MPC Weekly Friday Report

Date: April 17, 2020
To: Directors & Members
From: Kevin Abernathy, General Manager
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MPC Friday Market Update

Chicago Cheddar Cheese			Chicago AA Butter			Non-Fat Dry Milk		
Blocks	**- $.0425**	$1.0125	Weekly Change		**- $.0600**	$1.1875	**Week Ending 04/11**		
Barrels	**+ $.0050**	$1.0050	Weekly Average		**- $.1094**	$1.1575	Nat'l Plants	**$0.9812**	22,116,541
Weekly Average Cheddar Cheese			**Dry Whey**				**Prior Week Ending 04/04**		
Blocks	**- $.1014**	$1.0080	**Dairy Market News**	w/e 04/17/20	**$.3650**		Nat'l Plants	$1.0773	13,572,232
Barrels	**- $.0523**	$1.0115	**National Plants**	w/e 04/11/20	**$.3713**				

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
April 17 Est	**$18.24 - $18.74**	**$13.92**	**$13.41**	**$11.42**
Last Week	**$18.24 - $18.74**	**$14.46**	**$13.56**	**$11.57**

March 2020 CA FMMO Statistical Uniform Price Announcement

Mar '20 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price *(Blended Price)*	Net Price After Quota Assessment*
Minimum Class Price	**$19.06 *(Tulare)* $19.56 *(L.A.)***	**$16.75**	**$16.25**	**$14.87**	**$15.52 *(Tulare)* $16.02 *(L.A.)***	**$15.195 *(Tulare)* $15.695 *(L.A.)***
Percent Pooled Milk	**23.6%**	**4.8%**	**1.5%**	**70.1%**	**100% (2.03 billion lbs. pooled)**	

**Quota rate of $0.325/cwt. as of September 2019 milk*

Milk, dairy and grain market commentary

By Sarina Sharp, Daily Dairy Report
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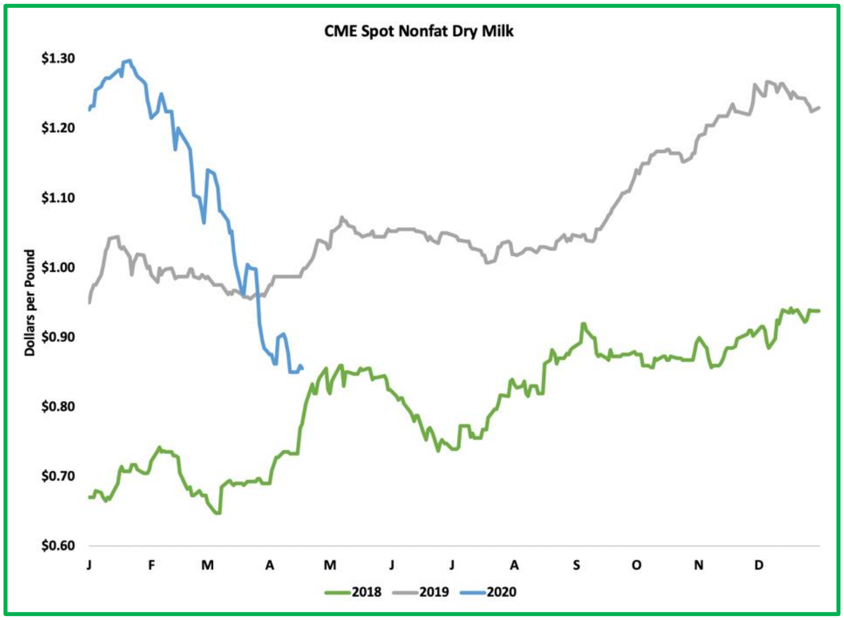
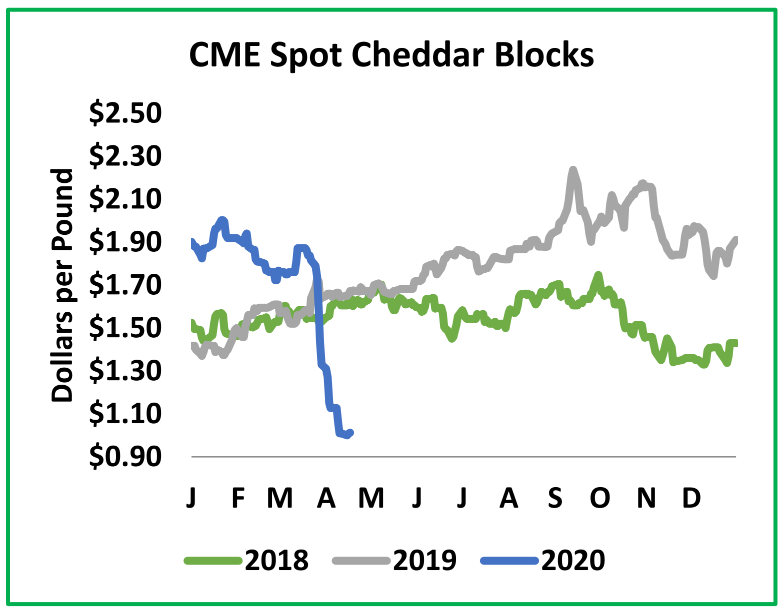
Milk & Dairy Markets

