

# MPC WEEKLY FRIDAY REPORT

DATE: JANUARY 29, 2021  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 8

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## MPC FRIDAY MARKET UPDATE

<b>CHICAGO CHEDDAR CHEESE</b>		<b>CHICAGO AA BUTTER</b>		<b>NON-FAT DRY MILK</b>	
Blocks	<b>-\$ .0350</b>	\$1.5750	WEEKLY CHANGE	<b>-\$ .1575</b>	\$1.2450
Barrels	<b>-\$ .0025</b>	\$1.3900	WEEKLY AVERAGE	<b>-\$ .1298</b>	\$1.2865
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 01/23/21</b>	
Blocks	<b>-\$ .1091</b>	\$1.5890	DAIRY MARKET NEWS	W/E 01/29/21	<b>\$ .5000</b>
Barrels	<b>-\$ .0511</b>	\$1.3945	NATIONAL PLANTS	W/E 01/23/21	<b>\$ .4727</b>
				<b>PRIOR WEEK ENDING 01/16/20</b>	
				NAT'L PLANTS	<b>\$1.1521</b> 18,210,355
				NAT'L PLANTS	\$1.1334 21,296,933

## 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 29 EST	\$16.74 - \$17.24	<b>\$14.21</b>	<b>\$16.12</b>	\$13.80
LAST WEEK	\$16.74 - \$17.24	\$14.20	\$16.16	\$13.80



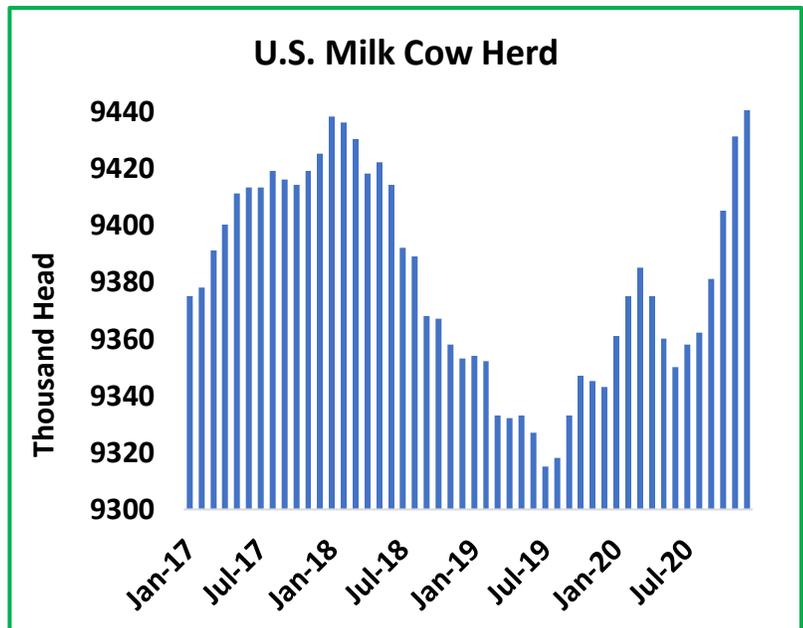
### Milk, Dairy and Grain Market Commentary

