

WESTERNUNITEDDAIRIES

WEEKLY UPDATE

July 9, 2020

For the Record...

By WUD Executive Committee (Devin Gioletti, President; Louie Borba, 1st Vice President; Dave Koolhaas, 2nd Vice President; Travis Visser, Treasurer; Lucas Deniz, Secretary; Arlin Van Groningen, Member At-Large; Trevor Nutter, Member-At-Large)

The Executive Committee (elected for leadership by the full Board of Western United Dairies), is taking this opportunity to respond to a malicious set of accusations recently made by STOPQIP against WUD and our involvement in the industry's on-going brother on brother fight over quota. As our CEO stated last week, WUD filed an Amicus Curiae brief in the case of STOP QIP Tax Coalition v. CDFA. The brief asserts that CDFA handled quota properly and in accordance with dairy farmer wishes throughout the QIP development and referendum process (you can read this brief [here](#)). The Board of WUD thinks quota should be changed or voted out the same way it was voted in and that the rules shouldn't be changed mid-game. We shared counsel with the United Dairy Families of California for this brief *alone*. The brief does not discuss any policy points regarding changing quota, terminating quota, or keeping quota -it reflects the history of how the industry got to where we are today. As a point of factual clarification, WUD is not affiliated with the group SAVEQIP. We have not hired separate counsel to assist any point of view on quota and we will not be doing so. What the Board has consistently defended pre and post FMMO, has been the ability of the dairy farmer to choose how best to provide for their family dairies. The individual farmer voice is the most powerful tool available to all of us, and just as we strongly object to bloc voting as an organization -we now stand to object to our votes being stripped from us by a judge. From one group of farmers to another -principles only mean something when you stand by them, truth and history matters over lies. When the industry united behind higher pay prices, we united behind the fight. This is an opportunity to stand up for the industry leaders previously committed to.

Since the FMMO implementation and the ensuing disharmony on quota, WUD has listened to its members on how they wanted the organization to handle its involvement. Our board has supported the industry's right to self-determination in ALL circumstances where quota should end up through a referendum: whether it's a reform process, status quo, a termination in the future or an outright termination. What we have NOT supported are misinformation campaigns to circumvent the appropriate process and strip California dairy families of their voting rights. Suing CDFA over two years after the QIP was voted on is an attempt at eliminating that voting right. California dairy families voted overwhelmingly in favor of the QIP in 2017. The QIP clearly states that if dairy farmers want to change or eliminate the QIP, a referendum can be held in the same manner as it was for its implementation (See actual QIP excerpts below).

Instead of focusing on a petition through the proper channels to bring this issue to referendum, Stop QIP decided to start rumors that WUD is opposed to "a referendum to terminate without compensation" in its latest anti-WUD campaign. WUD has long prided itself in its messaging integrity and we certainly continue to do so today. Our board stands by its decision to support dairy farmers' voting rights in this matter and will continue to —even when threatened by false claims. *Quota Implementation Plan, Section 1101: Substantive, or significant amendments to this Plan require a producer referendum to be held in the same manner as the referendum approving this plan Section 1103. Upon receipt of a petition signed by at least 25 percent of market milk producers regarding the amendment or termination of this Plan, the Secretary shall convene the Producer Review Board to review the merits of the petition and make a recommendation to the Secretary. If the Secretary finds that the Plan no longer tends to effectuate the purpose intended, termination shall be submitted for referendum in the same manner as provided for its initial approval.*

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WEEKLY UPDATE DELIVERY OPTIONS

Send change of address or request for Update delivery to WUD by phone, fax or email
info@wudairies.com

Struggling with depression?

Call 1-800-784-2433 24x7 for a live, trained person to talk with or find local resources.

ON COVID-19:

WUD is doing everything possible to get information out to our members on safety standards and essential workplace priorities. WUD is also working hard with Sacramento to showcase how safe our local food supply is and the quality of the food we make is the best in the world. For resources, visit westernuniteddairies.com/covid-19-update.

