

MPC WEEKLY FRIDAY REPORT

DATE: MARCH 12, 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	+ \$.0575	\$1.7900	WEEKLY CHANGE	+ \$.0250	\$1.7150
Barrels	+ \$.0450	\$1.5525	WEEKLY AVERAGE	+ \$.0190	\$1.7005
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 03/06/21	
Blocks	+ \$.0980	\$1.7635	DAIRY MARKET NEWS	W/E 03/12/21	\$.5625
Barrels	+ \$.0755	\$1.5220	NATIONAL PLANTS	W/E 03/06/21	\$.5311
				PRIOR WEEK ENDING 02/27/21	
				NAT'L PLANTS	\$1.1032 19,005,328
				NAT'L PLANTS	\$1.0867 28,921,269

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
MARCH 12 EST	\$16.80 - \$17.30	\$15.29	\$16.36	\$14.36
LAST WEEK	\$16.80 - \$17.30	\$15.30	\$16.30	\$14.32

February 2021 CA FMMO Statistical Uniform Price Announcement

Feb `21 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price (Blended Price)	Net Price After Quota Assessment*
Minimum Class Price	\$17.14 (Tulare) \$17.64 (L.A.)	\$14.00	\$15.75	\$13.19	\$13.49 (Tulare) \$13.99 (L.A.)	\$13.125 (Tulare) \$13.625 (L.A.)
Percent Pooled Milk	21.2%	5.0%	1.3%	72.6%	100% (1.836 billion lbs. pooled)	

*Quota rate of \$0.365/cwt. as of June 2020 milk

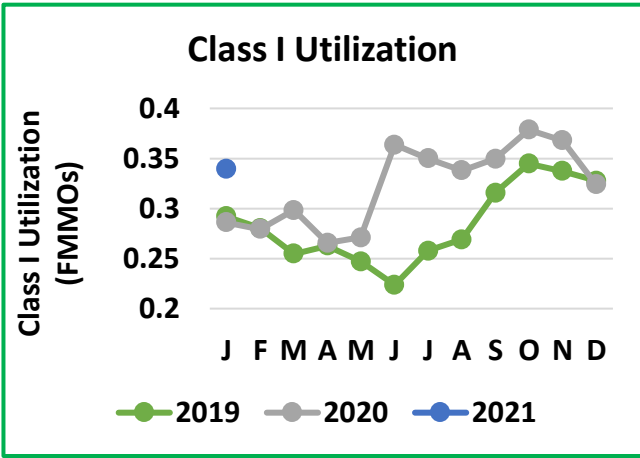


Milk, Dairy and Grain Market Commentary

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

Milk & Dairy Markets

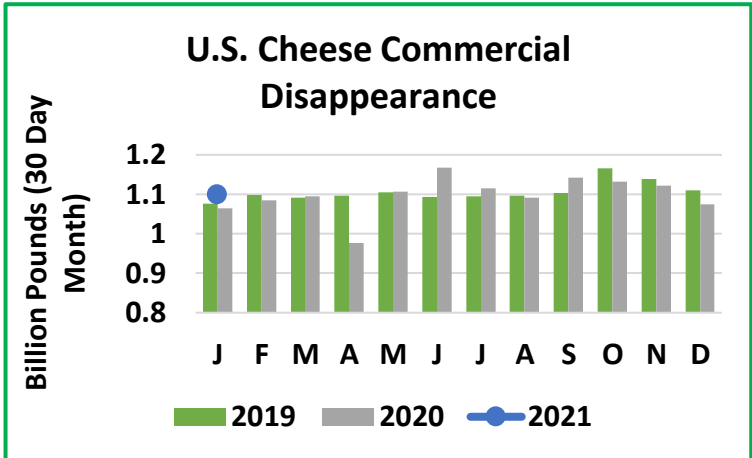
Over the past year, the dairy markets have exhibited extreme volatility, adjusting to drastic shifts in both supply and demand. But today, one year since COVID-19 was declared a pandemic, it feels as if a sense of normalcy is on the horizon. As vaccination campaigns progress across the globe, consumer behaviors are shifting back towards something that resembles pre-pandemic times.



Demand from bottlers is steady to strong in most parts of the country. Stay at home orders have driven strong fluid milk consumption over the past year but as students return to classrooms to varying degrees, fluid milk demand from educational institutions is likely to grow. Class I utilization among the federal milk marketing orders in January was 33.9%, the highest it has been for that month since 2012.