The rout continues. The dairy markets dropped into an even deeper depression this week. Second-quarter Class III and IV futures slumped to life-of-contract lows on Monday and Tuesday, and they remain mired in the depths. Even before accounting for over-production penalties, long hauls and dumped milk, May milk checks will be paltry. May Class III settled at $11.10 per cwt. today, down



33¢ from last Friday. May Class IV closed at $10.66, 75¢ in the red. Second-half futures have perked up since Wednesday, but not by enough to offset the steep selloff early in the week. Deferred Class III and IV futures lost an average of 35¢. Comparisons to the recent lows offer at least some solace; from August onward, milk futures are noticeably higher than they were two weeks ago.

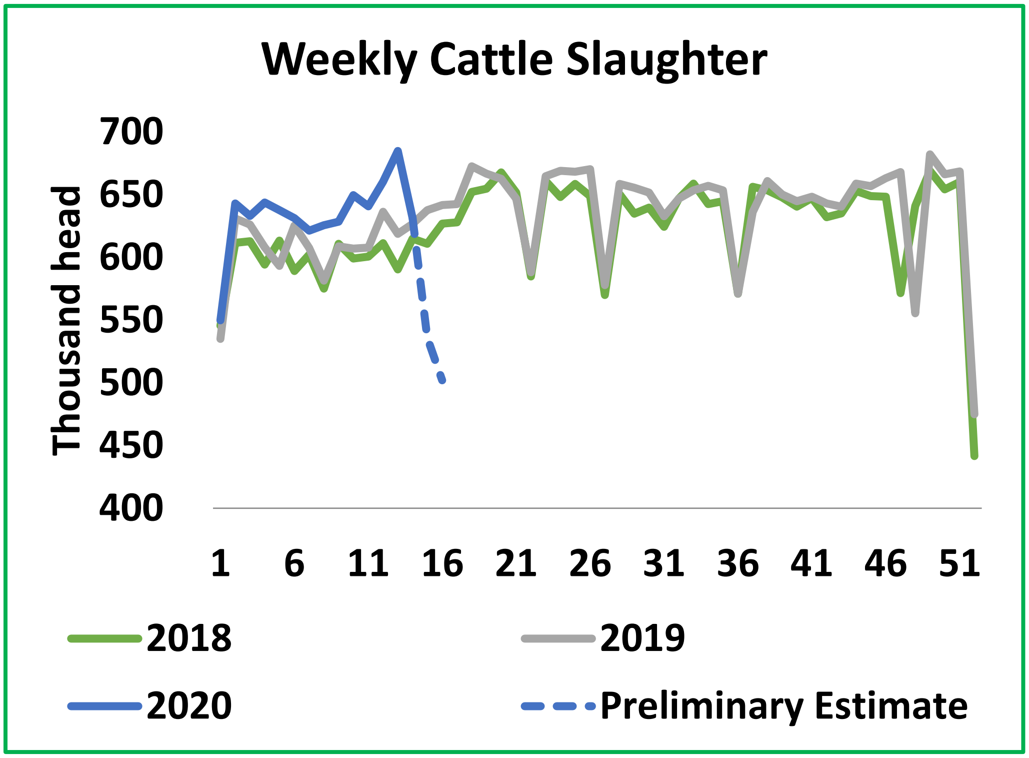
The Class IV market relies on foreign buyers for milk powder and foodservice to move butterfat. It is in a considerably worse position than Class III. This week, CME spot butter rebounded from an 11-year low. It closed at $1.1875 per pound, down 6¢. Spot nonfat dry milk (NDM) slipped 4.25¢ to 85.5¢. The cheese markets were mixed. Both blocks and barrels traded briefly below $1 per pound this week, for the first time in nearly two decades. Blocks closed at $1.0125, down 4.25¢. Barrels climbed a half-cent to $1.005. CME spot whey jumped 4¢ this week to 39¢, near the year-to-date highs. Whey production is slowing as cheese processors take on less milk, which is helping to boost milk protein prices.



We are in the darkest days of this crisis. Consumers are hunkered down and demand has cratered. Processors are piling up product. Milk is gushing, and the spring flush is likely to overwhelm the market for another two months. The virus has either sickened or scared the packing industry's workforce, and slaughter volumes have plunged. Dairy producers would surely like to step up cull rates, but they may not be able to do so until meat packers can reassure their employees that their jobs – a vital link in the food supply chain – can be done safely. Even then, slaughterhouses will have a lot of catching up to do and dairy cows may be at the back of the line. The dairy industry will not be able to cull its way out of crippling oversupply in the near term.

