

MPC WEEKLY FRIDAY REPORT

DATE: OCTOBER 30, 2020

TO: DIRECTORS & MEMBERS

FROM: KEVIN ABERNATHY, GENERAL MANAGER

PAGES: 10



California Dairy
Sustainability
Summit



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+\$0.0100	\$2.7825	WEEKLY CHANGE	-\$0.0450	\$1.3900
Barrels	+\$0.0750	\$2.5300	WEEKLY AVERAGE	-\$0.0535	\$1.4100
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 10/24/20	
Blocks	+\$0.0215	\$2.7745	DAIRY MARKET NEWS	W/E 10/30/20	\$3.837
Barrels	+\$0.1315	\$2.4755	NATIONAL PLANTS	W/E 10/24/20	\$3.519
				PRIOR WEEK ENDING 10/17/20	
				NAT'L PLANTS	\$1.0946 14,798,260
				NAT'L PLANTS	\$1.0583 18,705,479

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
OCT 30 EST	\$16.80 - \$17.30	\$13.64	\$21.59	\$13.52
LAST WEEK	\$16.80 - \$17.30	\$13.63	\$21.63	\$13.52

Milk, dairy and grain market commentary

By Sarina Sharp, Daily Dairy Report

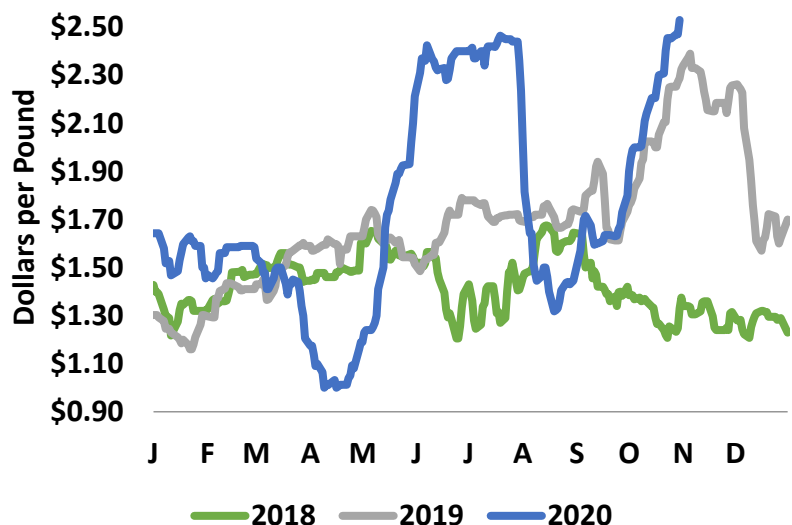
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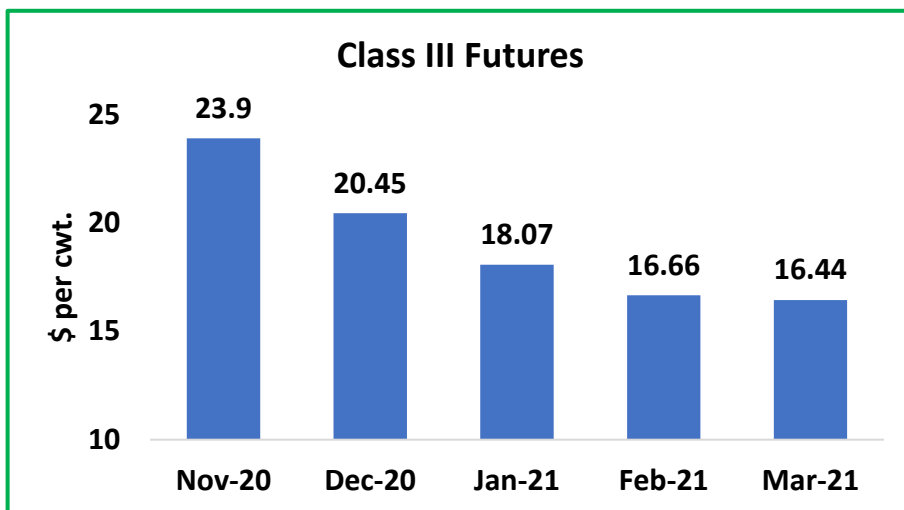


