects in California. These actions will help our state become more drought resilient while also guaranteeing that our communities and agriculture producers receive the water they contract and pay for. I look forward to working with the administration to ensure these projects receive the funding they need to advance quickly.”*

## **CARB to consider Shafter Community Emissions Program on February 13**

*Courtesy of Kern County Farm Bureau*

The California Air Resources Board (CARB) will consider the Shafter Community Emissions Reductions Program (CERP) on February 13 at 4 p.m. at the Shafter Veterans Hall. If you farm in Shafter, we highly recommend you attend this meeting to learn about how the CERP could potentially affect your operation(s).



For additional information, please email [ajoven@kerncfb.com](mailto:ajoven@kerncfb.com). You can also click [here](#) for the full Shafter Community Emissions Reduction Program report.



## **MPC General Manager Kevin Abernathy plans March follow-up meetings in Washington, D.C.**

*By Kevin Abernathy, MPC General Manager*

[Kevin@MilkProducers.org](mailto:Kevin@MilkProducers.org)

Last Friday, I reported on the successful week of meetings I had with several Congressional offices in Washington, D.C. I'm pleased to say that MPC is already planning its next trip to our nation's capital to discuss dairy, agricultural, labor and water policies with Congressional leaders. On this next trip, we look forward to the opportunity of meeting with the staff of the 21st Congressional District, who reached out to me after I mentioned in last week's report that I did not have the opportunity to meet with them during my recent trip. Turns out, the emails I thought I was sending to their office to schedule a visit never made it to their office, and I appreciate Jared Henderson notifying me so we can work on getting a future meeting scheduled.

