

# MPC WEEKLY FRIDAY REPORT

DATE: MAY 6, 2022  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 7



P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018  
[Office@MilkProducers.org](mailto:Office@MilkProducers.org) • [www.MilkProducers.org](http://www.MilkProducers.org) • Fax (909) 591-7328

## MPC FRIDAY MARKET UPDATE

<b>CHICAGO CHEDDAR CHEESE</b>		<b>CHICAGO AA BUTTER</b>		<b>NON-FAT DRY MILK</b>	
Blocks	- \$.0200	\$2.3500	WEEKLY CHANGE	- \$.0350	\$2.6400
Barrels	+.0400	\$2.3800	WEEKLY AVERAGE	+.0010	\$2.6475
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 04/30/22</b>	
Blocks	-.0210	\$2.3485	DAIRY MARKET NEWS	W/E 05/06/22	\$ .6200
Barrels	-.0160	\$2.3380	NATIONAL PLANTS	W/E 04/30/22	\$.6973
				<b>LAST WEEK ENDING 04/23/22</b>	
				NAT'L PLANTS	\$1.8329 20,201,739
				NAT'L PLANTS	\$1.8421 18,662,644

## 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
MAY 6 EST	\$27.05 - \$27.55	\$25.44	\$25.01	\$24.55
APRIL '22 FINAL	\$25.98 - \$26.48	\$25.71	\$24.42	\$25.31



### Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report

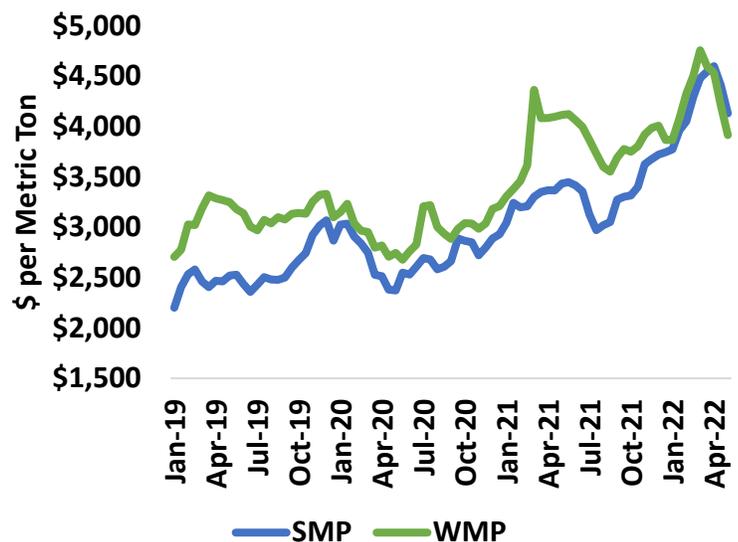
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

#### Milk & Dairy Markets

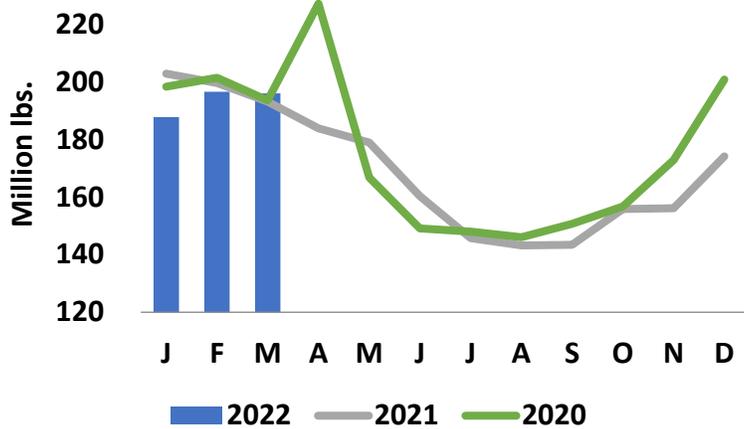
For months, the dairy markets have focused on shrinking global milk output and barriers to rapid expansion. Tight supplies pushed dairy prices to record highs. Now, concerns about demand have come to the fore. How will strained household budgets impact consumption as dairy prices rise? Will truck and container shortages impede exports enough to deter – rather than just delay – sales? Will Chinese lockdowns and well-stocked warehouses reduce dairy purchases in the most important foreign market? Those anxieties pushed the dairy markets lower this week.