Questions? Call the office at: 209-527-6453 or email us at: info@wudairies.com

ADVERTISE WITH US

If you would like to advertise with us, please check our website at: www.westernuniteddairies.com/about/advertise-with-us/

Milk Price Survey

We are still collecting price information to improve California milk price transparency. Please don't hesitate to send your milk statement to annie@wudairies.com or as a picture to 765-543-4483. You can block your business name/address, but make sure to leave the gross pay price as well as component percentages. The last month of data slowed down considerably, but it is still very valuable to keep the information collection going during these times of crisis. Thank you in advance!

We Want to Hear your Opinion, Please Take Just a Few Minutes to Fill Out WUD's Survey

Help us make WUD a better organization with more direction from our members! We've included some questions regarding risk management, along with an area you -the member-, can direct feedback on things that would help your business. Please take the survey at:

<https://www.surveymonkey.com/r/6VF5CLW>

Don't MISS WUD's Latest Podcast Episode!

This latest episode features some good market news, with a notice about what your June Check may look like. Anja updates listeners on the saga that is the California Quota system, Rashell joined with a reminder about LUC services, and Paul Sousa shared everything we need to know about the CARB Truck Rules. Listen to Episode 13: There will be fireworks! from Seen & Herd on Apple Podcasts. <https://podcasts.apple.com/us/podcast/seen-herd/id1508160620?i=1000482389949> or directly on WUD's website at <https://westernuniteddairies.com/seen-herd-podcast/>

CAL-OSHA Dairy Compliance Assistance Visits During Holiday Weekend

Earlier this week, WUD sent a notice to inform our members that regional Cal-OSHA safety personnel had visited a number of dairies in Merced County given the spike in the number of COVID-19 cases in that county. Specifically, it has been reported to us by Cal-OSHA staff in Sacramento that the visits were "compliance assistance" visits only and not part of an enforcement campaign. We have not received any reports that citations have been issued to any of our members. Cal-OSHA had coordinated these "compliance assistance" visits to educate and to ensure producers have hand washing stations available, soap, sanitation in lavatories and, a relatively new requirement, face coverings for all employees. We have also confirmed that official inspections - those associated with potential enforcement - would never occur on the weekends or holidays.

Through this platform, WUD had reported on new requirements, including masks, and the best available resources for obtaining face coverings for your workforce. If you're looking to source face coverings or other equipment, please take a look at the links below. If you have experienced a "compliance assistance" visit from Cal-OSHA and you would like to share with us your experience, please email: darby@wudairies.com

OSHA/CDFA Compliance Checklist: <https://files.covid19.ca.gov/pdf/checklist-agriculture.pdf>

Click [here](#) for the list of PPE suppliers we published earlier this week. Additionally, CDFA shared the two links below for a commercially operated list of vendors that is periodically updated: Vendor list Northern California click [here](#); Vendor list Southern California click [here](#).

The State of California is operating a PPE marketplace website that could also be helpful at the following link: <https://www.safelymakingca.org/marketplace>

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BENNETT
ENVIRONMENTAL

WUD Steps Up Opposition to Legislation Restricting Using Byproducts for Animal Feed

By WUD Government Affairs Team

California's dairies and ranchers know first hand that food byproducts can make up roughly 50% of the feed that is made available to their herds. Byproducts are, by far, the most nutritionally dense and sustainable feed that can be found. These byproducts are sourced by dairy producers from restaurants, bakeries and other commercial food production facilities that would otherwise be discarded ending up in our landfills. The ability for a dairy farmer to source these byproducts is dependent on an open and competitive marketplace whereby the sourcing, storing and delivery of these products can be achieved efficiently.

Unfortunately, the sponsors of AB 2959, which include major companies like San Francisco-based Recology, and Phoenix-based Republic Services believe sourcing these byproducts for animal feed should only be conducted through their franchise agreements with cities and counties. Under this bill, anyone not working through those franchise agreements would be locked out from picking up food byproducts from restaurants, grocery stores and other retail food facilities. Hundreds of dairy farmers throughout the state depend on food byproducts, and our utilization of these products, ensures they stay out of our landfills. Without this supply of sustainable feed, dairy farmers would be forced to purchase feed from out-of-state suppliers at a tremendous cost with additional environmental impacts associated with that transport. Legislation that artificially restricts access to these byproducts that benefits the handful of big players within the waste collection industry should be soundly rejected by the State Senate.