Milk & Dairy Markets

The cheese markets were spooked on Tuesday when CME spot Cheddar barrels suffered their first setback in over a month. But the fright turned to delight as barrels immediately began to climb again. They gained 7.5¢ this week and reached \$2.53 per pound, an all-time high. Blocks added a penny and finished at \$2.7825. Cheese buyers remain wary of purchasing more than they need with prices at such hair-raising heights, but demand has been strong enough to keep a bid under the spot market. Trading volumes were light, with just two loads of blocks and six barrels changing hands in Chicago

CME Spot Cheddar Barrels



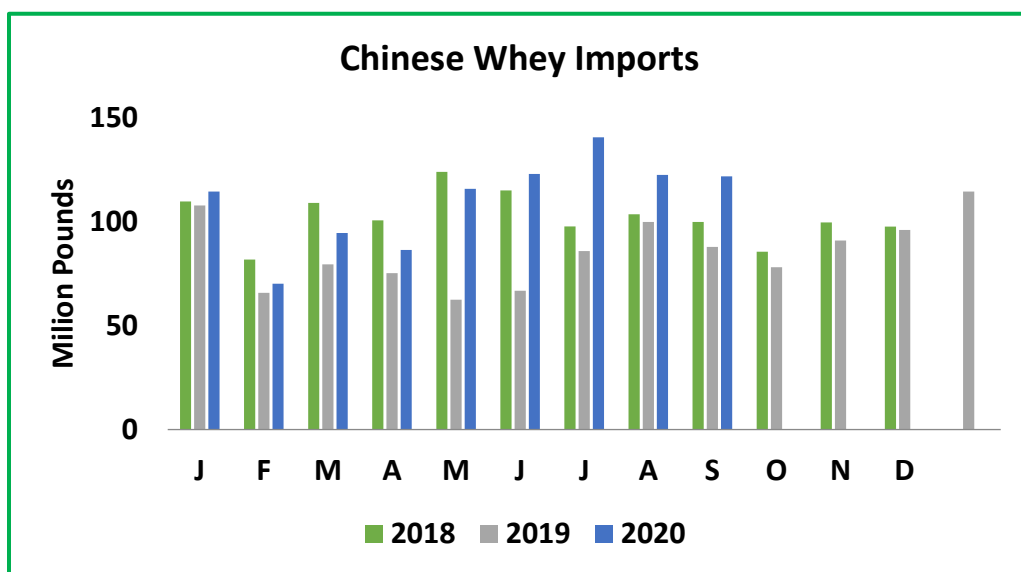


this week. That's led to a sense of foreboding. The rally is real, but how long can it last? The futures curve – with each month trading sharply lower than the one before – reflects traders' fears that the market cannot sustain these prices into next year.

CME spot dry whey rallied 1.5¢ this week to a nearly six-month high at 40¢. Whey protein products are priced to attract domestic customers, and whey powder is moving abroad at a respectable