Red ink flowed at the Global Dairy Trade (GDT) auction Tuesday. The GDT Index

#### GDT Milk Powder Prices



### Butter Production (30-day months)



plummeted 8.5%, its fourth straight decline and the index's worst drubbing in years. Butterfat products led the way lower. Anhydrous milkfat and butter fell more than 12% from the previous auction. GDT Cheddar dropped 8.6%. Both skim milk powder (SMP) and whole milk powder (SMP) lost 6.5%. That put GDT SMP at \$4,130 per metric ton, roughly equivalent to nonfat dry milk (NDM) at \$2 per pound. The trade had braced itself for Chinese buyers to flee to the sidelines, but Chinese purchases were surprisingly healthy. However, Middle Eastern buyers were disappointingly quiet.

Losses at the GDT prompted setbacks in Chicago. CME spot butter closed at \$2.64 per pound, down 3.5¢ this week. Spot NDM slipped 1.5¢ to \$1.74, well below the price of SMP at the GDT, or anywhere else in the world, for that matter. Whey powder prices continued to drop. They fell 2.5¢ this week to 58¢. The cheese markets were mixed. CME spot Cheddar blocks fell 2¢ to \$2.35. Barrels rallied 4¢ to \$2.38.

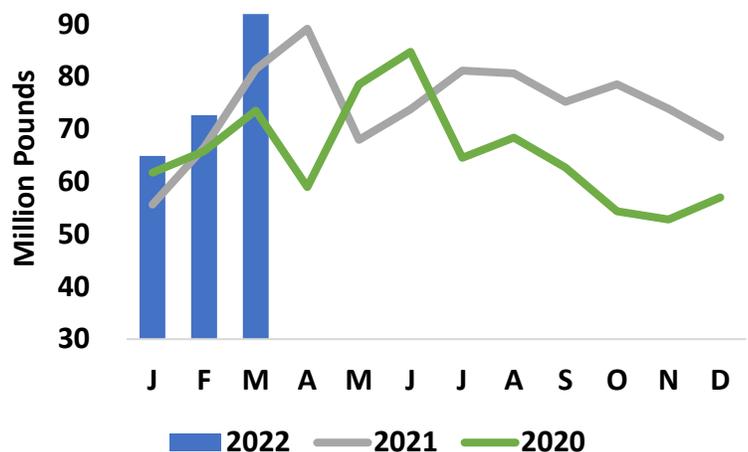
Despite the spot market selloff, May milk contracts managed to climb. The May milk price will be calculated based in part on National Dairy Product Sale Report prices that reflect the much higher markets of a few weeks ago, and that helped to prop up front-month futures. May Class III closed today at \$25.01 per cwt., up 54¢ from last Friday. May Class IV settled at \$24.55, up a dime. Most other Class III and IV contracts lost between 30 and 50¢.

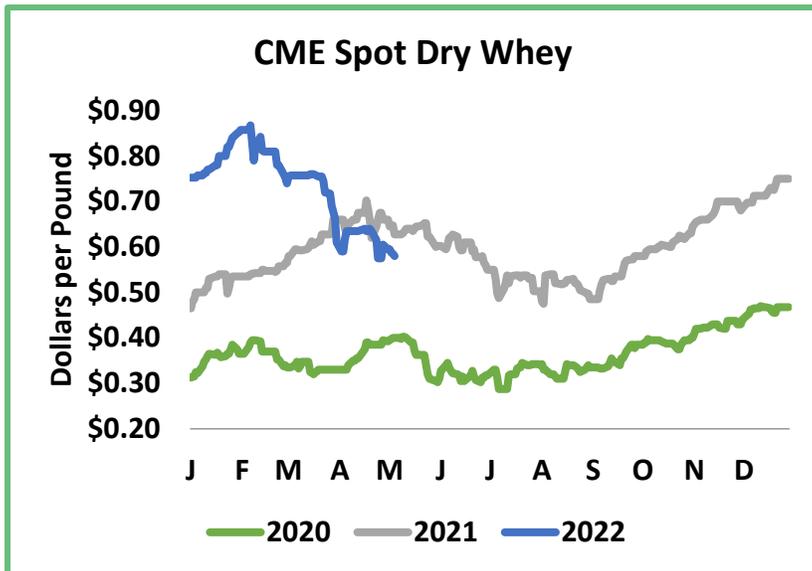
The trade had a lot of data to digest this week. The Dairy Products report showed surprisingly strong butter output. In March, U.S. butter production reached 202.6 million pounds, up 1.5% from a year ago. Logistics issues in the West did not slow churn rates. Regional butter output was up 5% from March 2021. The U.S. is typically a net butter importer, but exports have outpaced imports so far in 2022, which is helping to reduce U.S. butter supplies at the margins. On the other hand, domestic demand seems to be struggling as consumers and commercial bakers balk at high prices.

