

MPC WEEKLY FRIDAY REPORT

DATE: JANUARY 15, 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	-\$.0875 \$1.8300	WEEKLY CHANGE	-\$.0900 \$1.2900	WEEK ENDING 01/09/21	
Barrels	-\$.0800 \$1.5725	WEEKLY AVERAGE	-\$.1100 \$1.2995	NAT'L PLANTS	\$1.1238 14,827,402
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		PRIOR WEEK ENDING 01/02/20	
Blocks	+\$.1330 \$1.9120	DAIRY MARKET NEWS w/E 01/15/21	\$.4800	NAT'L PLANTS	\$1.1091 12,675,114
Barrels	+\$.0095 \$1.6060	NATIONAL PLANTS w/E 01/09/21	\$.4404		

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
JAN 15 EST	\$16.74 - \$17.24	\$14.11	\$16.23	\$13.75
LAST WEEK	\$16.74 - \$17.24	\$14.33	\$16.70	\$13.85

December 2020 CA FMMO Statistical Uniform Price Announcement

Dec '20 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price (Blended Price)	Net Price After Quota Assessment*
Minimum Class Price	\$21.47 (Tulare) \$21.97 (L.A.)	\$14.01	\$15.72	\$13.36	\$14.44 (Tulare) \$14.94 (L.A.)	\$14.075 (Tulare) \$14.575 (L.A.)
Percent Pooled Milk	21.9%	6.5%	0.8%	70.8%	100% (2.001 billion lbs. pooled)	

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

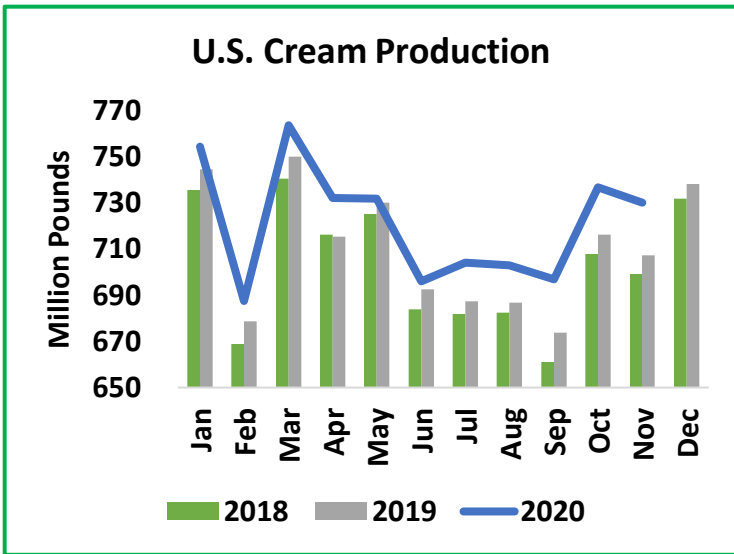


Milk, Dairy and Grain Market Commentary

By Monica Ganley, Daily Dairy Report
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Milk & Dairy Markets

After the enthusiasm ignited by last week's USDA announcement, most commodities struggled to keep the momentum going. Weighed down by plentiful supply, the butter and cheese markets both finished the week on a softer note while dry products, and especially whey, fared somewhat better. Reports from most milksheds indicate that milk production is more than sufficient to meet needs, motivating manufacturers, and especially balancers, to run hard to absorb