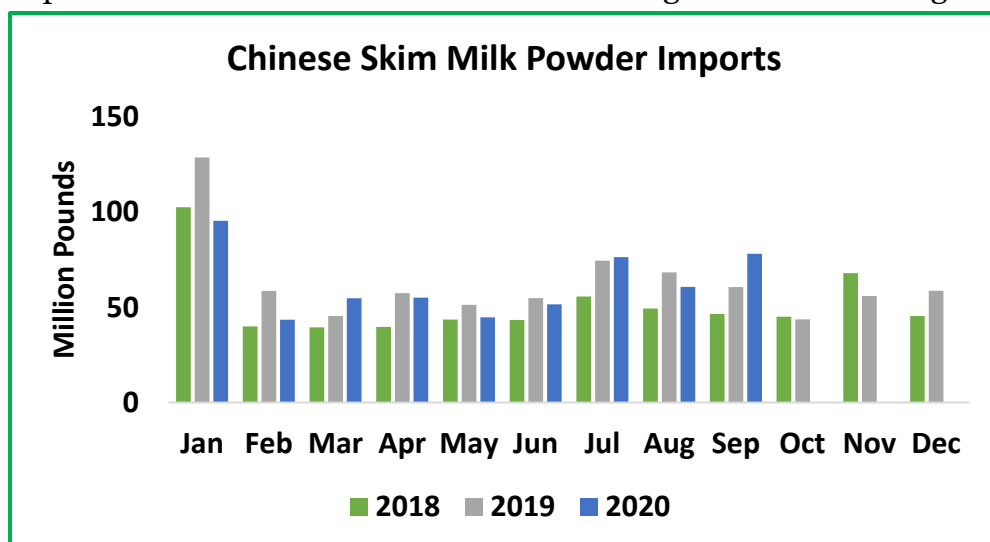
pace. China imported 121.7 million pounds of dry whey in September, nearly 40% more than last year, and the U.S. accounted for more than one-third of the total. In the first nine months of 2020, Chinese whey imports are 35% greater than during the same period last year, reflecting strong demand from China's modernizing swine industry.

Chinese milk powder imports impressed as well. The world's most closely-watched trade partner brought in 50.7 million pounds of whole milk powder last month, 7.4% more than in September 2019. China imported 78.1



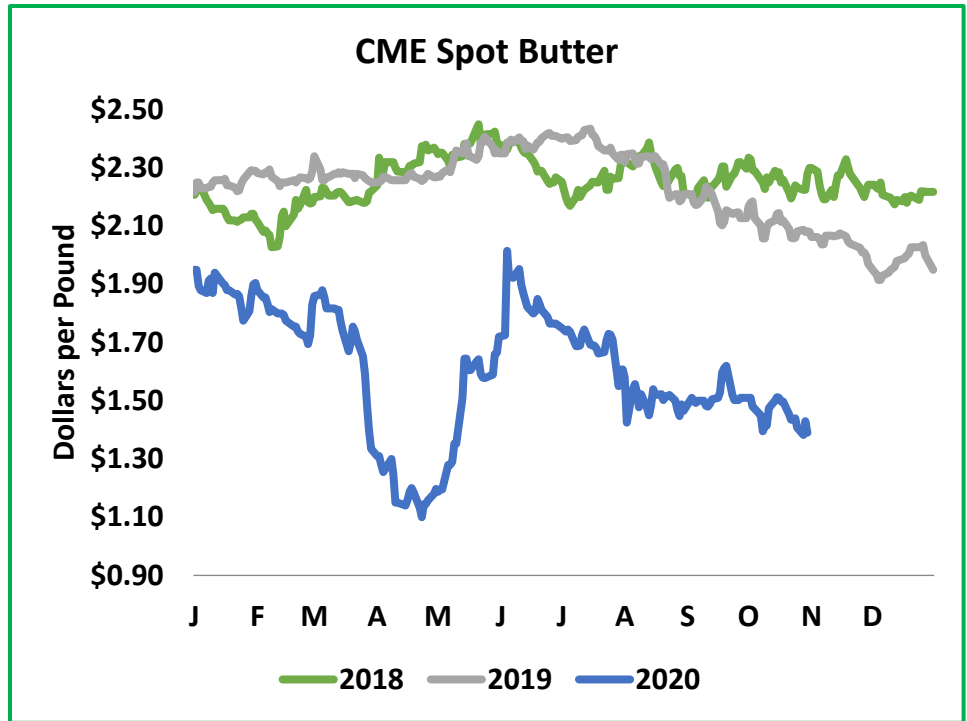
million pounds of skim milk powder (SMP), topping the prior year by 28.8%. For the first time in two years, Australia took New Zealand's place as China's top supplier of SMP, which suggests that the Kiwi cupboards were bare when the new season began. The U.S. also gained a bigger slice of China's SMP

pie, likely helped by the weaker dollar and lower pricing. Although China's year-to-date milk powder imports lag last year's formidable totals, they are still large in comparison to almost every other year. Resilient demand from Southeast Asia is helping to keep global milk powder inventories in check and to support global prices. American milk powder



remains the cheapest in the world. CME spot nonfat dry milk climbed a penny this week to \$1.1075.