Cheese production climbed 1.1% year over year in March, to just shy of 1.2 billion pounds. Mozzarella production grew, but Cheddar output fell 2.9% year over year. Slower Cheddar production has likely contributed to the relatively strong performance at the CME spot market. Exports have helped too. The U.S. sent nearly 92 million pounds of cheese abroad in March, the highest volume ever and 13% more than in March 2021.

Dry whey output was unexpectedly robust in March, clocking in at more than 80

### U.S. Cheese Exports

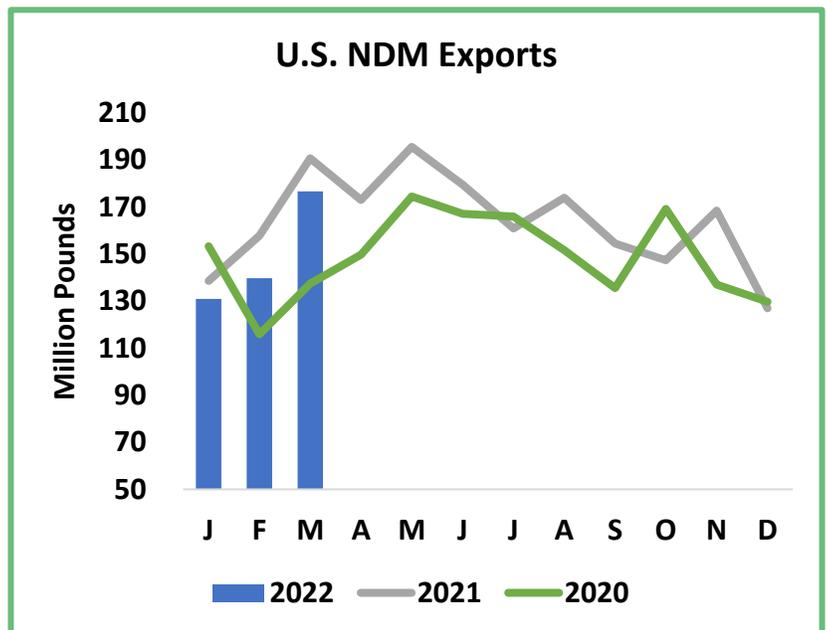




million pounds, up 5.9% from a year ago. Stocks climbed as exports fell short. Financial pain in China’s hog sector has slowed Chinese whey imports. U.S. whey exports in the first quarter were down 23.3% from the first three months of 2021. Slowing exports have taken a toll on the whey market. CME spot whey has fallen nearly 30¢ from the all-time high set in February, a 33% decline. Every penny lost in the whey market trims 6¢ from the Class III price.

Slower milk output and higher cheese production capacity left less milk for driers. Combined production of NDM and

SMP totaled 223.5 million pounds in March, 10.9% less than in March 2021. Manufacturers’ stocks declined almost imperceptibly from February to March. At 288 million pounds, stocks are relatively light for this time of year, down 8% from March 2021 volumes. The United States sent 176.7 million pounds of milk powder abroad in March. That was the second-highest March volume ever, but it was down 7.4% from the record-setting shipments of March 2021.



All told, dairy demand looks solid but perhaps not strong enough to support prices at their recent highs. And there are signs of potential weakness, especially in China, where Covid-19 lockdowns are disrupting consumer habits and food distribution. Most U.S. dairy products are competitively priced, and global supplies are relatively tight. U.S. dairy is likely to keep moving abroad in decent volumes, keeping inventories in check and supporting dairy product prices. But there may be some hiccups.

### Grain Markets

It was a wet week in the Farm Belt. The rain was welcomed in the Plains, where parched soils soaked up the much-needed moisture. But soggy fields kept most farmers sidelined and frustrated. On Monday, USDA’s Crop Progress report is likely to show that planting is far, far behind the normal pace. However, both literally and metaphorically, there is sunshine in the forecast. Planters will cover a lot of ground next week, and farmers hope to get most corn acres seeded before the calendar urges a switch to soybeans.

The forecast and the financial markets pressured the farm commodities this week. July corn closed today at \$7.8475 per bushel, down nearly 30¢ for the week. December corn fell 30.5¢ to \$7.2075. At \$16.22, July soybeans closed 62¢ in the red. Soybean meal fell another \$19 to \$413.60 per ton.