With the Legislature not set to reconvene for at least another week due to concerns about the spread of COVID-19, we ask you to join WUD in opposing AB 2959 by responding to info@wudairies.com. Give us your name, dairy name, city/county and we will make sure your Senator hears from you about this legislation.

In 2018, Recology posted \$1 billion in revenue, and Republic Services, the second largest waste collection company in the United States, posted \$9.4 billion in revenue in 2016.

What's up and what's not - your weekly market update

By Annie AcMoody, Economist

Prices may not have gone up as fast as fireworks lit the sky in California for the 4th, but some commodities managed to continue their price run this week. Notably, USDA block cheese led the improvements with a gain of 6.19 cents to \$2.5947/lb. And the best part is there is still room to grow as CME blocks are still strong, settling at \$2.7375/lb yesterday. USDA barrels were a bit slower with a gain of 1.79 cents, but since they are standing at \$2.3927/lb there is not much to complain there. This is closer in line with where CME prices settled (\$2.40/lb). Cheese exports in May performed particularly well: not only was export volume up 7% from a year ago, the monthly volume was the highest since March 2019. Such prowess may get trickier for this summer as our export competitiveness takes a hit with the recent price hike in the U.S. Prices may have gone up slightly at the Global Dairy Trade (GDT) auction in the past few weeks, but the average price still lags much behind at \$1.71/lb. I mentioned this last week, but I think it is worth reiterating to avoid bad surprises on your next milk statement: the recent increase in cheese prices may not translate to a direct increase on your milk statement. While it will elevate the average price paid to producers in California in June, there will be many farmers receiving a price below that statewide average, while others will get a price higher. More specifically, farmers with a pay price tied to the cheese price will get a higher price. Those receiving the pool blend price will not see much of the gains that cheese is accomplishing because most of the cheesemilk will not be participating in the pool (see last week's newsletter for more details).

USDA's nonfat dry milk price continued its uptick, gaining 1.9 cents to \$0.9767/lb. CME spot powder prices crossed the dollar threshold and stand at \$1.03/lb, so USDA prices have a little bit of room to grow still. According to USDA data, powder exports were not only up 24% year-over-year, they set a new record in May. Outside the U.S., prices are higher, with the latest skim milk powder price averaging \$1.22/lb at the latest GDT, up 4 cents from two weeks ago. The USDA's butter price retreated some again this week, losing 2.78 cents to \$1.7966/lb. CME butter prices started to slip and stand a dime lower. Butterfat exports may have been 7% below a year ago, at least they were at the highest level since June 2019. Unfortunately, imports were up (+9%) and at the highest level since December 2018. This imbalance is not helping growing butter stocks in the U.S. Outside our borders, the average butter price at the GDT gained 6 cents to \$1.69/lb.

USDA's dry whey price lost a surprisingly large amount for the usually slow moving commodity, dropping 2.72 cents this week, to \$0.3378/lb. Despite slower cheese production, dry whey output was significant in May, climbing 10% from where it was a year ago. Stocks are also elevated, up 29% from last year. Exports were in line with previous months. With all the increased export performance in May, the U.S. Dairy Export Council (USDEC) reported U.S. export volume was the most in more than two years. The organization calculated that the equivalent of 17.4% of total U.S. production was exported in May, up from 14.7% a year ago. The importance of export was clearly visible for powder, where 85% of the production was exported.