U.S. butter is historically inexpensive and it's getting cheaper by the day. CME spot butter slipped 4.5¢ this week to \$1.39. Aside from this year, the spot butter market hasn't spent any time below \$1.50, much less \$1.40, since 2013. Manufacturers are ramping up output of seasonal products like cream cheese and eggnog, but cream remains abundant. Hopefully, holiday demand will shatter expectations. If not, butter is likely to remain in the doldrums.



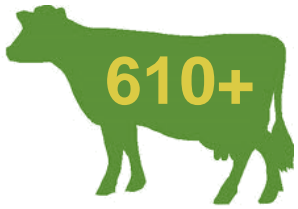
Modest gains in milk powder pricing were not enough to offset the butter slump. Class IV futures continued to slip. 2020 and early 2021 contracts lost a few cents, but Q2 contracts dropped 20¢ or more. Class IV values are well short of the cost of milk production, with sub-\$14 pricing until February 2021.

Persistently low Class IV prices mean that dairy producers who don't derive all their revenue from Class III remain at a sizeable disadvantage. The runaway cheese market pushed November Class III to \$23.90 per cwt., within 70¢ of the all-time high set in September 2014. But, unlike in 2014, Class I milk will be priced at the average of Class III and Class IV plus 74¢, rather than the "higher of." So next month most dairy producers will earn a blend of November Class III around \$23.90, Class IV near \$13.63, and Class I at \$18.04. The producer price differential will take a bite out of milk checks once again, but at least the Class I price will be noticeably higher than it was this summer.

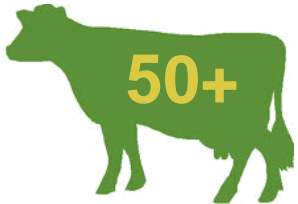
Grain Markets

Another week of strong export sales and concerns about South American crops propelled the feed markets upward once again. December corn closed at a one-year high of \$4.1925 per bushel, up 17.25¢ from last Friday. November soybeans settled at \$10.8375, up 37.5¢ to the highest price for a spot contract since mid-2016. December soybean meal climbed nearly \$20 to \$386.40 per ton, its highest value in more than two years.

The National Oceanic and Atmospheric Association upped the odds of a La Niña to 85%, which suggests that Argentine farmers may struggle to produce an average crop this season. In Brazil the weather is less of an issue, but domestic demand for crops is on the rise as the nation tries to simultaneously grow its livestock and corn-based ethanol sectors. Brazil highlighted its unusually tight crop supplies by announcing that it would suspend its import tax on corn and soy. The atmospheric and economic climates in South America suggest that U.S. crop exporters will be busy for a while.

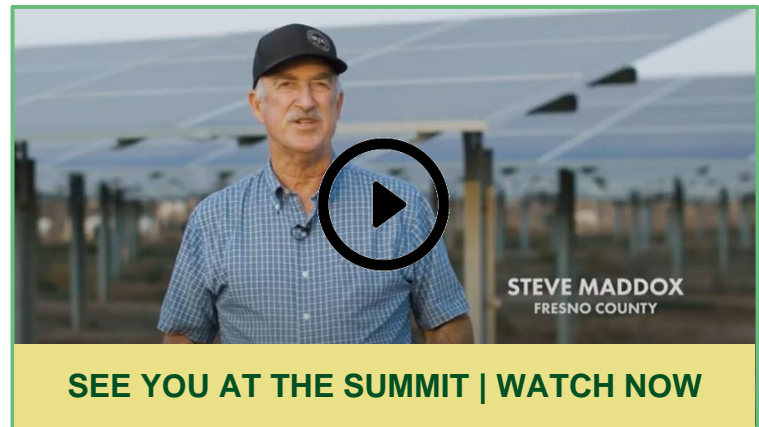


**Registered attendees
& counting!**



Expert speakers!