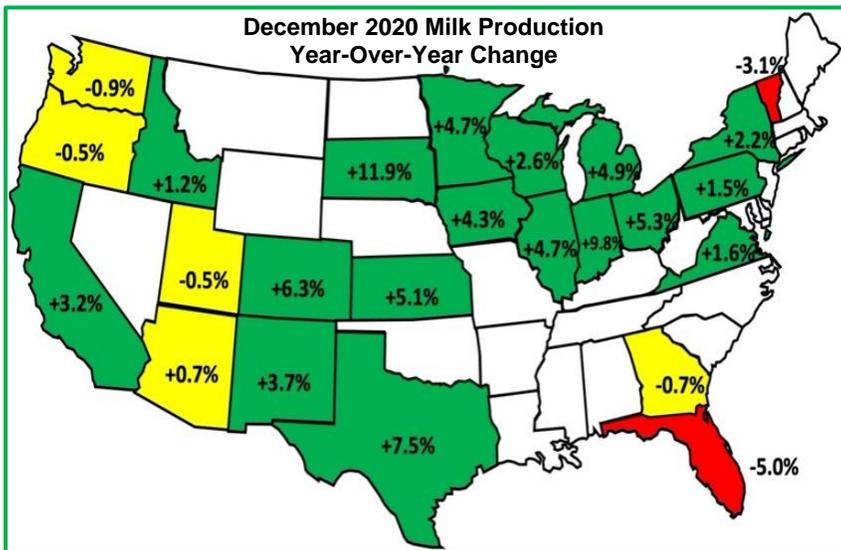
By Monica Ganley, Daily Dairy Report

[Monica@DailyDairyReport.com](mailto:Monica@DailyDairyReport.com)

#### Milk & Dairy Markets

Milk is gushing across the United States. USDA's Milk Production report, released Monday, indicated that milk production in December reached 18.941 billion pounds, 3.1% more than the same month last year. Total production for the year is believed to have grown by 1.9%, after accounting for the leap day. A dramatic expansion in the national dairy herd drove much of the increase. Between June and December, U.S. producers added an astonishing 93,000 cows to the herd, bringing December's cow numbers to the largest figure seen since 1995. Yields also had a hand in the surge, with U.S. milk per cow breaching 2,000 lbs. in December for the first time ever.



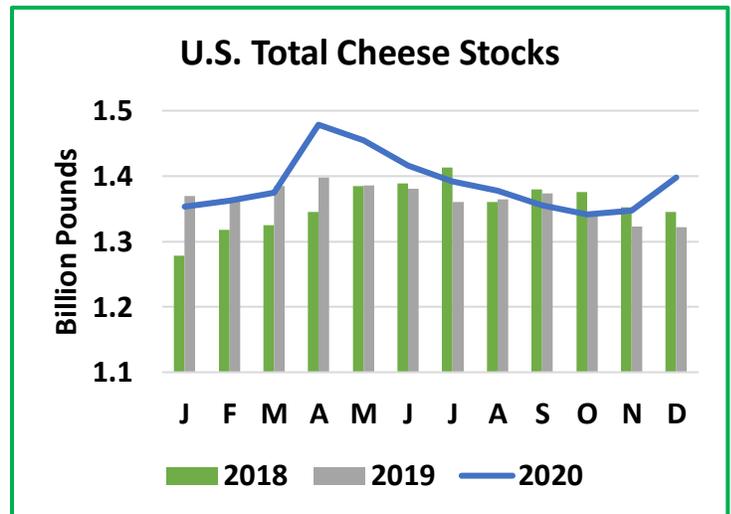


Milk production growth was strong across most of the United States in December, with the West and the Midwest posting particularly convincing figures. California alone increased production by 3.2% year-over-year, equivalent to an additional 110 million pounds. Each of the country's top nine dairy states saw output expand by at least 1.2% for the month while only a smattering of states saw production declines. Among them, Florida and Vermont saw production contract by 5% and 3.1%, respectively, while Georgia, Utah, Oregon, and Washington all witnessed more modest drops. Favorable