Latest commodity prices

Average (\$/lb)	AA Butter	NFDM	40# Blocks	Barrels	Dry Whey
May	\$1.3074	\$0.8492	\$1.2990	\$1.2990	\$0.3818
June	\$1.7067	\$0.9106	\$2.2152	\$2.2152	\$0.3638
July 8	\$1.7966	\$0.9767	\$2.5947	\$2.3927	\$0.3378
From last week	-2.78 cents	+1.90 cents	+6.19 cents	+1.79 cents	-2.72 cents

Latest class prices—Order 51

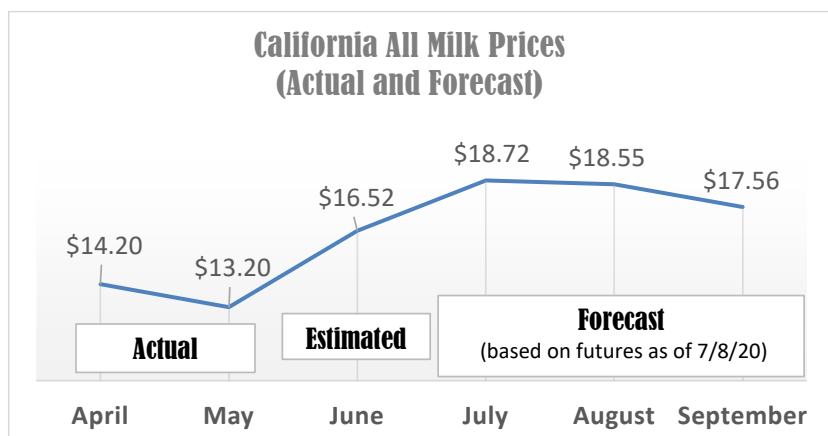
Price (\$/cwt)	Class I LA	Class II	Class III	Class IV	PPD	Statistical Uniform Price
April	\$18.74	\$13.87	\$13.07	\$11.40	-\$0.13	\$12.44 (Tulare) - \$12.94 (LA)*
May	\$15.05	\$12.30	\$12.14	\$10.67	-\$0.19	\$11.45 (Tulare) - \$11.95 (LA)*
June	\$13.52	\$12.99	\$21.04	\$12.90		

*Does not include the quota deduction.

CA quota prices

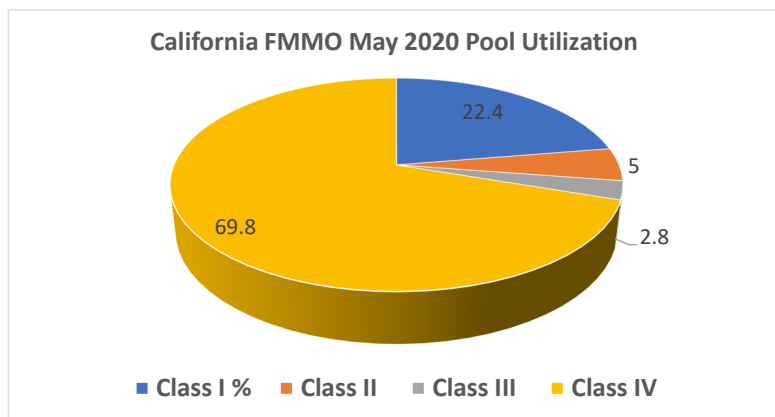
Price (\$/cwt)	# of buyers	# of sellers	# sales	Low end	Average	High end	Quota SNF transferred
April	1	1	1	*	*	*	150
May	0	0	0	0	0	0	0
June	3	3	3	\$150	\$150	\$150	7678.83

CDFA will no longer mail out quota sales price information each month. We will include it on this page to allow our interested members to keep track.



This forecast is for informational purposes only and should not be used as a price guarantee. It is subject to change as market conditions change.

Under the California system, this chart included actual, estimated and forecasted overbase prices. Since overbase prices are no longer relevant under the FMMO, this chart will focus on the California all-milk price forecast. Since we have historical data on the all-milk price and will continue to get such data, it seems an appropriate measure to show price trends in the state as we get more months of data under the FMMO.



California FMMO pool corner—May data

Class	Pounds	Pounds (April)	Price	Price (April)
I	426,265,241	420,395,878	\$15.05	\$18.74
II	94,672,308	89,760,381	\$12.30	\$13.87
III	53,377,653	26,269,447	\$12.04	\$13.07
IV	1,327,407,971	1,445,321,231	\$10.67	\$11.40
Total	1,901,723,173	1,981,746,937		