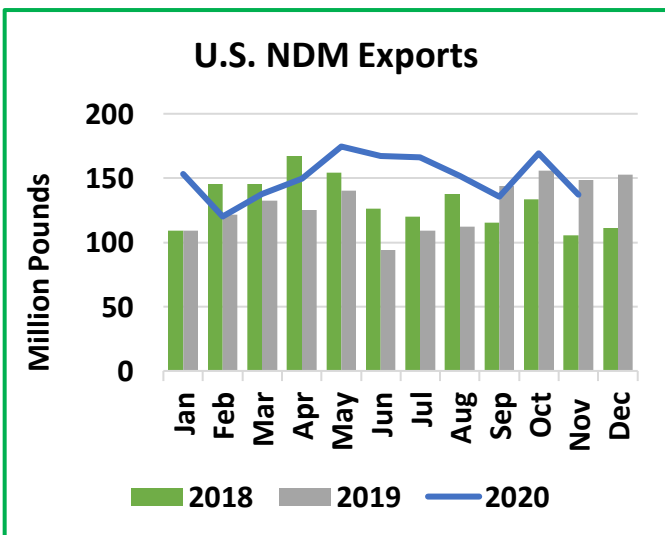
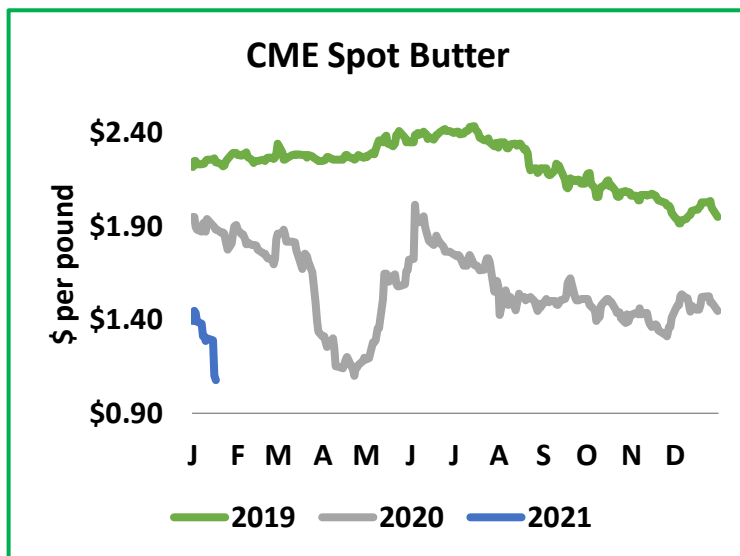


excess volumes. Spot milk is ample, and market participants comment that discounts are required to move loads.

Cream is readily available across the country and churns are active. But with foodservice demand still lethargic, much of this butter is being routed to storage and exacerbating concerns about an inventory hangover. Butter stocks are seasonally higher than they have been in decades and have likely had a hand in driving the CME spot butter price lower this week. After dropping 7¢ during Monday’s session the spot butter price continued to slide until hitting \$1.2875/lb. on Wednesday, the lowest price since May. Even after a modest rebound on Thursday, another decline on Friday

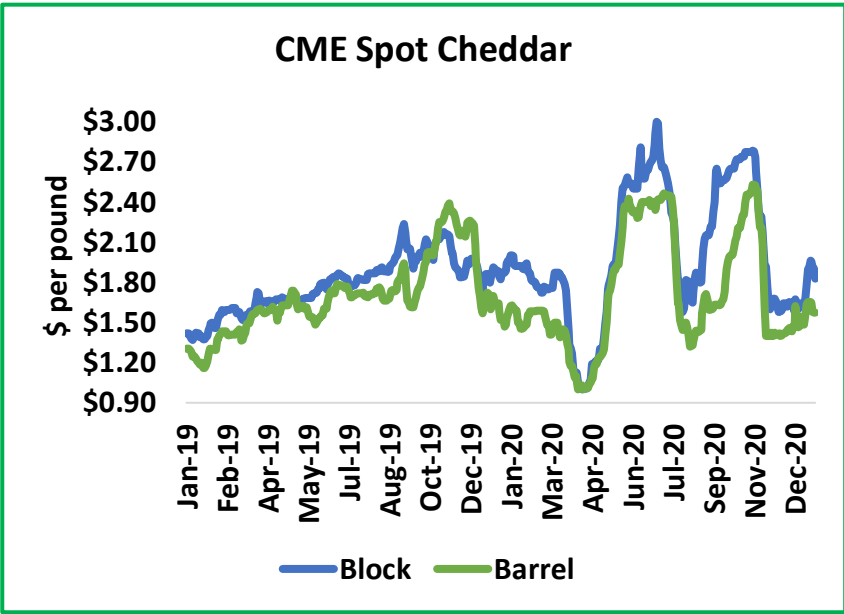
left the spot price at \$1.29/lb., 9¢ lower than last week.

Even though condensed skim is also abundant, and dryers have been going full tilt, the nonfat dry milk (NDM) market has been able to stand its ground. Despite giving up 5¢ on Monday, gradual gains during the balance of the week propelled the CME spot NDM price to \$1.20/lb., up a penny from the prior Friday. The trade was active, with 43 loads cumulatively changing hands over the course of the week. While domestic demand for NDM has been mixed, robust draw from the export market has kept product moving and inventories in check. According to traders, the booking of export sales through the first quarter has been active. This includes shipments to Mexico, which has demonstrated only tepid demand in recent months.