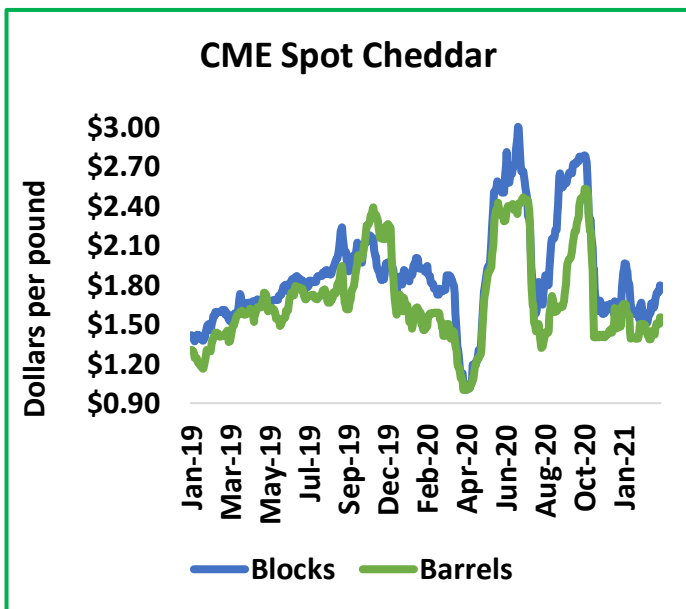
Nevertheless, milk remains plentiful and is growing seasonally across the country. In California, market participants report that the spring flush has arrived earlier than expected, leaving milk marketers

scrambling to find homes for all their loads. Across the rest of the West, volumes are also ramping up seasonally, with reportedly high component values increasing the availability of milk solids. In Texas, the impact of February’s winter storm is still being assessed, particularly as producers are increasing the culling of animals that were negatively impacted by the cold temperatures.

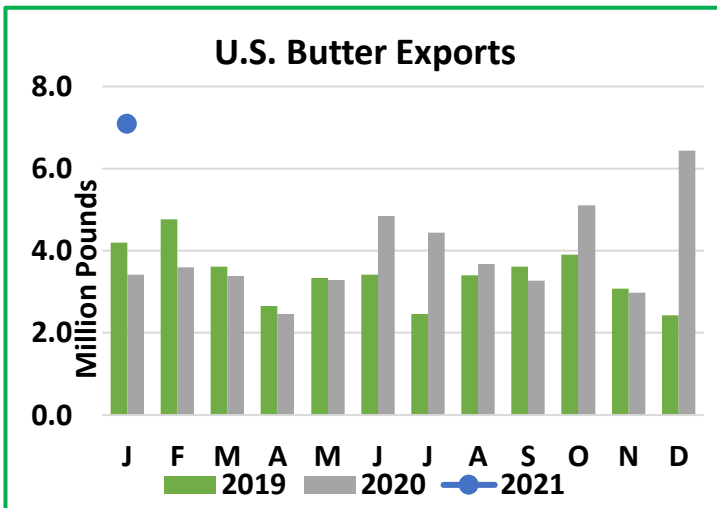


In the Upper Midwest, even as milk production rises seasonally, increased raw milk use by processing facilities has greatly reduced the availability of spot milk loads. According to Dairy Market News, for the first time in 2021, spot loads can be picked up at parity with the Class III price – significantly stronger prices than just one week ago. Despite this drastic change in the market, processors are not concerned about raw milk availability with most anticipating that milk production will continue expanding in the coming months.

Foodservice demand for cheese is improving as dining restrictions relax and a growing number of people feel comfortable eating in restaurants. This trend is likely to continue as stimulus checks make their way into people’s pockets and encourage extra spending at dining establishments. At 1.136 billion pounds, commercial disappearance of cheese in January posted the first year over year gain since September. Yet, despite the positive demand notes, cheesemakers are still running heavy schedules with some reporting that inventories continue to grow.