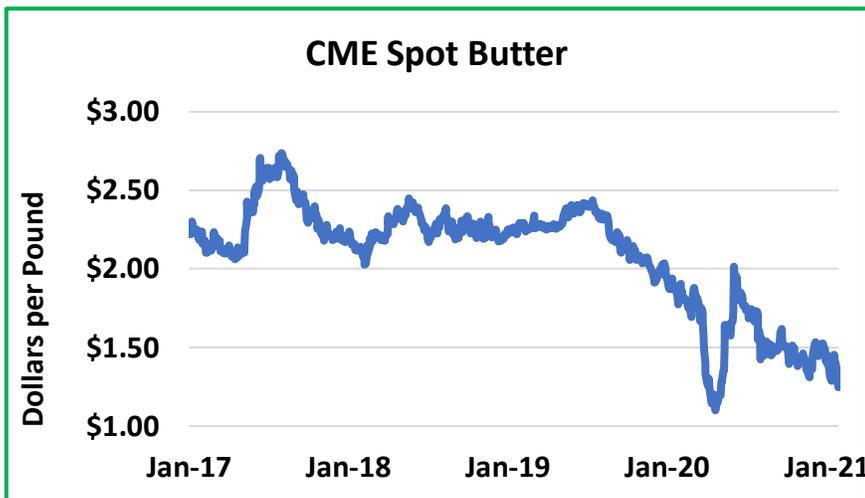
weather is generally believed to have helped support continued milk production growth across most of the country into January. Though frigid temperatures in the upper Midwest pushed back on production late in the month, the effect is likely to be short lived.

With plentiful milk and the pull from Class I users still underperforming prior years, there is more than enough available for manufacturing uses. In most parts of the country, spot milk can be picked up at a discount to class values. USDA reported this week that in the Midwest spot milk for cheese manufacturing could be acquired with discounts as large as \$8.50 to the Class III price. However, even as spot milk remains abundant, there are some signals that the tide may be shifting with manufacturers increasingly reporting that spot loads are becoming less available.

Cheese manufacturers across the country have been running hard. Retail demand has held up in most parts of the country, but foodservice sales remain largely depressed. As a result, much of this production has been routed into storage. In USDA's Cold Storage report, also released Monday, total cheese stocks at the end of the year amounted to 1.398 billion pounds. Between November and December, total cheese inventories grew by over 50 million pounds, nearly 10 times the average increase over this period during the previous five years. Three quarters of the rise was driven by growing American cheese stocks though other cheese styles saw inventories amass as well.



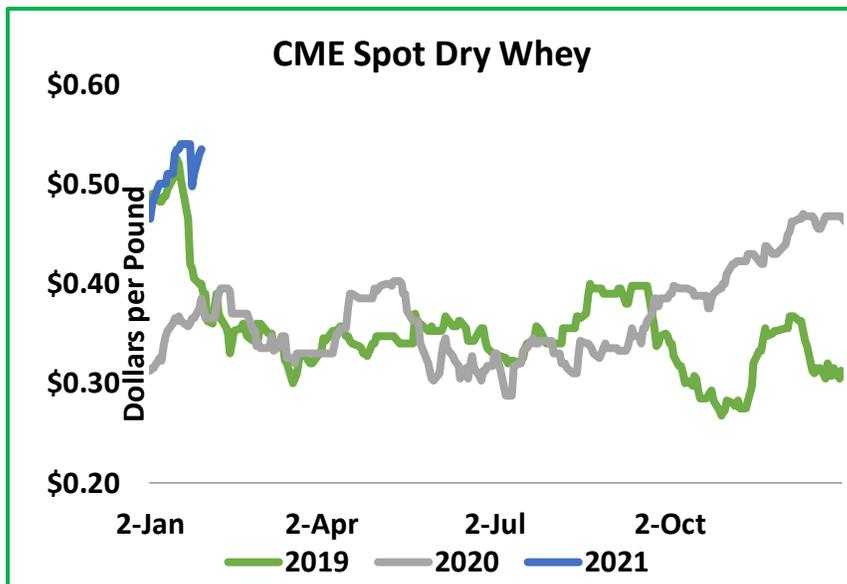
The Cheddar spot markets responded to the slack by moving downward over the course of the week. By Friday, spot block Cheddar prices had sacrificed 3.5¢ to finish the week at \$1.575/lb., the lowest price since May 2020. Barrels demonstrated a bit more resilience. After moving modestly upward on Tuesday, the market once again slid backward, ultimately closing today's spot session at \$1.39/lb., a quarter cent lower than last week. While not a single load of blocks traded hands, 21 loads of barrels managed to move during the week.