MPC Members!
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**California Dairy
Sustainability
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SPOTLIGHT
OPPORTUNITIES FOR
DAIRY FARMERS TO**



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environmental
sustainability**



**Reduce
emissions and
conserve water**



**Improve nutrient
management
and soil health**



**Develop
new business
opportunities**



**Improve
operational
efficiency**



**Reduce
on-farm
costs**



Ashley Rosales

Program Director of Nutrition Sciences

Dairy Council of California



Carlos Suarez

California State Conservationist

Natural Resources Conservation Service



Frank Mitloehner

Professor and Air Quality Specialist

University of California , Davis



Neil Black

President

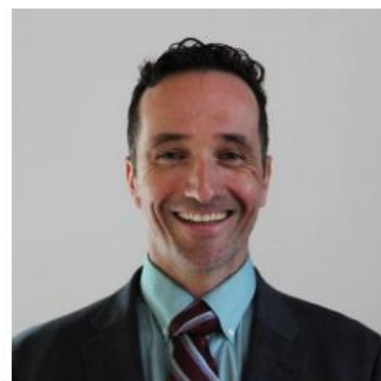
California Bioenergy LLC



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UC Davis



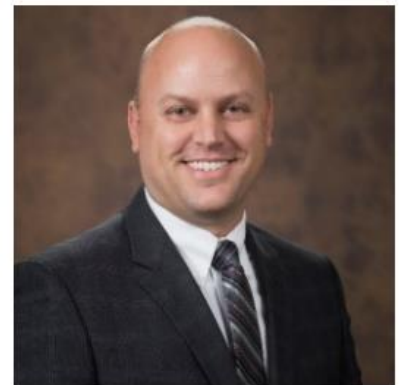
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Secretary
California Department of Food and Agriculture



Ray Prock Jr.
Manager
Ray-Lin Dairy



Rob Vandenheuvel
SVP, Member & Industry Relations
California Dairies, Inc.

Thursday, November 5, 2020 10:00 AM – 2:00 PM

- | | |
|----------|--|
| 10:00 AM | Opening Session: <i>Welcome remarks and planet-smart dairy/ program overview</i> <ul style="list-style-type: none"> Karen Ross, Secretary, California Department of Food and Agriculture Michael Boccadoro, Executive Director, Dairy Cares Tyler Ribeiro, Dairy Farmer and California Cattle Council Board Member |
| 10:24 AM | Disruption in the Food Business: <i>What does today's retail market look like and where does sustainability fit in?</i> <ul style="list-style-type: none"> Phil Lempert, Founder and Editor, Founder and CEO, The Lempert Report, Retail Dietitians Business Alliance |
| 10:55 AM | Advancing Environmental Performance in California and Across the Globe: <i>Explore the latest research on California's dairy farms' environmental footprint.</i> <ul style="list-style-type: none"> Dr. Ermias Kebreab, Associate Dean and Director, Professor, World Food Center, University of California, Davis |
| 11:08 AM | Are We Walking the Sustainability Talk?: <i>What do consumers expect and what opportunities exist to continue advancing sustainability throughout the supply chain.</i> <ul style="list-style-type: none"> Lisa Zwack, Head of Sustainability, The Kroger Co. Steve Lerch, President, Story Arc Consulting Jason Pelz, Vice President of Sustainability, Tetra Pak Moderator: John Talbot, Chief Executive Officer, California Milk Advisory Board |
| 12:00 PM | Networking Break |
| 12:10 PM | Rethinking Methane: <i>Methane has a stronger impact than CO₂, but how it influences actual warming is much different.</i> <ul style="list-style-type: none"> Dr. Frank Mitloehner, Professor and Air Quality Specialist, University of California, Davis |
| 12:20 PM | Methane, Cows, and Climate Change: <i>Leading climate researchers and policymakers will discuss evolving climate science and its implications for policies and strategies to achieve a climate-neutral dairy sector.</i> <ul style="list-style-type: none"> Dr. Myles Allen, Professor, Oxford Martin School, University of Oxford Richard Corey, Executive Officer, California Air Resources Board Dr. Frank Mitloehner, Professor and Air Quality Specialist, University of California, Davis Dr. Ermias Kebreab, Associate Dean and Director, Professor, World Food Center, University of California, Davis Moderator: Michael Boccadoro, Executive Director, Dairy Cares |
| 1:16 PM | The Future of Our Food System: <i>Where do sustainability, animal source foods, human nutrition and health intersect?</i> <ul style="list-style-type: none"> Brad Scott, Dairy Farmer and Dairy Council of California Board Member, Scott Brothers Dairy Ashley Rosales, Program Director of Nutrition Sciences, Dairy Council of California Devon Mathis, Assemblymember, California's 26th Assembly District |
| 1:47 PM | Dairy's Future Leaders: <i>Find out what dairy sustainability means to the winner of our college student writing contest.</i> <ul style="list-style-type: none"> Genevieve Regli, Dairy Farmer and Agricultural Communications Student, Cal Poly State University, San Luis Obispo |
| 1:53 PM | Global Challenges, Global Leadership: <i>Like California, Denmark is a leader in adopting climate-smart dairy farm practices. What will it take to spark positive change that reaches beyond our own communities?</i> <ul style="list-style-type: none"> Flemming Nør-Pedersen, Executive Director, Danish Agriculture and Food Council |