## Valley Leaders, Residents Call for More Action on Water

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs

[Geoff@MilkProducers.org](mailto:Geoff@MilkProducers.org)

The Save Our Communities meeting was held in Visalia this morning, with more than 250 people in attendance. [Roger Isom](#), President & CEO of the California Cotton Ginners and Growers Association, the primary organizer of the event, kicked off the meeting with some historical context. He reminded all of us that when the Sustainable Groundwater Management Act (SGMA) passed during the last major drought that there were three very important efforts underway that looked like they would help to cushion the impacts of SGMA's required regulation of groundwater pumping.

Voters had overwhelmingly passed Proposition 1, which promised significant new state investment in surface and groundwater storage, the twin tunnel effort to address the fish problems in the Delta had strong support from Governor Brown – and looked like it was going to succeed – and at the federal level, the Water Infrastructure Improvement for the Nation (WIIN) act passed in Congress with bi-partisan support, promising money and regulatory relief for western water supply. Unfortunately, since then, no Prop 1 water storage has been built, the twin tunnels were killed by Governor Newsom and the plan for a Delta fix had to completely start over, and the WIIN act, which did provide some resources and regulatory relief facilitating an updated federal Biological Opinion for the Central Valley Project, was regrettably and immediately sued by the state. Add to this, a drought in its third year and the implementation of Groundwater Sustainability Agency allocation programs, and you have a very dire situation facing our communities.

Attendees at the meeting included State Senator Melissa Hurtado (D-Sanger), Assemblyman Devon Mathis (R-Porterville) and State Senator Jim Patterson (R-Fresno). California Department of Food and Agriculture Secretary Karen Ross was also there. Mayors from the towns of Parlier and Mendota spoke eloquently about how water shortages were impacting their communities. Law enforcement and school administrators also spoke of the community impacts that will result from water scarcity. There was a strong groundswell of support for having all 12 Central Valley legislators work together in a bi-partisan fashion to meet with Governor Newsom and impress upon him the dire situation facing the Valley community due to water shortages.

It is hard to know what efforts will make a difference in our water situation. Only the Lord can bring us rain and snow. History tells us it will rain again and we do need to be ready to capture that water when it comes. It will take significant infrastructure investment to capture enough water to make a difference and since that level of precipitation occurs infrequently, it will require state and federal investments to make those projects financially viable. Today was a step in the right direction, but time is not on our side.



## Commentary: Balanced Approach to Water Needed for Farms, Fish

By Justin Fredrickson, Water & Environmental Policy Analyst, California Farm Bureau  
Courtesy of [California Farm Bureau Federation](#)

Note from Geoff Vanden Heuvel: We're sharing this article from Justin Fredrickson, who MPC has worked with over the years on the development of the [Water Blueprint for the San Joaquin Valley](#).



Project operators recently explained unprecedented emergency plans for cold-water temperature management to support endangered salmon below Shasta Dam, the federal Central Valley Project's largest reservoir. Based on what they told the California State Water Resources Control Board, the effort is pulling out all stops imaginable.

The goal is to get at least a few nests of Central Valley winter-run chinook salmon eggs to hatch, while still leaving something in the reservoir at the end of this summer, should dry conditions continue next year. But conditions this year are so abnormally dry, and feasible flows below the dam will be so low, it's not clear what will happen.

Amid blast-furnace temperatures during the peak of summer, this process seeks to maintain water temperatures as cold as a beer in the ice chest of an angler casting his lure from the shore.

Such cooling is possible in most years, thanks to the elaborate machinations of armies of planners, project operators and biologists. Carefully managed releases of very cold water from rain and melting snow, generally provided courtesy of Mother Nature, are critical drivers. But in bone-dry droughts, such as the historic one we are now experiencing, this whole enterprise becomes much more difficult.

To date, the U.S. Bureau of Reclamation has zeroed out all deliveries to agricultural water service contractors on the west sides of the Sacramento and San Joaquin valleys. For the second year in a row, farmers have only groundwater, scarce and ultra-expensive transfer water or the option of fallowing annual crops to get their nut and fruit trees through the season.

Sacramento River Settlement Contractors water-rights holders face an 18% water allocation, a direct consequence of this year's anticipated temperature management operations out of Shasta Dam. As a result, 375,000 acres out of 450,000 acres in the Settlement Contractors' service area are expected to go unplanted. Zero water will be left for normal transfers out of the region to help other users in the state.

State Water Project contractors will get just 5% of water deliveries. Senior San Joaquin River Exchange contractors may get 75% of their historic water rights on the San Joaquin River. This will leave those relying on water allocations from the Friant-Kern Canal—which supplies farming counties of Fresno, Madera, Tulare and Kern—with an allocation of less than 15%.