Meanwhile, the butter markets featured a more dramatic descent. Also weighed down by excessive supply, CME spot butter markets gave up 15.75¢ since last Friday, closing the week at \$1.245/lb. Churns across the country, but especially in the West, report that they are working furiously as they try to sop up available cream supplies. Retail interest is at least steady, and the food box program has helped to clear some product, but nevertheless inventories remain heavy. USDA reported that at 273.8 million pounds, butter stocks at

the end of December were the strongest they had been at that time of year since 1992. Furthermore, given that any of this product that was manufactured prior to December 1 can only be sold at the CME until the end of February, the market is likely to struggle finding traction in the next couple weeks.

Dry products have posted mixed performance since Monday. Nonfat dry milk (NDM) spot prices descended to \$1.1375/lb. on Tuesday before bouncing back to close the week at \$1.1725/lb., unchanged versus last Friday. Even though product is purportedly plentiful, the buyers were also present in Chicago this week, with 37 loads of NDM moving. Dry whey, which has been bullish of late, stumbled on Tuesday for the first time this year, giving up 4.25¢. The move was short lived, however, and by the next day growth had resumed. Yet, spot whey was unable to erase the entire loss, and by the time the market closed at 53.5¢/lb. on Friday, it remained half a penny lower than prior week.



Milk futures incorporated the weakness of the spot markets, moving downward over the course of the week. Class III markets softened in particular, with most 2021 contracts losing value early in the week, recovering in the middle, and returning to the red on Friday. FEB21 and MAR21 Class III contracts settled \$1.1 and 90¢ lower than last Friday, respectively. Class IV markets also saw values deteriorate with big declines early in the week and on Friday. Despite some recovery midweek, nearby contracts also finished down by about 50¢.

### Grain Markets

Feed prices are poised to continue threatening producer profitability in the coming months. After settling last Friday on a weaker note, nearby corn futures rallied this week pushing MAR21, MAY21, and JLY21 contracts above \$5.36/bushel. USDA's announcements about large corn exports to China have renewed concerns about grain availability. Soybean futures also moved up through Wednesday, took a breather on Thursday, and bounded upward once more on Friday. The three nearby contracts are all now sitting above \$13.48/bushel.



## Quota Referendum Scheduled for March 4 - June 1, 2021

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

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This week, California Department of Food and Agriculture (CDFA) Secretary Karen Ross ordered that a referendum be conducted on the petition submitted by the United Dairy Families of California (UDFC). The petition seeks to immediately change the Regional Quota Adjusters (RQAs) to equalize the Quota payout to \$1.43 per cwt. statewide, followed by termination of the Quota program on March 1, 2025. The producer voting period will open March 4, 2021 and close June 1, 2021.

The issue of the Quota Implementation Plan (QIP) has been a topic of significant interest in the California producer community since late 2018 when the Federal Milk Marketing Order (FMMO) took over regulation of California's dairy industry. Under the California State Milk Pooling Plan, Quota's impact on a producer's milk check was not as clear, but under the FMMO, the cost of Quota payments were daylighted, appearing as an assessment on a producer's milk statement.

### The Road to Referendum

An organized group of producers named STOP QIP emerged in late 2018 and began circulating a petition to eliminate the Quota program. They submitted their original petition on March 29, 2019 with 285 signatures ([see here](#)). CDFA reviewed that petition and determined that the number of valid signatures was insufficient to move the petition forward ([see here](#)).

At about the same time as this was going on, another group of producers organized, known as the United Dairy Families of California. Its stated purpose was to provide a forum for all California dairy families to discuss the future of Quota and to oppose any referendum that would eliminate Quota without compensation. UDFC organized a process that was endorsed by the three major cooperatives in California, the three established trade associations, and STOP QIP.