Friday, November 6, 2020 10:00 AM – 2:00 PM

- | | |
|----------|--|
| 10:00 AM | Welcome Remarks <ul style="list-style-type: none"> Emily Johannes, Category Manager for Ethical Sourcing, Nestlé USA |
| 10:10 AM | Leading the Way Toward Sustainability: <i>Executives of leading dairy organizations will share their visions for sustainability.</i> <ul style="list-style-type: none"> Tom Vilsack, President and CEO, U.S. Dairy Export Council David Darr, Senior Vice President and Chief Strategy and Sustainability Officer, Dairy Farmers of America Rob Vandenheuvel, Senior Vice President, Member & Industry Relations, California Dairies, Inc. Pete Kappelman, Senior Vice President, Member & Government Relations, Land O'Lakes, Inc. Moderator: Tammy Anderson-Wise, Chief Executive Officer, Dairy Council of California |
| 11:10 AM | Advancing Environmental and Economic Sustainability: <i>Learn about the valuable partnerships and pathways that are helping California dairy farmers implement new technologies and strategies.</i> <ul style="list-style-type: none"> Carlos Suarez, California State Conservationist, Natural Resource Conservation Service Karen Ross, Secretary, California Department of Food and Agriculture Ashley Boren, Executive Director, Sustainable Conservation |

Friday, November 6, 2020 (continued)

