MPC Weekly Friday Report

Date: May 13, 2022
To: Directors & Members
From: Kevin Abernathy, General Manager
Pages: 6

P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018
Office@MilkProducers.org • www.MilkProducers.org • *Fax (909) 591-7328*

MPC Friday Market Update

Chicago Cheddar Cheese		
Blocks	- $.0425	$2.3075
Barrels	+ $.0150	$2.3950
Weekly Average Cheddar Cheese		
Blocks	- $.0535	$2.2950
Barrels	+ $.0385	$2.3765

Chicago AA Butter		
Weekly Change	+ $.0650	$2.7050
Weekly Average	+ $.0065	$2.6540
Dry Whey		
Dairy Market News	w/e 05/13/22	$.6200
National Plants	w/e 05/07/22	$.6837

Non-Fat Dry Milk		
Week Ending 04/30/22		
Nat'l Plants	$1.8340	15,733,552
Last Week Ending 04/30/22		
Nat'l Plants	$1.8329	20,201,739

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 13 Est	$27.05 - $27.55	$25.73	$24.97	$24.87
Last Week	$27.05 - $27.55	$25.44	$25.01	$24.55

April 2022 CA FMMO Statistical Uniform Price Announcement

Apr '22 Final	Class I	Class II	Class III	Class IV	Statistical Uniform Price (Blended Price)	Net Price After Quota Assessment*
Minimum Class Price	$25.98 (Tulare) $26.48 (L.A.)	$25.71	$24.42	$25.31	$24.58 (Tulare) $25.08 (L.A.)	$24.215 (Tulare) $24.715 (L.A.)
Percent Pooled Milk	19.4%	4.8%	65.4%	10.3%	100% (2.02 billion lbs. pooled)	

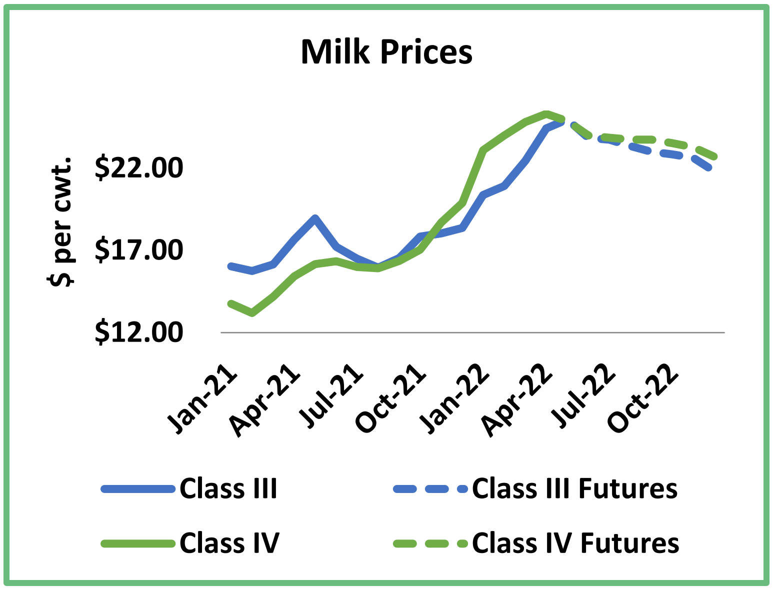
Quota rate of $0.365/cwt. as of June 2020 milk

Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
Sarina@DailyDairyReport.com

Milk & Dairy Markets

The dairy markets are still concerned about demand. Global milk output is growing slowly, if at all, and dairy product inventories are not burdensome. But tight supplies are not enough to lift the market when prices are already quite lofty. Consumption must be healthy too. As uncertainties grow, the dairy markets are moving back and forth, searching for the price that puts supply and demand



