

MPC WEEKLY FRIDAY REPORT

DATE: DECEMBER 11, 2020
 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	+ \$.0325	\$1.6175	WEEKLY CHANGE	N.C.	\$1.4800
Barrels	+ \$.0425	\$1.4425	WEEKLY AVERAGE	+ \$.0765	\$1.5140
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 12/03/20	
Blocks	+ \$.0230	\$1.6285	DAIRY MARKET NEWS	w/E 12/11/20	\$4300
Barrels	+ \$.0120	\$1.4225	NATIONAL PLANTS	w/E 12/03/20	\$4126
				PRIOR WEEK ENDING 11/28/20	
				NAT'L PLANTS \$1.0770 26,390,983	
				NAT'L PLANTS \$1.0698 17,989,227	

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
DEC 11 EST	\$21.47 - \$21.97	\$14.11	\$15.79	\$13.48
LAST WEEK	\$21.47 - \$21.97	\$14.11	\$15.35	\$13.57



Milk, Dairy and Grain Market Commentary

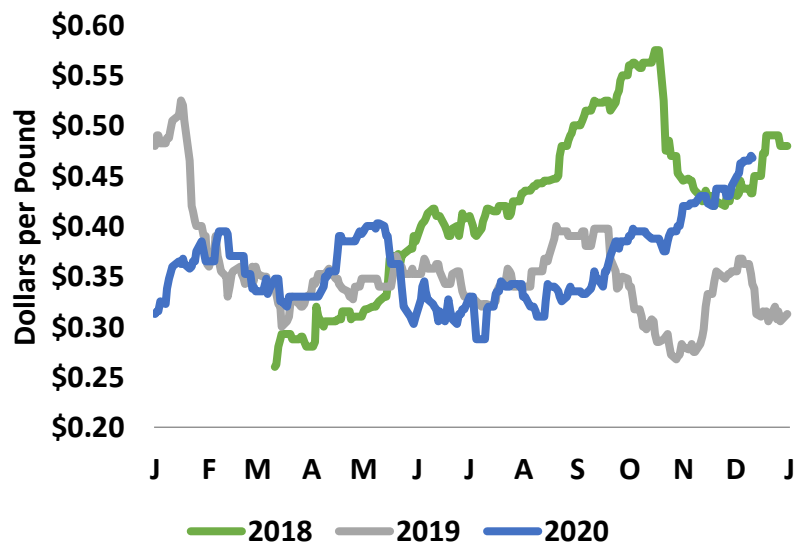
By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

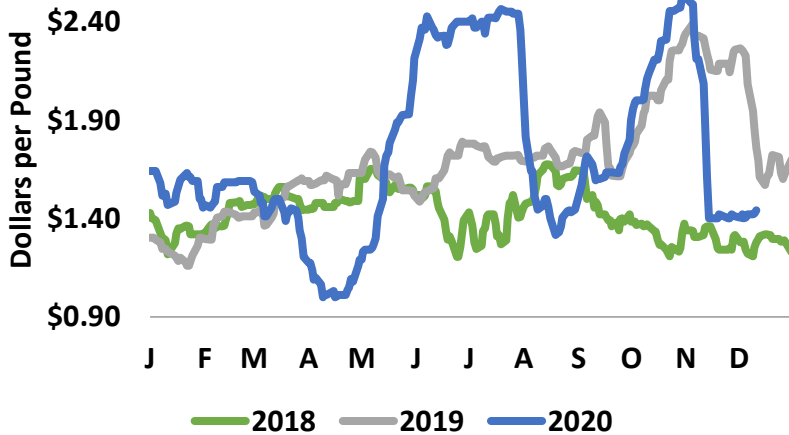
After losing ground for more than a month, the Class III markets came roaring back this week. Most contracts gained between 30 and 50¢, and February Class III jumped 85¢ to \$17.27 per cwt. February through December contracts posted life-of-contract highs and all stand well above \$17, a sign of health and good cheer.

Both cheese and whey contributed to the Class III comeback. CME spot whey added another half-cent and reached 46.75¢ per pound. Both foreign and domestic demand for whey has been strong, helping to tighten stocks and lift prices consistently.