Positive sentiment for cheese prevailed at the CME this week, building on last week’s gains. Blocks moved upwards, albeit in fits and starts, rising as high as \$1.7950/lb. on Thursday before giving up a half cent in today’s session close the week at \$1.79/lb. This represents an increase of 5.75¢ compared to prior week, though not a single load traded hands. Block prices are now the highest they

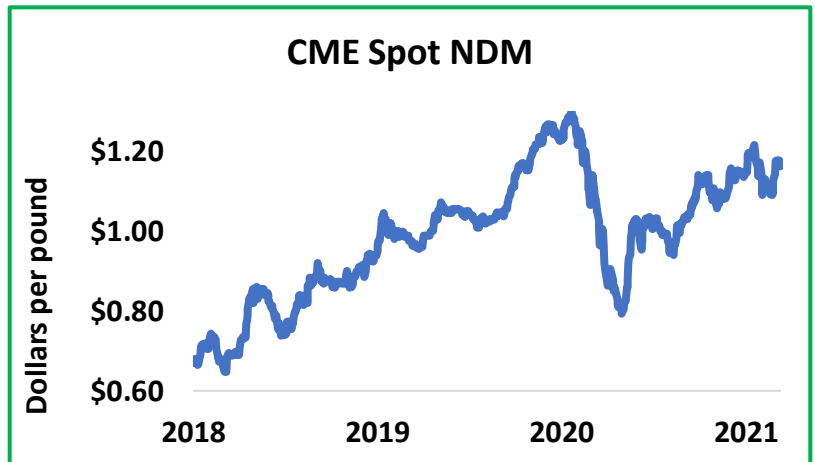


have been since mid-January. Barrels also gained some ground, ultimately finishing the week 4.5¢ higher than last Friday at \$1.5525/lb. The block-barrel spread sits at 23.75¢, slightly narrower than earlier in the week, but still wide by historical standards.

CME spot butter prices were also able to gain some traction this week. Despite moving up and down over the course of the week, Friday’s spot session closed with a price of \$1.715/lb., up 2.5¢ compared to last Friday with a total of 14 loads trading hands. Export interest has remained robust while a resurgence in foodservice has also

helped to firm up prices. Commercial disappearance of 155.2 million pounds of butter in January led prior year but remains lower than for the same month in 2019. Churns continue to run hard schedules with heavy butter production and inventories still threatening to weigh on the market.

While cream heads to churns, condensed skim is readily available for dryers. Yet, in spite of strong production, export interest is purportedly growing and helping to support prices as U.S. product remains at a discount to global alternatives. Nevertheless, spot NDM at the CME gave up .75¢ over the week, realizing losses on Tuesday, Wednesday and Thursday. A modest gain on Friday’s session pulled prices up to cap the week at \$1.17/lb.



The bulls show no signs of relenting in the whey markets. A 1.5¢ gain on Monday propelled the CME spot whey price to a new record high of 59.5¢/lb. Even after a slight retreat on Wednesday, spot whey prices remain strong, closing the week out at 59.25¢/lb. on Friday, an increase of 1.25¢ versus the prior week. Export demand is robust, particularly from Asian buyers that have returned invigorated following the Lunar New Year. Mexican whey demand has reportedly improved, as well.

Class III milk futures fluctuated over the course of the week, moving up on Monday, Tuesday and Thursday, while retreating on Wednesday and Friday. The movements generally canceled each other out with most nearby contracts settling no more than a few cents differently on Friday than on Monday. Class IV milk futures were also relatively quiet with the largest movements appearing on Thursday when the CME spot butter market dipped by a half cent. Even so, most nearby contracts settled at similar values on Friday as on Monday.

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Grain Markets

USDA’s World Agricultural Supply and Demand Estimates (WASDE) report, released Tuesday, left February’s projections for corn and soybean supply and total use unchanged. Corn production in the 2020/2021 marketing year is forecast at 14.182 billion bushels while soybeans are estimated at 4.135 billion bushels, representing an increase of 4.1% and 16.4%, respectively, versus the prior year. Most

notably, USDA did not increase the forecast of exports as was expected by the trade, thus pushing corn and soybean futures down.

Market observers are carefully watching the corn and soybean harvest in South America, where the weather has turned dry once again. In the WASDE report USDA increased the soybean production estimate for Brazil by one million metric tons while reducing Argentina's output by half a million metric tons.



MPC Remains Committed to Providing Neutral, Timely Coverage on Quota Referendum

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

As can be imagined, when it is decision time on a controversial issue, passions can be intense. There is a mailing by one of the sides in the Quota issue that uses a quote from [my article last week](#) that some could assume implies a preference for a particular outcome of the vote. To be clear, Milk Producers Council is absolutely neutral with regards to the outcome of the referendum. Any implication to the contrary is mistaken and untrue.



MPC is Updating its Website -- Send Us Your Pictures!