Spot cheese markets also finished the week decisively lower. Though Cheddar blocks made an effort to continue last week’s upward trajectory by adding a nickel during Monday’s spot session, the effort was short-lived. By Tuesday, block prices began to slide, capping off the week with a 7¢ drop to end Friday’s session at \$1.83/lb. Barrels mounted a less dramatic campaign, finishing the week down by 8¢. Manufacturers report that while cheese production has picked up since the holidays, renewed concerns about demand in both the foodservice and retail channels is likely to continue weighing on prices.

If the bulls were taking respite in any corner of the dairy complex, however, it would be with whey. Whey



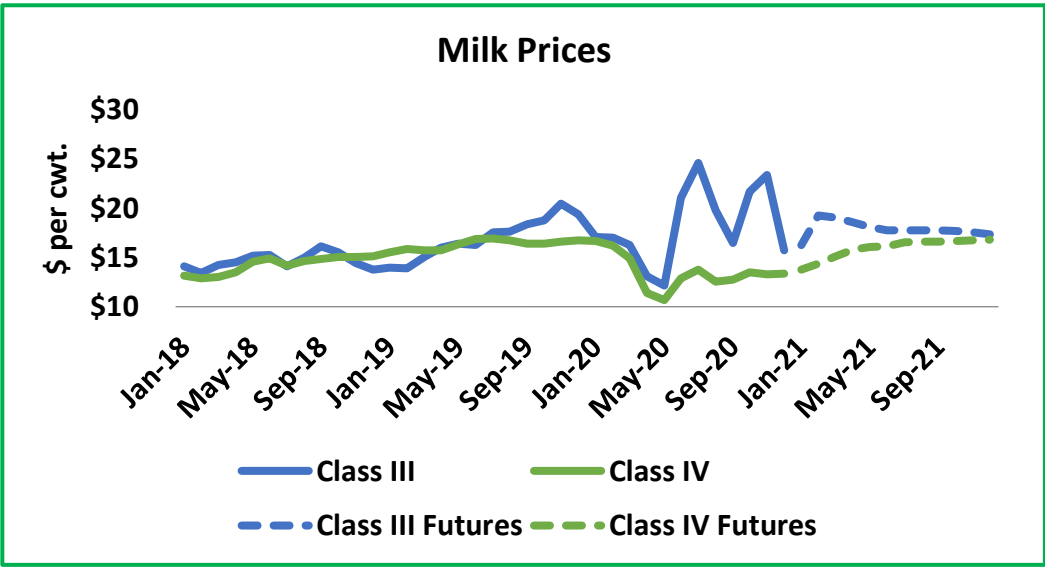
prices continue to rise, spurred on by healthy demand from both domestic and international buyers. After stair stepping up over the course of the week, spot whey prices closed Friday's session at 53¢/lb., up 3¢ versus last week and the highest price seen since October 2018. Price increases among higher protein whey products is increasingly coaxing the whey stream toward these uses, which is also helping to keep dry whey stocks in check.

Milk futures markets posted mixed performance as weaker cheese and butter prices collided with stronger NDM and whey values. Spot cheese declines

weighed heavily on nearby Class III futures contracts early in the week and even some recovery on Thursday and Friday could not erase these losses. Ultimately, the JAN through MAR Class III futures contracts gave up ground over the course of the week. Class IV futures were similarly turbulent with early week losses counteracted by gains on Thursday, ushered in by the pop in spot butter prices. However, while the JAN Class IV contract still gave up 7¢ between Monday and Friday, all the remaining 2021 contracts were able to end in positive territory.

Grain Markets

Released by USDA on Tuesday, a surprising World Agricultural Supply and Demand Estimates report led to some dramatic increases in the grain markets. Most notably, USDA made a harsh downward revision to the expectation for the corn yields during the 2020/2021 marketing year. Combined with reduced acreage, this reduced total estimated supply by 400 million bushels. Though adjustments were also made on the demand side, including lower ethanol use and lighter exports, ending stocks have been reduced significantly. These changes pushed MAR through JUL corn futures above \$5/bu.



Soybeans also saw total supply revised downward at the hand of lower yields, albeit by a more modest 14 million bushels. Concerns persist about the availability of soybeans in the Southern Hemisphere, with USDA reducing Argentina's expected soybean production for the year by 4.0%. The news pushed nearby soybean futures north of \$14/bu. These increases are likely to contribute to even higher feed costs for dairy producers that have already seen margins squeezed by rising operating costs in recent months.

Virginia Tech Researchers Find That Removal of Dairy Cows Would Have Minimal Impact on Greenhouse Emissions

Courtesy of Virginia Tech Daily



The dairy industry in the United States is massive. It supplies dietary requirements to the vast majority of the population.