CME Spot Dry Whey



CME Spot Cheddar Barrels

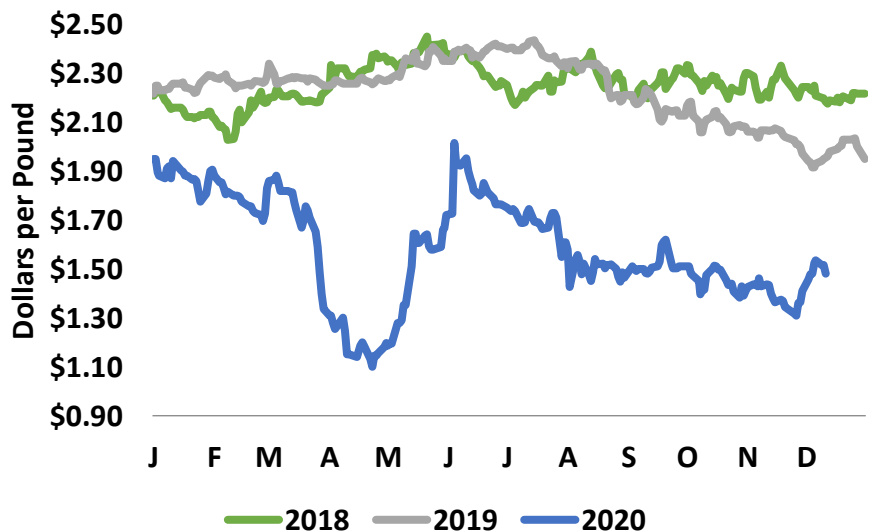


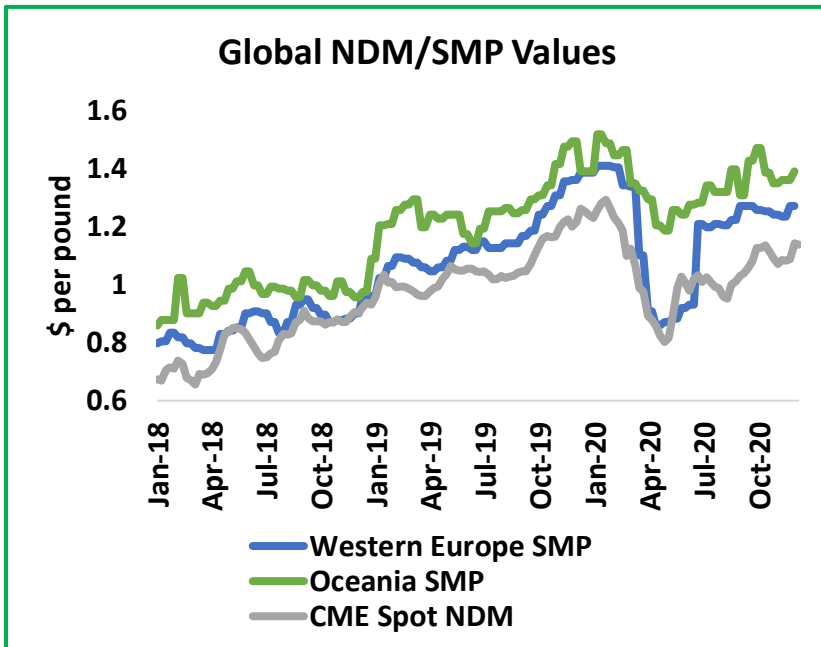
Despite a late-week setback, CME spot Cheddar blocks advanced 3.25¢ this week to \$1.6175 per pound. Barrels climbed 4.25¢ to \$1.4425. The cheese markets seem to have fallen far enough for now. These values are low enough to compete for exports and to perhaps entice end users to catch up on purchases they put off this fall, when the spot markets were unpalatably high. Even so, demand remains a concern. The industry will have to move a lot of cheese through retail and export pipelines to make up for all the holiday parties and restaurant visits that simply won't happen this season.

Dairy traders with ties to Washington, D.C. suggest that the incoming Biden administration would consider another round of the Farmers to Families Food Box program. This was the largest of several government efforts to purchase surplus food products to donate to those in need, and it is winding down quickly. Many food bank suppliers have already used up their share of the \$500 million allocated for November and December, and government-funded cheese orders have dried up. Hopes for renewed government purchases in 2021 likely contributed to this week's rally. However, the next round of the program would take some time to administrate and would require more funding from Congress, which is far from guaranteed. President-elect Biden has nominated Tom Vilsack, the current head of the U.S. Dairy Export Council, to return to his former post as Secretary for the Department of Agriculture. But after watching the damage that sky-high cheese prices caused to U.S. export opportunities, and their uneven benefits to dairy producers, Mr. Vilsack may not be inclined to rubber stamp the program. The market could be counting its food boxes before they are packed.