A team consisting of Dr. Marin Bozic from the University of Minnesota and market analyst Matt Gould was hired to conduct a five-phase process to address the Quota issue. The process kicked off with a "Think Tank" phase, where meetings were held throughout the state to solicit ideas for dealing with Quota. The next phase focused on producer feedback, where the ideas generated from the Think Tank phase were organized and presented for producer review and input. The third phase took ideas that had some level of producer support, further refining them for another round of producer feedback. The fourth phase narrowed down the ideas to the single proposal that garnered the most support in producer surveys. This final proposal was presented to the industry at the Farm Show in February of 2020. While the idea was submitted for consideration to Secretary Ross that day, CDFA told UDFC it would need to submit a petition with the required valid signatures for the proposal to be considered.

### Quota Coverage

*Since adoption of the Federal Milk Marketing Order, Geoff Vanden Heuvel has provided extensive analysis, background and coverage of the Quota issue.*

*Read his collection of Quota-related articles at [MilkProducers.org/Quota](http://MilkProducers.org/Quota).*

Meanwhile, STOP QIP had been circulating another petition that sought to terminate Chapter 3.5 of the Food and Agriculture Code, which contained the language that authorized the QIP. This petition had enough valid signatures and a hearing in front of an Administrative Hearings Judge was conducted on June 9 and 10, 2020. Another producer group named SAVE QIP also participated in this hearing. See [here](#) for a report of that hearing.

After the hearing, the Judge came back with a ruling that no referendum should be called as a result of the STOP QIP petition. You can read the decision [here](#) or a summary of the decision [here](#). STOP QIP also filed some lawsuits, which to date, have not been successful.

UDFC gathered signatures for its petition and submitted it to CDFA on June 23, 2020. After verifying that a sufficient number of valid signatures had been submitted, CDFA held a Producer Review Board (PRB) meeting on August 27, 2020 (see [here](#)). The PRB recommended holding a hearing, which was then scheduled for September 30, 2020. The hearing was short, with no opposition to calling a referendum on the UDFC petition (see [here](#)).

The Judge issued a recommended ruling on December 11, 2020 calling for a referendum, and this week, on January 25, 2021, the Secretary ordered a referendum to take place, scheduling it to run from March 4 through June 1, 2021.

For the referendum to pass, 51% of eligible producers must vote. According to a CDFA letter to the Judge in October, there were 948 eligible Market Milk Producers in California. Obviously, this number changes a bit every month, but this means that about 485 producers will have to cast a vote regarding the referendum for it to be valid. Then of those who vote, 65% of the voters producing 51% of the voting milk **OR** 51% of the voters producing 65% of the voting milk must vote yes for the referendum to pass.

Based on my experience, getting 51% of dairy producers to vote has always been the challenge for any referendum in California. My guess is that it will be no different this time.

## 2021 TRUCRS Reporting Period Closes on January 31

*Courtesy of The Truck Regulation Upload, Compliance and Reporting System (TRUCRS)*

[2021 TRUCRS Online Reporting Guide](#) is intended to help vehicle owners report online to meet the reporting requirements of the California Air Resources Board's Truck and Bus and Solid Waste Collection Vehicle regulations. The Truck Regulation Upload, Compliance, and Reporting System (TRUCRS) allows you to report and update your company, vehicle, and engine information to meet the reporting requirements. **The open reporting period closes on January 31, 2021.**

The Three-Day Pass option will no longer be available after January 1, 2021. **Affected vehicles will be denied registration by the California Department of Motor Vehicles (DMV) if they are not compliant with the Truck and Bus Regulation.** For the Truck and Bus Regulation, every affected vehicle must comply with the upgrade requirements of the applicable Engine Model Year Schedule unless the vehicle is reported in TRUCRS as currently in compliance with a flexibility option offered by the regulation.

DMV will use the vehicle identification number (VIN) reported in TRUCRS for vehicles taking advantage of regulatory flexibility options to confirm the vehicles' compliance status. To ensure you will not experience DMV registration denial for your affected vehicle, it is crucial that the VIN reported matches the vehicle registration to prevent delays registering your vehicle with DMV. It is important

that the information reported to the California Air Resources Board (CARB) is accurate. [Please visit the TruckStop Website](#) to determine any other regulations that may apply to your fleet.