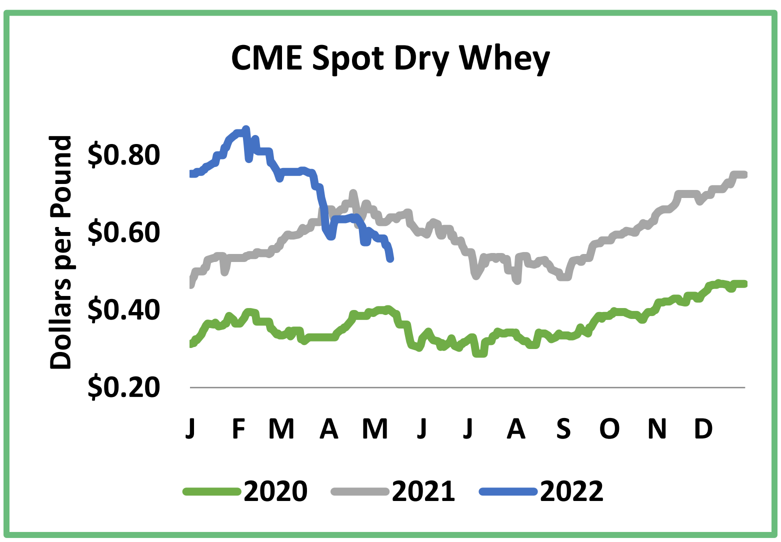
in equilibrium. Class IV futures were mixed, although most contracts leaned higher. May Class IV climbed 32¢ to reach $24.87 per cwt., and the June contract rallied 15¢ to $24. Class III futures lost ground across the board. The June contract was weakest. It fell 71¢ to $23.83.

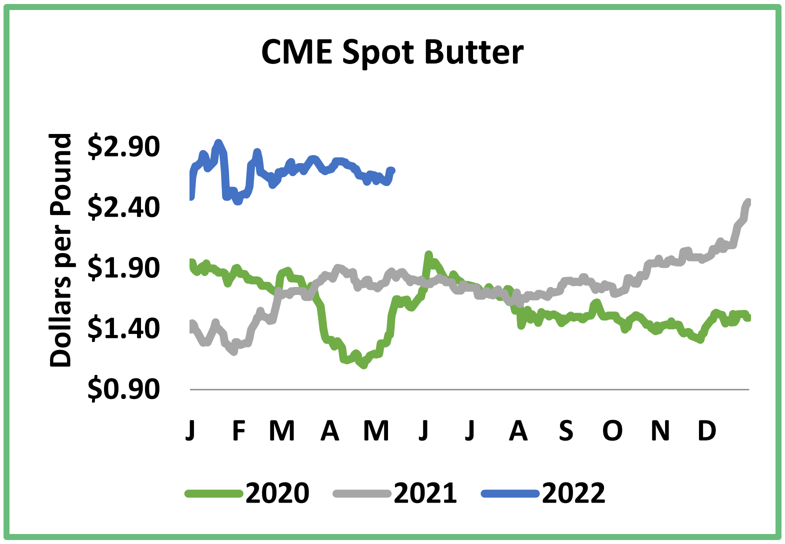
Cheesemakers continue to struggle with staffing issues, and U.S. cheese processing capacity suffered another blow this week. Storms slammed into the Northern Plains with high winds and heavy rain. Three cheese plants in South Dakota and Iowa are dark today. Together, these plants can process more than 12 million pounds of milk per day. Some producers are dumping milk and the plants will have to discard the cheese they were in the process of making before the weather forced them to shut down. There may be a little less cheese for sale in Chicago over the next 30 days, which could briefly lift the spot Cheddar market.

Most cheesemakers tell USDA's *Dairy Market News* that demand remains strong. U.S. cheese is a bargain compared to foreign product, and exports are as vigorous as the supply chain will allow. Orders from foodservice and retail are generally stable. However, in the Northeast, processors mentioned "pockets of slightly softer demand." That is enough to raise doubts about the price, slower output notwithstanding. The cheese markets were mixed this week, highlighting the market's unease. CME spot Cheddar blocks fell 4.25¢ to $2.3075 per pound. Barrels climbed 1.5¢ to $2.395.

CME spot nonfat dry milk (NDM) slipped a penny this week to $1.73. Like cheese, U.S. milk powder is priced to move abroad. However, on the heels of the big GDT selloff last week, some buyers are hoping for a further setback before they step in to buy. Mexican milk powder importers are biding their time, and U.S. exports have likely slowed. The market is also casting a worried eye toward China. With several major cities in lockdown, Chinese economic growth is in peril and consumer spending is in a slump. Starbucks reported a 23% decline in same-store sales in China in the first quarter. Clearly lattes are a luxury that locked-down consumers cannot venture out to buy. Hopefully, China's appetite for more shelf-stable dairy-laden products will fare much better.