The food box program is not the only avenue for government aid. Last Friday, USDA pledged to spend \$110 million using Section 32 funds in 2021. The spending is a pittance compared to the totals expended via all USDA food programs in 2020, but thankfully the funds will be directed where they might be most helpful and least disruptive. USDA plans to purchase fluid milk and butter. The unexpected news gave the butter markets a temporary lift this week, but it didn't last. Butter was ultimately weighed down, once again, by heavy supplies and soft demand. Cream is abundant, and churns are running hard. CME spot butter held steady this week at \$1.48. The futures finished lower.

CME Spot Butter

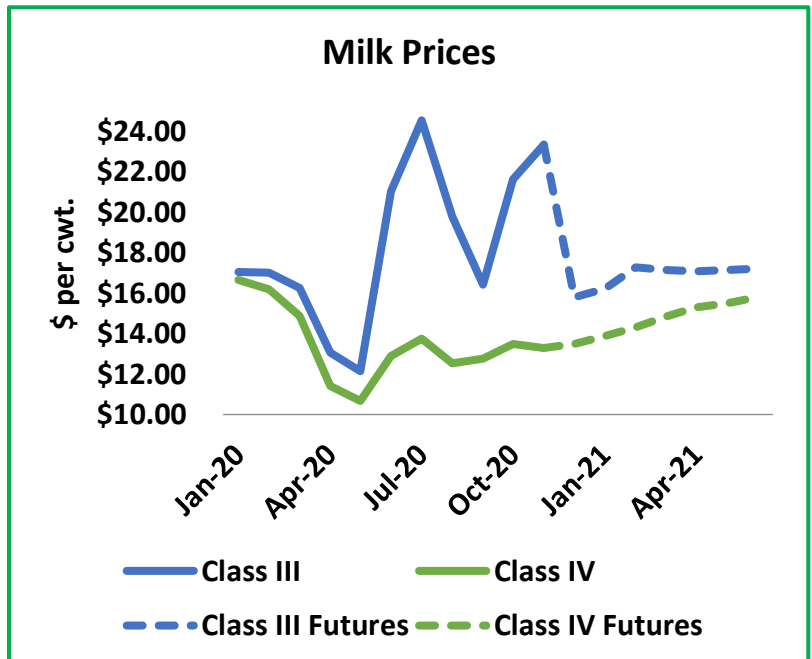




CME spot nonfat dry milk (NDM) slipped from last week's pandemic-era highs. It closed today at \$1.1275, down 2.25¢ from last Friday. Foreign demand for milk powder has been strong, and American NDM is a bargain. That's helped to keep U.S. NDM inventories in balance despite robust output.

The driers are likely to stay busy. Dairy slaughter volumes remain low, and dairy producers in the cheese states have every incentive to expand. After several massive milk checks, they likely have the capital and credit to make good on their ambitions. Meanwhile, investments in better facilities and advances in breeding are translating to noticeably more milk.

The mild start to the winter is also helping milk yields. Surplus milk is likely to weigh most heavily on Class IV markets, just as it did this week. January and February Class IV lost 42¢ and 40¢, respectively, while other contracts suffered more modest losses. December and January Class IV continue to flounder below \$14 per cwt. and most 2021 contracts are well below dairy producers' cost of production. The widespread between Class III and IV suggests that dairy producers in regions with high Class IV – or Class I – utilization will once again suffer depooling and a punishing producer price differential. The new year is likely to get off to an inequitable start.



Grain Markets

The feed markets were uncharacteristically quiet this week. March corn settled today at \$4.235 per bushel, up 3¢ from last Friday. January beans closed at \$11.605, down 2.5¢. January soybean meal lost about \$5 per ton and finished at \$380.30 per ton.

USDA updated its feed balance sheets on Thursday. The agency made no changes to its U.S. corn supply and demand estimates and pushed its assessment of U.S. soybean demand slightly higher. The markets greeted the report with a collective yawn.

U.S. crop exports remain strong. South American weather has improved, but there are still plenty of dry soils and farmers are hoping for more regular rains. The western half of the U.S. is terribly parched, but that's unlikely to meaningfully impact crop values until spring, at the earliest.

Judge Orders Referendum on Petition to Amend and Terminate Quota Implementation Plan

On December 9, Administrative Law Judge Timothy Aspinwall granted the United Dairy Families of California's (UDFC) request for a referendum to amend and terminate the Quota Implementation Plan (QIP).