*By Kevin Abernathy, General Manager
Kevin@MilkProducers.org*

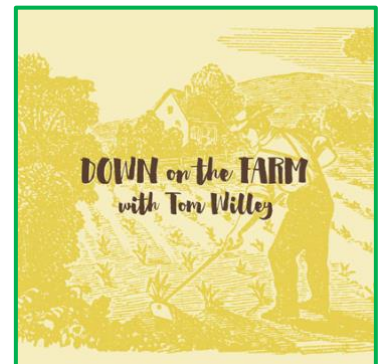
A new MPC website is currently under construction, and rather than using generic stock images of dairies, we want to feature pictures from you, our members! We're looking for general dairy images, such as cows, barns, cropland and equipment, and we also welcome any pictures of you and your families. These photos will be used in our design for the homepage and throughout the website. **Please email your photos to Kevin@MilkProducers.org.**

Geoff Vanden Heuvel Interviewed on the 'Down on the Farm with Tom Willey' Podcast

Courtesy of TD Wiley Farms

Is it inevitable that our San Joaquin Valley must retire 1,000,000 acres from production, one fifth of all irrigated agriculture, by 2040 to comply with the Sustainable Groundwater Management Act? A community of innovative visionaries thinks not. Join "Down on the Farm" host Tom Willey, in conversation with Don Wright of "Water Wrights" and Milk Producers Council spokesperson Geoff Vanden Heuvel over a ['San Joaquin Valley Water Blueprint'](#).

Listen to the full episode [here](#).



'Down on the Farm with Tom Willey' airs on the first Friday of the month at 5p.m. on KFCF, 88.1 FM in Fresno.

The Friday Report continues on the next page

Where's All the Milk Being Produced?

Story and photos courtesy of John Oncken, Wisconsin State Farmer

In the February 19 edition of the Friday Report, we ran the first part of a two-part article, courtesy of the Wisconsin State Farmer, that detailed the history of dairying in California. We received positive feedback after running the story – including stories and photos from longtime MPC members. Below is the second part of the series written by John Oncken.

Last week you read a bit of the history of dairying in California – how the first cows were brought into the state in the late 1700s by missionaries and later more came with pioneers traveling from the east. The Gold Rush of the 1850s created an even bigger demand for dairy products, which the farmers were eager to supply.



The newer dairies in Tulare County had bigger barns and more cows.

Urban growth in California

Meanwhile, San Francisco and Los Angeles were growing metropolitan areas and their demand for milk increased, leading to localized dairy farming growth near San Francisco and in the Sacramento Valley. To the south, Los Angeles had a series of concentrated dairy farming areas located southeast of the growing community that existed until the 1950s, when developers paid well for the valued land and the dairy industry.

The dairy farmers in that region, mainly Dutch and Portuguese immigrants, took the money and moved about 40 miles east to the Chino Valley where they built bigger and more modern dairies. Ultimately, some 350 herds with over 300,000 cows made this the most concentrated dairy area in the United States.

With another move in the late 70's and 80's, the cycle was repeated: Real estate developers saw the Chino Valley land – then occupied by cows as a logical location for houses, stores and people – and began offering big dollars to the dairy farmers, who were not at all surprised.

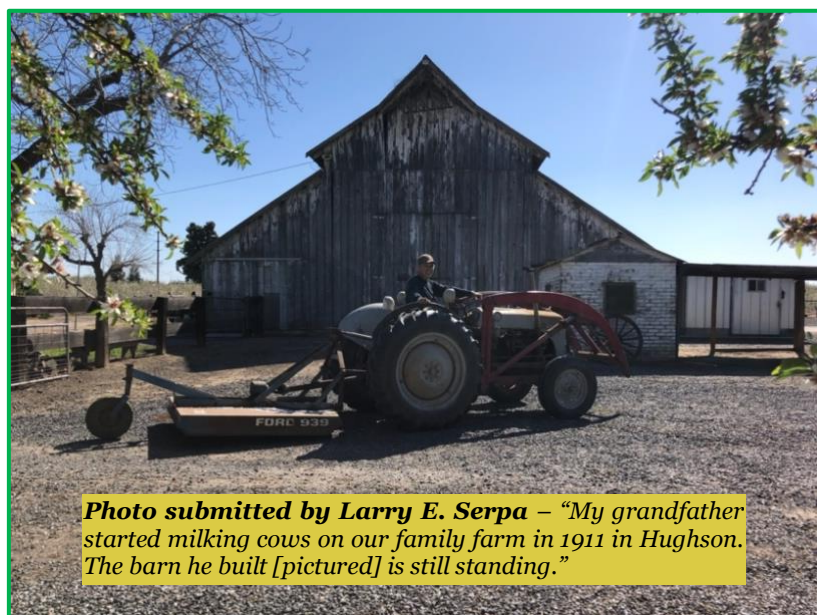


Photo submitted by Larry E. Serpa – “My grandfather started milking cows on our family farm in 1911 in Hughson. The barn he built [pictured] is still standing.”