**The Diesel Hotline is experiencing longer than normal wait times. Please contact us for all of your on-road heavy-duty vehicle compliance assistance needs.**

Due to current events, processing of compliance documentation mailed in by hard copy may take longer than usual. For quicker service processing of your compliance documentation, please email a scanned copy of your documents to [TRUCRS@arb.ca.gov](mailto:TRUCRS@arb.ca.gov). Include your TRUCRS ID number, detailed description of request, any applicable VIN(s) and your call-back information. Faxing of documentation is currently not available. You can also email your compliance questions to the Diesel Hotline at [8666DIESEL@arb.ca.gov](mailto:8666DIESEL@arb.ca.gov) and include a detailed description of your situation and any applicable VIN(s).

Read the entire 2021 TRUCRS Online Reporting Guide [here](#).

## **Biden Administration Issues Regulatory Freeze**

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

The United States Department of Agriculture (USDA) late Wednesday posted notice it was temporarily freezing Coronavirus Food Assistance Program (CFAP) payments pending a review of the programs by the new Biden Administration. This action has halted implementation of the CFAP until further notice. USDA went on to say: “In the coming days, USDA and the Biden Administration intend to take additional steps to bring relief and support to all parts of food and agriculture during the coronavirus pandemic, including by ensuring producers have access to the capital, risk management tools, disaster assistance, and other federal resources.”

It is unclear what the implications of this freeze will be. It is part of a government wide regulatory freeze that was announced by the White House Chief of Staff Ron Klain, which you can read [here](#).

However, it would be a welcome review if USDA would look at the impacts of the Food Box purchases on the price relationships in the dairy industry. [As we have been reporting](#), the surprise announcement of another Food Box round that did not include butter in food boxes was a disappointment. However, only \$354 million of the allocated \$1.5 billion was committed, so maybe this review will allow an adjustment in those government purchases when and if they resume.

## **CVDRMP January 2021 Newsletter:**

### **Annual Meeting Set for February 24; Important Regulatory Updates**

*Courtesy of the Central Valley Dairy Representative Monitoring Program  
[CVDRMP.org](http://CVDRMP.org)*

The Central Valley Dairy Representative Monitoring Program (CVDRMP) recently published its annual newsletter, which you can read in full [here](#). The newsletter includes key information and changes to CVDRMP membership, focusing on groundwater quality compliance challenges, including compliance with the Nitrate and Salt Control Programs.

Below is the summary of key information and changes to CVDRMP:

- **The CVDRMP billing schedule will be slightly later this year.** CVDRMP normally invoices members annually in January. This year, due to the need to coordinate with Nitrate Management Zones, billing will be staggered in February and March.
- **Most members will see fees increase.** For the first time since its formation in 2010, CVDRMP will increase member fees, to cover increased costs due to the Nitrate Control Program and Salt Control Program.
- **New fees will vary by location and herd size.** All members face a minimum fee of \$972, which includes groundwater monitoring and for many, Salt Control Program Compliance. For larger dairies and bovine operations in Priority 1 Nitrate Control Program areas, fees could be as much as several hundred to several thousand dollars higher. **Fee schedules are still being developed and will be discussed at the Annual Member meeting on February 24.**
- **CVDRMP members do not need to directly enroll in Nitrate Management Zones, or directly pay fees to the Prioritization and Optimization study for the Salt Control Program.** If you have questions, contact the CVDRMP office before signing any agreements or paying any fees.



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

## CDQAP Quality Assurance Update

*Courtesy of California Dairy Quality Assurance Program*

The California Dairy Quality Assurance Program (CDQAP) recently published its January 2021 Quality Assurance Update. Below are excerpts from the Update, which you can read in its entirety [here](#).