UDFC submitted a petition to the California Department of Food and Agriculture (CDFA) in June, seeking to amend the QIP by equalizing Regional Quota Adjusters so that the Quota premium equals \$1.43 per cwt. in all counties, to be followed by termination of the QIP effective March 1, 2025. In July, the Producer Review Board considered UDFC's petition, recommending to CDFA Secretary Karen Ross that it proceed to a public hearing, which was then held in September.

In his ruling, Judge Aspinwall noted that "the issue in this matter is whether Petitioners have met the legal and procedural requirements such that the Petition must proceed to a referendum vote among eligible dairy producers." The factual findings of the court determined that 27.74% of eligible dairy producers, representing 36.49% of the total production of eligible producers, signed the petition. These numbers exceed the minimum requirement that the petition be signed by more than 25% of eligible producers, representing not less than 25% of statewide dairy production.

The Judge's order was succinct: "Petitioners' request for a referendum is GRANTED." Read the entire Proposed Decision [here](#).



Court Dismisses "Animal Rights" Case Against California Dairy Family

*By Kevin Abernathy, General Manager
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One of our southern California MPC members received welcomed news yesterday, bringing to a close the most stressful and hurtful period of the family's 63-year-old dairy farm. A lawsuit alleging animal mistreatment, filed by the Animal Legal Defense Fund (ALDF) against the dairy family, was thrown out by the California Superior Court for the County of Riverside.

In October, ALDF filed a suit against the family dairy farm, accusing the owners of mistreating their animals and seeking an injunction against further operation of the farm. The case was based on a year-old report and highly edited video recorded by an "undercover Animal Outlook volunteer" fraudulently posing as a farm worker.

Very quickly, a strategic team was pulled together to create a 360-degree perimeter to support this dairy family – legally and emotionally. Attorneys Stephen G. Larson and Dana M. Howard of Larson LLP were retained to defend the dairy family, filing a motion to dismiss in response to the ALDF's complaint.

Yesterday, Riverside County Superior Court Judge Irma P. Asberry sustained the motion to dismiss the complaint **in its entirety without leave to amend**. This is an important distinction, which means the complaint cannot be refiled since ALDF failed to state a cognizable claim for either damages or injunctive relief. Moreover, our hope is that yesterday's ruling is precedent-setting for the dismissal of future frivolous and baseless lawsuits filed by animal rights extremists against dairy families.

“Yesterday’s ruling confirmed what we already knew – that the lawsuit was baseless, manufactured, and false,” Larson said. “The Animal Legal Defense Fund had no grounds to persecute this family and their farm, which is one of the cleanest, safest and best run dairy operations in California.”

Yesterday’s ruling was a step in the right direction for the dairy industry, sending a clear message to animal rights extremists that facts and logic – not hyperbole and inflammatory rhetoric – win the day in court. But rest assured, these groups will continue pursuing legal challenges just as they will continue raising money with provocative videos backed by sad, minor-keyed piano music.

We urge our dairy families to remain vigilant in your hiring process. Animal rights extremists continue to execute a coordinated and well-funded program to gain access to our dairy farms across California.

MPC Prepares to Work with 117th U.S. Congress

By Kevin Abernathy, General Manager

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Providing a voice in Washington, D.C. for our dairy families is fundamental to MPC’s mission, and key to effectively accomplishing that mission is building and maintaining good working relations with members of Congress. We’re very excited that **David Valadao** – a strong advocate for dairy farming – returns to our nation’s capital on January 3, 2021 as the representative of the 21st Congressional District, a seat he previously held from 2013 to 2019.

David and his family are no strangers to dairy farming. They operate their family dairy in Hanford and have been longtime MPC members. He understands the challenges and opportunities facing the California dairy community because they are also important to his family. We’ve already had discussions with him about one of the issues weighing down the overall milk price paid to dairy farmers – the bulk butter bulge, which Geoff Vanden Heuvel wrote about in [last week’s Friday Report](#). We were also pleased to host David last week at the MPC Board of Directors meeting held via Zoom to discuss his return to D.C. and the work ahead. Congratulations, Representative Valadao, on your election!



David Valadao will represent the 21st Congressional District

Over the years, we have also built strong working relationships with the following representatives (and their staff members) who won reelection.