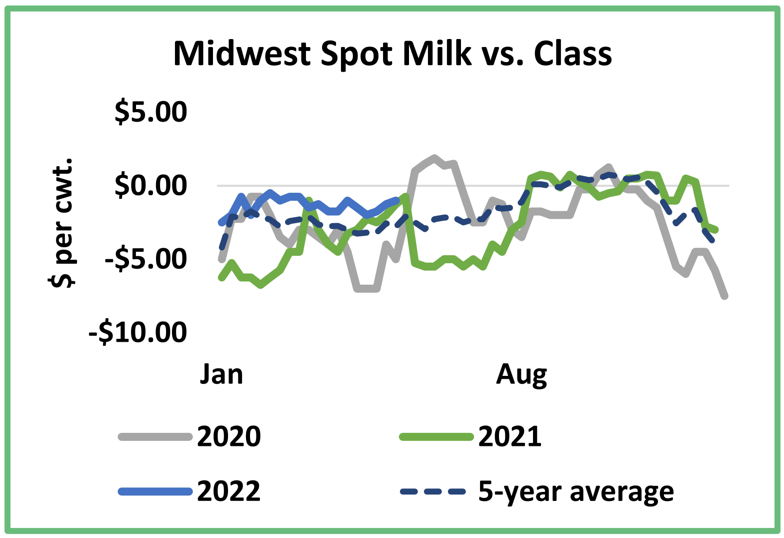
Anxiety about China is top of mind in the whey market. China's hog industry is awash in red ink, and they are purchasing considerably less whey for feed than they did last year. Closer to home, whey for feed demand is expected to climb, given the lack of affordable substitutes. Amid slower exports and seasonal growth in the whey stream, inventories are growing and prices continue to sink. CME spot whey fell another 5.25¢ this week and dropped to an eight-month low at 53.25¢.





After a few weeks in the doldrums, spot butter came roaring back this week. It jumped 6.5¢ to $2.705. High prices have weighed on demand at retail, but foodservice orders are steady. Cream prices are climbing seasonally as ice cream makers ramp up production, and churn rates are falling accordingly. With the rest of the dairy complex under a bit of pressure, the rally in the butter market is a timely reminder that, while high prices can deter demand, there are good reasons that prices have climbed so high in the first place.

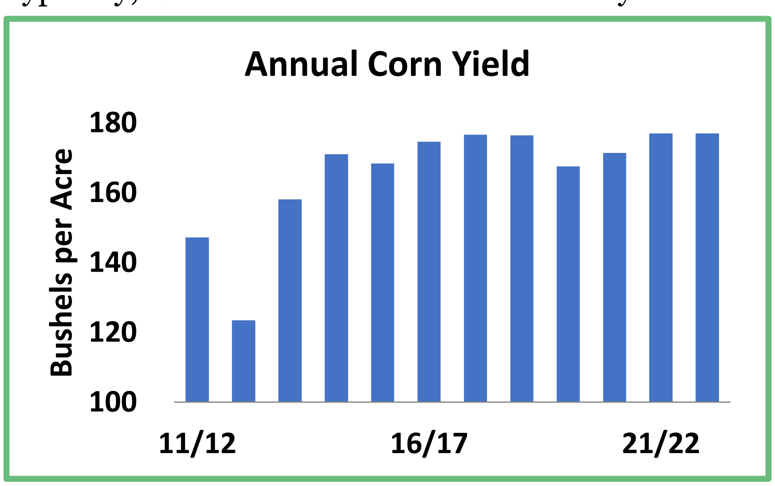
Setting aside the storm-ravaged Northern Plains, the spring flush has not overwhelmed processing capacity, despite all the labor and logistics issues that have reduced throughput. Indeed, although most spot milk is moving at a discount, some cheesemakers in the Upper Midwest paid a small premium for spot milk in each of the past two weeks. *Dairy Market News* reports, "If cheese production were at full clip… milk would be atypically tight during the flush." The smaller dairy herd, high feed costs, and rising temperatures are stunting growth in milk production. There may be room for further declines in dairy product prices, but the pace of milk output suggests that prices aren't likely to plummet.



Grain Markets

Heavy rains in the Northern Plains kept planters out of the fields yet again this week, and the market is concerned that farmers will abandon some would-be corn acres in the Dakotas and Minnesota. But the sun shone in the rest of the farm belt, and planters were rolling. All eyes will be on the Crop Progress report Monday afternoon to see just how much ground farmers were able to cover.