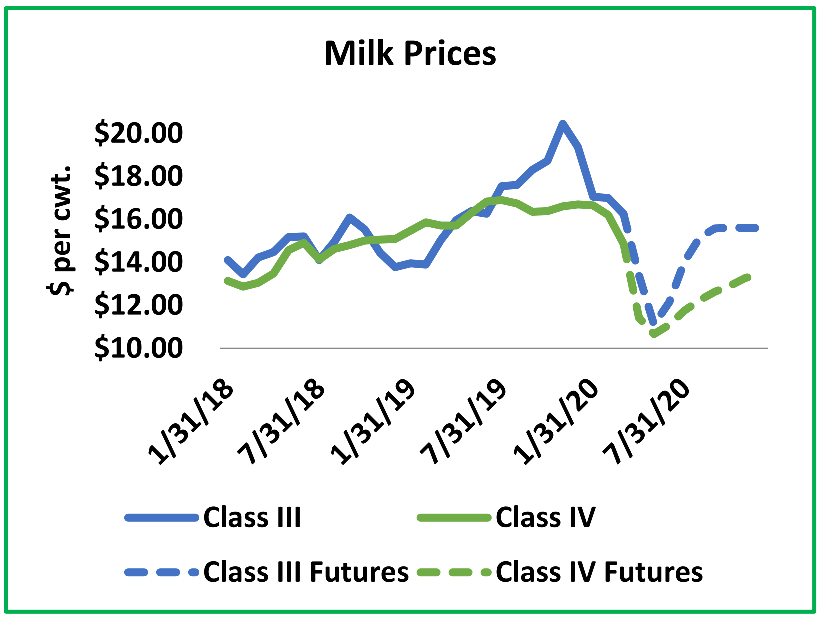
Cooperatives around the nation are implementing programs to slow down milk production, and the market signals couldn't be any clearer. If they truly cannot cull, dairy producers will find other ways to reduce output, likely by feeding lower-energy rations and drying cows early. The former has the added benefit of reducing components, which is helpful as the industry is drowning in butterfat. As a last resort, dairy producers will dump milk. Unfortunately, we are in an era of last resort.

The future does not look quite as bleak as the present. Scientists around the world are working diligently to develop a COVID-19 vaccine, and there are early signs that remdesivir, an antiviral drug, may



improve the health of those struggling with this terrible illness. Many states have slowed the spread of the virus sufficiently to gradually reopen their economies. Consumers are sick of cooking, and there will be pent-up demand for the pleasure of a restaurant meal. Still, millions of Americans are jobless and scared. They are most concerned about protecting their families and their savings. There will not be a huge rush to splurge at a trendy restaurant or attend a large event. But foodservice sales will at least be less awful than they are at the moment, and they will improve as the rate of infections continues to slow.

The markets reflect this cautious hopefulness with an upward sloping futures curve. The futures promise that prices will be much higher in the fall – when life should look more normal – than they are today. However, they are still projected to be well below dairy producers' cost of production, especially in areas with high Class IV utilization. The impacts of the virus will be with us for a very long time. The psychological and economic damage could influence consumer behaviors well into 2021. The American economy was thriving before COVID-19 pummeled it into its current fetal position. We will get up off the mat. But many economies around the world were less fit at the outset. They may take considerably longer to rise. That is unfortunate for industries that depend on exports, including dairy.



Grain Markets

The livestock industry is rushing to downsize the cattle and hog herds and the poultry flock. Feed demand is slipping. Ethanol output continues to plummet. Crop prices moved lower accordingly. July soybeans dropped nearly 30¢ to $8.4225 per bushel. At $3.2925, July corn settled 7.5¢ lower than it did last Thursday.

USDA Announces Coronavirus Food Assistance Program

Courtesy of United States Department of Agriculture

USDA Secretary Sonny Perdue announced late today the following regarding assistance for farmers and ranchers in response to the coronavirus pandemic.

(Washington, D.C., April 17, 2020) – U.S. Secretary of Agriculture Sonny Perdue today announced the Coronavirus Food Assistance Program (CFAP). This new U.S. Department of Agriculture (USDA) program will take several actions to assist farmers, ranchers, and consumers in response to the COVID-19 national emergency. President Trump directed USDA to craft this $19 billion immediate relief program to provide critical support to our farmers and ranchers, maintain the integrity of our food supply chain, and ensure every American continues to receive and have access to the food they need.