Our congratulations to Representatives **Doug LaMalfa** (R-1), **John Garamendi** (D-3), **Josh Harder** (D-10), **Jim Costa** (D-16), **Zoe Lofgren** (D-19), **Jimmy Panetta** (D-20), **Devin Nunes** (R-22), **Kevin McCarthy** (R-23), **Norma Torres** (D-35) and **Ken Calvert** (R-42).

Working effectively in Washington means building coalitions and partnerships, both with representatives from California and across the country. We’ve been fortunate to work with the offices of Representative **Collin Peterson** (D-MN) and **Mike Conaway** (R-TX) on many dairy-related topics. Both these gentlemen will not be returning for the 117th Congress and we wish them all the best.

Much work lies ahead for the next Congress on issues of importance related to dairy farming, including labor, trade, water policy and environmental regulations. MPC stands ready to be a trusted resource of dairy-related information for Congressional members and pledges to work collaboratively to craft policy that’s good for our family dairy farms, our employees, our communities and our consumers.

Thank You MPC Members for Your Work to Defeat Prop 15

By Kevin Abernathy, General Manager
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The defeat of Proposition 15 in last month's election was a victory for our family dairy farmers, local businesses and consumers. The measure was rejected by more than 650,000 votes, with 52% of voters opposing the tax hike. The measure sought to undermine California's landmark property tax assessment system by removing protections made secure in Proposition 13, which passed with a decisive 62% to 34% majority by voters in 1978.

While Prop 15 would have exempted agricultural land, improvements on the land would have been subject to taxation, as well as commercial property, such as farm and dairy structures, processing facilities and truck yards. Property tax reassessment on these improvements would have been made at fair market value, occurring no less frequently than every three years.

MPC was proud to support the Prop 15 opposition effort organized by the [Alliance of California's Farmers & Ranchers](#). We shared information about this coalition of farmers and farm-related organizations in the September 11 edition of *The Friday Report*. I personally know many of our members shared information about, and donated to, this effort, which sought to produce effective messaging to reach voters about the negative impacts of Prop 15. Thank you for your efforts and leadership to help keep business costs under control, maintain an affordable food supply for our consumers, and ultimately, preserve family dairy farming in this state. Thank you!

NMPF President's Update

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

Vilsack Chosen for Return Engagement at USDA | The news this week that President-elect Biden has selected Tom Vilsack as his Secretary of Agriculture was certainly a bittersweet moment for many of us. While I think it is great news for U.S. agriculture and all who care about the wide array of issues that USDA touches (that is, everyone), there is also a personal sense of loss for all of us who have had the opportunity to work closely with Secretary Vilsack over these past four years.

I think [I spoke for all of us at NMPF](#) and the dairy community in my media statement when I said that we have appreciated the insight and passion he has brought to the trade policy realm at USDEC, as well as his engagement on so many other issues of importance to dairy farmers and rural communities. No one is better suited to tackle the many pressing policy issues U.S. agriculture and food policy advocates are facing than he.



The Biden transition team Thursday confirmed reports that Vilsack's unparalleled understanding of the issues and challenges facing production agriculture and rural America made him the optimal candidate for the USDA cabinet position, where he previously served from 2009 to 2017. Tom and his wife, Christie, traveled by car to Delaware where they were joining the President-elect for the official announcement today. Vilsack will remain in his role at USDEC while awaiting confirmation to his new position by the Senate.

Dairy Management, Inc. also announced that once Vilsack is confirmed as USDA Secretary, Krysta Harden, currently USDEC’s Chief Operating Officer, will become the CEO of USDEC. We applaud this move and are excited to continue working with Krysta. She has been terrific in her leadership position at USDEC, and she has also played a critical role in guiding the dairy community on its path toward the realization of our net zero initiative – work that will increase in intensity next year at USDA and on Capitol Hill. We offer best wishes to both of them in their new roles.

U.S. Trade Representative Choice is Veteran Trade Lawyer | The Biden transition team this week also chose House Ways and Means Committee chief trade lawyer Katherine Tai to be the next U.S. trade representative, signaling the President-elect’s intention to continue a focus on U.S.-China trade relations. Tai is very familiar with ag policy issues, as we noted in our [statement today](#). Before working on trade policy issues on Capitol Hill starting in 2017 – including efforts on the proposed Trans-Pacific Partnership (TPP) and overseeing the approval of the USMCA – Tai was the chief counsel on China trade enforcement at USTR during the Obama administration. If confirmed, Tai would be the first Asian American to hold the role of top U.S. trade negotiator.