Breakout Sessions

11:25 AM	Energy Costs Are Rising Even Higher: What can we do about it? <i>Agricultural energy experts will highlight opportunities to combat rising energy costs through alternative power sources, renewable energy, and more.</i> <ul style="list-style-type: none"> Mike Newland, Director of Agriculture Business Development, Propane Education & Research Council Roger Isom, President & CEO, Western Agricultural Processors Association and Agricultural Energy Consumers Association Glenn Bland, Founder and Board Member, CalCom Solar Moderator: Michael Boccadoro, Executive Director, Dairy Cares 	Managing Manure to Create a Circular Fertilizer Economy <i>Learn about challenges, developing technologies, potential markets, and opportunities to utilize manure on crops across California's rich and diverse agricultural landscape.</i> <ul style="list-style-type: none"> Till Angermann, Principal Hydrogeologist, Luhdorff and Scalmanini Consulting Engineers Jim Wallace, SVP – Environmental Research, Dairy Management Inc. Denise Mullinax, Executive Director, California Dairy Research Foundation Moderator: Justin Gioletti, Owner, Robert Gioletti & Sons, Inc. 	People, Cows and Tech: Tips for Implementing Automation to Maximize Efficiency <i>Dairy farmers and robotic technology providers will discuss what it takes to boost productivity and ensure ultimate cow health and comfort.</i> <ul style="list-style-type: none"> Jonathon Postma, Managing Partner, Pete Postma and Sons Dairy Greg Hooker, Owner, Diamond H Dairy David Jones, Robotic Specialist, DeLaval John Paetz, Regional Sales Manager, Lely North America Moderator: Joel Hastings, Editor / Publisher, DairyBusiness Digital
12:10 PM	Networking Break		
12:20 PM	Climate-Smart Dairy: Where We Are Now and Where We're Headed <i>Digester developers and partners will discuss avenues for maximizing the environmental benefits of dairy biogas in driving a clean transportation future.</i> <ul style="list-style-type: none"> Neil Black, President, California Bioenergy, LLC Daryl Maas, Founder and Chief Executive Officer, Maas Energy Works Lyle Schlyer, President, Calgren Renewable Fuels Aaron Meyerle, General Manager, Kruse Western Renewable Fuels, LLC. Todd Little, Director, Gas Management, Bloom Energy Moderator: Cliff Gladstein, President, Gladstein, Neandross and Associates 	Dairies and Drinking Water <i>Local nitrate management zones are developing, as new regulations are implemented in the Central Valley. Hear from legal and water quality experts as they guide farmers in navigating these important efforts.</i> <ul style="list-style-type: none"> Theresa Dunham, Partner, Kahn, Soares & Conway, LLP. Charlotte Gallock, Coordinator, Kings River Water Quality Coalition District J.P. Cativiela, Administrator, Central Valley Dairy Representative Monitoring Program Moderator: Ray Prock Jr., Manager, Ray-Lin Dairy 	Soil Health and Water Conservation: Exploring effective practices <i>Dairy farmers will discuss practices to boost soil health and water conservation, including reduced tillage, cover cropping, manure-sub-surface drip, grant programs, and more.</i> <ul style="list-style-type: none"> Frank Fernandes, Managing Partner, Legacy Ranches Jennifer Beretta, Dairy Farmer, Beretta Family Organic Dairy Richard Mayo, Chief Financial Officer, De Jager Farms Moderator: Jenny Lester Moffitt, Undersecretary, California Department of Food and Agriculture
1:05 PM	SGMA Strategies: Managing Implications of the Sustainable Groundwater Management Act <i>Learn how SGMA will impact dairies and how local groundwater agencies are approaching the challenge. Local experts, a state director, and a dairy farmer will discuss the road ahead, surface water availability, and other strategies.</i> <ul style="list-style-type: none"> Joey Airoso, Dairy Farmer, Circle A Dairy Jason Gianquinto, General Manager, Semitropic Water Storage District Taryn Ravazzini, Deputy Director, California Department of Water Resources Scott Peterson, Water Policy Director, San Luis and Delta-Mendota Water Authority Moderator: Geoffrey Vanden Heuvel, Director of Regulatory & Economic Affairs, Milk Producers Council 	Solving the Enteric Emissions Puzzle: Feed Additives and Other Potential Solutions <i>Further shrinking dairy farm GHGs in the U.S. and other highly productive regions will require practical solutions to reduce enteric methane emissions. Learn about the latest research and developments.</i> <ul style="list-style-type: none"> Ermias Kebreab, Ph.D., Associate Dean and Director, Professor, World Food Center, University of California, Davis Mark van Nieuwland, VP and Program Director, DSM Nutritional Products Trine Barrett, Director of Agricultural Science and Livestock Innovation, SEGES Peter Williams PAS, Advantec Associates Inc./Feedworks USA Moderator: Toshihiro Kuwayama, Ph.D., Manager, Atmospheric Processes Research Section, California Air Resources Board 	
1:55 PM	Closing Remarks		