"During this time of national crisis, President Trump and USDA are standing with our farmers, ranchers, and all citizens to make sure they are taken care of," Secretary Perdue said. "The American food supply chain had to adapt, and it remains safe, secure, and strong, and we all know that starts with America's farmers and ranchers. This program will not only provide immediate relief for our farmers and ranchers, but it will also allow for the purchase and distribution of our agricultural abundance to help our fellow Americans in need."

CFAP will use the funding and authorities provided in the Coronavirus Aid, Relief, and Economic Security Act (CARES), the Families First Coronavirus Response Act (FFCRA), and other USDA existing authorities. The program includes two major elements to achieve these goals.

1. Direct Support to Farmers and Ranchers: The program will provide $16 billion in direct support based on actual losses for agricultural producers where prices and market supply chains have been impacted and will assist producers with additional adjustment and marketing costs resulting from lost demand and short-term oversupply for the 2020 marketing year caused by COVID-19.

2. USDA Purchase and Distribution: USDA will partner with regional and local distributors, whose workforce has been significantly impacted by the closure of many restaurants, hotels, and other food service entities, to purchase $3 billion in fresh produce, dairy, and meat. We will begin with the procurement of an estimated $100 million per month in fresh fruits and vegetables, $100 million per month in a variety of dairy products, and $100 million per month in meat products. The distributors and wholesalers will then provide a pre-approved box of fresh produce, dairy, and meat products to food banks, community and faith based organizations, and other non-profits serving Americans in need.

On top of these targeted programs USDA will utilize other available funding sources to purchase and distribute food to those in need.

- USDA has up to an additional **$873.3 million available in Section 32 funding** to purchase a variety of agricultural products for distribution to food banks. The use of these funds will be determined by industry requests, USDA agricultural market analysis, and food bank needs.

- The FFCRA and CARES Act provided an at least **$850 million for food bank administrative costs and USDA food purchases, of which a minimum of $600 million will be designated for food purchases**. The use of these funds will be determined by food bank need and product availability.

Further details regarding eligibility, rates, and other implementation will be released at a later date.

Valley Congressmen send letter to USDA urging support for California dairy farmers

By Kevin Abernathy, General Manager
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Earlier this week, MPC staff provided information to the office of Congressman Jim Costa (D-16) to assist in drafting a letter to Secretary of Agriculture Sonny Purdue, urging him to provide a direct payment to dairy producers in California. The letter detailed the significant decline in milk prices and the importance of California's milk production to the rest of the country. Along with direct payments, the letter also urges Secretary Purdue to make substantial purchases of dairy products, with a focus on those that cannot be repurposed for retail sale. *Read the full letter here.*

Coronavirus closures bring new challenges to Southern California dairy farmers

Courtesy of the Gabriel Valley Tribune

Earlier this week, the Gabriel Valley Tribune detailed the challenges facing Southern California dairy farmers during the COVID-19 outbreak. The article featured Marvo Holsteins Dairy owner Michael Oosten, who is an MPC Director. Read the full article below.

Dairy farmers across the country have felt the shock of the novel coronavirus pandemic, forcing some to dump raw milk.

As much as 7% of milk products nationwide were dumped in the first week of April, as milk producers could not sell milk to bottlers, with contracts for school lunches and restaurants evaporating due to massive closures and stay-at-home social distancing, the Wall Street Journal reported.

Here in the Inland Empire, several smaller dairy farms still exist, mostly in Chino, south Ontario and near San Jacinto. Since the late 1980s, many have moved or closed, the valuable land sold for housing and warehouse development.

Read the full article here.

Governor Newsom outlines six critical indicators the State will consider before modifying the stay-at-home Order and other COVID-19 interventions

Courtesy of Governor Newsom's Press Office

SACRAMENTO – Governor Gavin Newsom today unveiled six key indicators that will guide California's thinking for when and how to modify the stay-at-home and other orders during the COVID-19 pandemic.

The Governor noted that the progress in flattening the curve, increased preparedness of our health care delivery system and the effects of other COVID-19 interventions have yielded positive results. However, these actions have also impacted the economy, poverty and overall health care in California. Any consideration of modifying the stay-at-home order must be done using a gradual, science-based and data-driven framework.

Read the full press release here.

The PPP is out of money. Here's plan B

Courtesy of Inc.com

At just before noon Eastern on Thursday--only 14 days after small businesses across America were first able to apply for loans through the $349 billion Paycheck Protection Program, or PPP--the U.S. Small Business Administration announced it had exhausted its allotted funds. The agency, which administers the PPP, shut down its application and ceased enrolling new lenders into the program.

That leaves many business owners scrambling. Some are still applying. Some are waiting for loan approval. Some are working with banks or companies that don't yet have government approval as an SBA lender. And while Congress is expected to sign off on additional PPP funding, some companies' survival may depend on finding other options.

Read the full article here.