This same industry also contributes approximately 1.58 percent of the country's total greenhouse gas emissions. A commonly suggested solution to reduce greenhouse gas output has been to reduce or eliminate this industry in favor of plant production.

A team of Virginia Tech researchers wanted to uncover the actual impact that these cows have on the environment.

The researchers found that the removal of dairy cows from the United States agricultural industry would only reduce greenhouse emissions by about 0.7 percent while significantly lowering the available supply of essential nutrients for humans.

“There are environmental impacts associated with the production of food, period. The dairy industry does have an environmental impact, but if you look at it in the context of the entire U.S. enterprise, it's fairly minimal,” said Robin White, an associate professor in the [Department of Animal and Poultry Sciences](#) and a member of the research team. “Associated with that minimal impact is a very substantial provision of high quality, digestible, and well-balanced nutrients for human consumption.”

White was part of a team that included scientists from the U.S. Dairy Forage Research Center, part of the U.S. Department of Agriculture, and supported Dairy Management Inc. that examined a few different scenarios for dairy cattle in the United States that factored in current management practices, retirement, and depopulation from the United States agricultural industry.



White's team looked at both the environmental and nutritional impact of three different scenarios.

Greenhouse gas emissions were unchanged in the herd management scenario, in which cattle become an export-only industry and the supply of available nutrients decrease. In this economically realistic scenario, the industry stays similar to how it is now, but the United States no longer benefits from the human consumable nutrients that dairy cows provide.

The scenario where cows were retired — where cows lived out the remainder of their lives in pastures or free-range — resulted in a 12 percent reduction in agricultural emissions and all 39 nutrients considered declined.

The depopulation scenario — where cows are killed off — resulted in a 7 percent reduction in agricultural emissions. Thirty of 39 nutrients increased for the depopulation scenario, though several essential nutrients declined.

A major factor in all of the scenarios is the use of the land that has to be managed after the removal of the cows. The impact on the industry downstream must be factored into the scenario results. For

example, a pasture that was formerly used for cattle would no longer be used for that resource. Areas used for grain, fertilizer, and more would also change functionality.

"Land use was a focus in all animal removal scenarios because the assumptions surrounding how to use land made available if we remove dairy cattle greatly influence results of the simulations," White said. "If dairy cattle are no longer present in U.S. agriculture, we must consider downstream effects, such as handling of pasture and grain land previously used for producing dairy feed, disposition of byproduct feeds, and sourcing fertilizer."

Plants have long been thought of as a more renewable method to obtain nutrients essential for humans, but that requires farming of the land, which also produces emissions.

A significant reason why the impact of dairy cows on the environment is minimal is because of advancements in the industry over the last 50-plus years, White said. As with most industries, efficiency improves over time. To produce the same 1 billion kilograms of milk in 2007 as in 1944, it required just 21 percent of the animals, 23 percent of the foodstuffs, 35 percent of the water, and only 10 percent of the land.

For White, this was an extension of previous research conducted in 2017 on the reduction of animals in U.S. agriculture and the associated impacts on nutrition and greenhouse gasses.



Food and Agriculture Workers Listed Under Tier One of Phase 1B in the California Vaccination Plan

By Kevin Abernathy, General Manager
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Earlier this week, Governor Newsom announced the rollout plan for vaccinating the population of California. After healthcare workers and long-term care residents in Phase 1A, **food and agriculture workers that are at risk of exposure are listed in the next priority** – specifically Tier One of Phase 1B.



Moving through the vaccine phases will depend on when health departments and providers meet the demand in the current group being vaccinated. The State expects to have enough supplies to vaccinate most Californians in all 58 counties by summer 2021.

For more information about the vaccine rollout, visit <https://covid19.ca.gov/vaccines/>.

Paycheck Protection Program Receives Funding Infusion, Offers Dairy More

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

The **\$900 billion** coronavirus stimulus bill that became law two weeks ago has significant financial resources for dairy producers – plus it also [revamps the Paycheck Protection Program](#) in ways that will also benefit our sector. Our staff worked hard to ensure that farmers who run their operations as sole proprietors, independent contractors, or otherwise self-employed individuals will have newly expanded access to PPP loans as the program reopens under changes made in the COVID stimulus package approved by Congress at the end of last month. PPP began to reopen this week for certain lenders, with full reopening for all lenders expected by mid-next week. Detailed information about eligibility and applications [is here](#).