The state water board is again readying summer water-rights curtailments for even some of the most senior users throughout the extended Sacramento-San Joaquin Delta watershed. That's happening as emergency barriers are back in place to keep saltwater from the San Francisco Bay from pushing upstream and threatening the health of the delta.

There are potentially promising things we can do for the salmon to make things better, including steps that are included in an announced set of proposed voluntary water agreements. Under the Newsom administration's \$2.6 billion plan to improve water quality for salmon and native fish, this involves

dedicating additional water for rivers, improving habitat and nutrients instream, investing in scientific studies and improving collaboration.

Rivers are to be reconnected to areas of managed seasonal floodplains and, eventually, some of these fish populations may regain access to mountain stream habitats they once used. But with droughts in California intensifying, it leaves one to wonder.

The commercial fishing industry in California is a shadow of what it once was, and it appears some would like to see California agriculture similarly impacted. Even if every farm in California dried up, we could still see our very best management efforts frustrated as salmon remain vulnerable to extreme weather patterns, voracious non-native predators in rivers and changes in marine ecosystems off the California coast.

Growing food to feed people takes water—lots of it. That is a fact anywhere in the world. And, undeniably, fish and rivers need water too.

We must steward the resources that we have, and do so in a way that is judicious, realistic, effective and smart. But still the questions come: What can we do differently or better? Can it work? And at what cost?

As California farmers see their livelihoods—and our food supply—hit incredibly hard this summer, many are no doubt asking these questions.

With another season of hotter, drier, more extreme conditions poised to squeeze our economy and state, there's a lot for all Californians—and consumers of California agricultural products nationwide to ponder.

*(Justin Fredrickson is a water and environmental policy analyst for the California Farm Bureau. He may be contacted at [jef@cfbf.com](mailto:jef@cfbf.com).)*

## **NMPF Update: Dairy Labeling Terms, H-2A Visa Program, Global Challenges**

*By Jim Mulhern, President & CEO  
[National Milk Producers Federation](#)*

### **Congressional Letter Calls for FDA Enforcement of Dairy Labeling Terms**



NMPF built robust support in Congress this week for a [bipartisan letter](#), led by Representatives Peter Welch (D-VT) and Mike Simpson (R-ID) and signed by 34 other House members, calling on the Food and Drug Administration and the Office of Management and Budget to enforce dairy standards of identity. The congressional correspondence comes at a time when the OMB is reviewing a guidance document created by FDA on the future regulation of dairy terms, especially those used by plant-based imitators. The letter to OMB Director Shalanda Young and FDA Commissioner Dr. Robert Calif stipulates that “a continuation of the status quo is unacceptable – that placing a plant-based descriptive term in front of a dairy term is not compliance, and that guidance which states otherwise is not enforcement.”

The Welch-Simpson letter reiterates National Milk’s point that the ongoing misuse of dairy terms to label non-dairy products leads to consumer confusion, with shoppers incorrectly assuming imitation dairy products have a similar nutrient profile and health benefits as the dairy products they are copying. Medical groups, including the American Academy of Pediatrics, are voicing similar concerns over

misinformed consumers unintentionally choosing less nutritious products for themselves and their families. NMPF is meeting with OMB later this month to press our case as the agency reviews FDA's proposed guidance.

### **NMPF Asks Administration to Allow Dairy Farmers to Use H-2A Visa Program**

Given the ongoing, and worsening, challenges regarding America's farm labor situation, NMPF renewed its request this week for dairy employers to be given access to the H-2A agricultural guestworker visa program. In [a letter](#) I wrote to President Biden, NMPF is requesting that the White House issue an executive order to exempt dairy worker positions from H-2A's seasonality restriction, thereby allowing dairy farmers access to the guestworker program. Our letter notes that "an executive order will help dairy farms, help stabilize food production and prices, and allow dairy farmers to continue to offer their employees strong wages and benefits."

This request is a continuation of NMPF's efforts recommending administrative actions to relieve some of the pressure that farm employers are facing, particularly in light of the Biden Administration's interest in immigration reform. NMPF is continuing to work for ag labor reform that addresses dairy's two overarching workforce needs: the protection of current workers and their families, and meaningful access to a workable guestworker program. The Senate has yet to take action on the Farm Workforce Modernization Act, which passed the House last year.

### **CEO Corner's Examines Dairy's Role in Addressing Global Challenges**

My latest *CEO Corner's* [column](#) examines how we in the dairy community have to surmount a new set of economic and political challenges, even as we emerge from the past two years of confronting Covid-19. The record high price of milk is a welcome and necessary development, but we also have to confront continued supply chain disruptions, a lack of labor, and the multi-layered implications of the ongoing war in Ukraine for agriculture and global food supplies.