### **COVID-19: New Worker Safety Standards and Vaccine Information**

*By Dr. Michael Payne, UC Davis, School of Veterinary Medicine and Director, CDQAP*

In California and across the nation COVID-19 infections have affected the animal ag workforce. In June, a poultry processing plant in Livingston was forced to shut down after 358 employees tested positive and eight workers died. Three deaths occurred in December and January at a separate Fresno poultry plant. Cal/OSHA has issued citations to at least eight of the state's meat packing plants for failure to take required steps to prevent COVID-19 infection in the workplace. The state's dairy industry has also been affected. More than a dozen outbreaks of coronavirus infection have been reported on California dairies, prompting producers to seek guidance from public health agencies, trade organizations and processor staff.

### **CDQAP Adds New Evaluator**

*By Denise Mullinax, Assistant Director, CDQAP*

CDQAP has added a new dairy evaluator to our team. Starting in 2021, Vic Fiorini will be conducting evaluations in addition to George Salsa. Vic and his wife live in Turlock, California. He grew up in

farming, operated a dairy for over 40 years, and understands the ins and outs of the Dairy General Order and nutrient management. Vic knows the regulatory requirements and appreciates the everyday challenges on a dairy in meeting them. We are excited to have Vic on-board. Welcome Vic!

## Watch Your Mailboxes for Important Nitrate/Salinity Program Information

Relative to groundwater protection, the California dairy industry has been leading the way. Directed by dairy and cattle owners, the Central Valley Dairy Representative Monitoring Program (CVDRMP) has ensured for over a decade that dairy had a seat at the table and the industry's interests were protected. Critical progress has been achieved: management zones organized, local plans developed, and budgets drafted.

### NMPF President's Update

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



**Senate Ag Committee to Hold Vilsack Confirmation Hearing Next Week, Stabenow Outlines Legislative Plans** - Sen. Debbie Stabenow (D-MI), who will re-take the reins of the Senate Agriculture Committee next week once the power-sharing rules in the Senate are finalized, is holding a hearing Tuesday on the confirmation of former Agriculture Secretary Tom Vilsack to return to the top spot at USDA. There is little drama here – the Committee is expected, on a wide bi-partisan basis, to endorse Vilsack's nomination and send it to the full Senate for final confirmation.

Stabenow yesterday also outlined her priorities for the committee this year, starting with assistance for the food chain in dealing with the ongoing ramifications of the coronavirus pandemic, and its impact on agricultural workers and other essential employees in the food system.

She also indicated the committee will focus on climate change mitigation, in tandem with larger efforts that President Biden [announced this week](#). One emphasis will be passage of the Growing Climate Solutions Act, which is designed to facilitate voluntary trading in ag carbon markets. NMPF backed an earlier version of the measure, under which USDA would certify services that verify ag carbon credits.

Stabenow is also looking to the 2023 farm bill as an opportunity to boost USDA's conservation programs aimed at reducing the factors leading to climate change. Another committee focus will be reauthorization of child nutrition policy, as the last congressional update in that area was in 2010.

**House Ag Committee Gets New GOP Members** – As part of the reshuffling of committee assignments on Capitol Hill, the House Ag committee will feature seven new GOP representatives this year, including: Rep. Kat Cammack of Florida; Rep. Michael Cloud of Texas; Rep. Randy Feenstra of Iowa; Rep. Michelle Fischbach of Minnesota; Rep. Tracey Mann of Kansas; Rep. Mary Miller of Illinois; and Rep. Barry Moore of Alabama. The committee's Republicans will be led by Rep. Glenn "GT" Thompson of Pennsylvania, who takes over as the committee's ranking member following the retirement of Texas Rep. Mike Conaway.



*Let us take a moment to give thanks to God for sending rain. Ten days ago, it looked like this was going to be the driest year on record in California. Many prayers for rain were offered in homes and churches, and even in boardrooms and offices. In farming, we depend on precipitation to sustain us. **Many prayed, and refreshing rains returned this week.** Be sure to give thanks to our Creator and Sustainer for His grace and goodness.*