In fact, many astute dairy families had seen the change coming and had already purchased much cheaper land in the Central Valley several hours north of the area from Bakersfield to Fresno and in Texas and New Mexico. And, as they had done before in their previous move, the families who sold in Chino for big money got bigger in farm size and cow numbers.

By the early 1990s, cows were being milked at both locations (Chino and Tulare, Kings and Fresno counties) and the milk production reached ever-higher levels. By

1990, the top five US milk producing counties were all in California: Tulare, 200,000 cows; San Bernardino, 186,000 cows; Riverside, 126,000 cows; Stanislaus, 120,000 cows; and Merced, 116,000 cows. Kings, San Joaquin and Fresno counties were under 50,000 cows each, but growing.

California surpasses Wisconsin

In 1990, Wisconsin produced 24.4 billion pounds of milk with California at 20.9 billion pounds, but just three years later California milk production surpassed that of Wisconsin, the nation's top milk producing state for over a century.

Today, 28 years later, California and Wisconsin still rank #1 and #2 respectively, with California at 40.5 billion pounds and Wisconsin far behind at 30.6 billion.

There were seven states who produced over 10 billion pounds of milk in 2019: California, Wisconsin, Idaho, New York, Texas, Michigan and Pennsylvania. California accounted for nearly 19% of the milk produced in the US in 2019 with Wisconsin trailing at 14%.

Who is the #3 producer?

My thought is that very few people would have a good guess as to what state would be the #3 milk producer after California and Wisconsin. It's Idaho, which rose from nowhere to surpass longtime leaders New York and Pennsylvania.

I first visited Idaho in the 1970s and learned that the "Magic Valley" area in south central Idaho was a growing dairy area. A US Department of Agriculture official predicted in 1910 that Idaho would become one of the leading dairy states in the nation and that conditions for dairying in southern Idaho were unsurpassed anywhere.

There are about 592,000 milking cows in Idaho, and the state's 450 dairies collectively produced more 15 billion pounds of milk in 2019. Part of the state's milk growth can be attributed to the Chobani yogurt manufacturing facility that opened in 2012. Located in Twin Falls, the \$450 million plant is the world's largest yogurt manufacturing facility at 1 million square feet – and it was built in less than 11 months.

A \$20 million expansion of the facility has been implemented to serve as its global research and development center. Hamdi Ulukaya, president and CEO of Chobani, describes the region as the "Silicon Valley of food," pointing to the wide range of food manufacturing plants that have invested in food science since Chobani moved to the state.

Several years ago, Gem State Dairy Products of Twin Falls announced plans to establish one of the largest aseptic milk processing plants in the United States. The new facility was set to break ground in 2019; however, the project is on hold, apparently due to the pandemic.

Longtime #3 milk producer New York has slipped to #4, but still produces over 16 billion pounds per year, and Pennsylvania has slipped to #7 from its longtime #5 position as fast-growing Texas and Michigan moved up the rankings.

No stopping now

So that's a brief look at where the milk is coming from. For sure, the milk flow continues to increase as herds get bigger and better. No, it's not a race – and there have long been futile efforts to establish milk quotas or otherwise limit milk production. But, as it has always been, dairy producers will continue to do what they do best: produce milk. Education, technology, innovation, management and ambition will continue to reign.

Of course, dairying, from milking cows to making cheese, will change, but as always, in a forward direction. Bet on that!

John Oncken is the owner of Oncken Communications. He can be reached at 608-837-7406 or email him at jfodairy2@gmail.com.

NMPF President's Update

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

House Ag Labor Bill Heading to Floor – We anticipate that legislation dealing with one of NMPF's priority issues – reform of agricultural labor laws – will receive a vote next week in the House of Representatives. As I wrote [last week](#), the Farm Workforce Modernization Act, which would allow dairy employers to use the H-2A guestworker program, is expected to move quickly through the House and then to the Senate. NMPF supports this legislation as a necessary next step in the legislative process, and the more bipartisan support this bill receives in the House, the more likely the Senate will include agricultural workforce needs in its own immigration reform efforts. We're asking dairy stakeholders to write to their congressional representative in support of the FWMA, by using [this link on our website](#) to submit a pre-written note to your House member.