Typically, USDA assumes a trendline corn yield in the May update to the World Agricultural Supply and Demand Estimates report, because it's simply too early to say much about crop yields when much of the seed is not yet in the ground. But on Thursday the agency took the unusual step of lowering its projected corn yield from the trendline of 181 bushels per acre down to 177. That would match last year's record-high corn yield, but it represents a significant step down from maximum potential, and the world needs those bushels. New crop corn prices soared on Thursday, and then retreated today as the market reflected on the mostly sunny forecast and all the unknowns that could



benefit or harm the crop between now and harvest. December corn futures closed today at $7.4875 per bushel, still up 28¢ from last Friday. Nearby July corn futures moved back and forth and finished close to where they began the week at $7.8125.

The soy complex was mixed this week. July soybean futures rallied 24.5¢ to $16.465, driven by a rebound in soybean oil prices. Soybean meal took another step back. The July contract closed at $409.30 per ton, down $4.30 since last Friday.

Rebates Changing for Agricultural Irrigation Variable Frequency Drives

Courtesy of Agriculture Energy Savings Action Plan

As of June 1, 2022, agricultural irrigation pump variable frequency drives (VFDs) must comply with the practices and requirements of American National Standards Institute (ANSI)/Institute of Electrical and Electronic Engineers (IEEE) 519-2014 found here.

Previously, these parameters were recommended but not required. Find the updated requirements in the AESAP rebate catalog.

How will this impact you?
Non-compliant VFDs will **NOT** qualify for rebates after June 1. If you have any VFD projects in the works that do not comply with these new requirements, please contact the AESAP program for assistance as soon as possible.

The Agriculture Energy Savings Action Plan will host a webinar on **Thursday, May 19 from 9-10 a.m.** The webinar will provide a program overview, changes to requirements for ag well pump VFDs, financing options and more. RSVP for the webinar here.

CVDRMP Membership Invoices Mailed; Due 45 Days From Invoice Date

Courtesy of the Central Valley Dairy Representative Monitoring Program

The Central Valley Dairy Representative Monitoring Program (CVDRMP) mailed annual invoices to its dairy and bovine members in March and April. Payment to CVDRMP is due within 45 days of the invoice date, which will keep your facility current in the program throughout 2022.

CVDRMP membership provides coverage for three Central Valley Water Board regulatory programs: groundwater monitoring, salt control and local Nitrate Management Zones (if applicable; based on location). Failure to pay your invoice on time will result in cancellation of your CVDRMP membership and the Central Valley Water Board will be notified of the change in membership status as required by regulation. Timely payment of your invoice ensures compliance with water quality regulations and avoids potential notices of violation, fines and directives issued by the Water Board.

CVDRMP is a non-profit organization governed by dairy and cattle owners and operators, which are elected from its membership. The organization is dedicated to one goal: providing cost-effective regulatory compliance assistance to its members. It's estimated that the program has collectively saved its dairy and bovine members more than $50 million since 2011, with additional savings continuing each year.

For questions about your membership or invoice, please contact CVDRMP at 916-594-9450 or cvdrmp@gmail.com. For more detailed information about CVDRMP's activities, read its latest newsletter at CVDRMP.org.

Chinese Port Woes Could Snap Back to U.S.

By Stephen Cain, National Milk Producers Federation
Published May 9, 2022 | Hoard's Dairyman

Ongoing port congestion has delayed hundreds of millions of dollars in U.S. dairy exports, and that situation continues to be closely monitored throughout the industry. For exporters, the current news is mixed.

First, the good news: Congestion at West Coast ports has come down considerably. As of May 2, only 11 cargo vessels were waiting to berth outside the critical L.A./Long Beach port.

But now, the bad news: Congestion at Chinese ports has skyrocketed over the last six weeks as COVID-19 lockdowns have crippled the country's supply chains.

Continue reading here.

California Crises Abound, but They Won't be Debated

By Dan Walters
Published May 10, 2022 | CalMatters

California voters will receive their mail ballots for the June 7 primary election this week and most will be surprised to learn that there are 25 candidates seeking to unseat Gov. Gavin Newsom.

One of them will place second to Newsom in the primary ballot and, thanks to Calfiornia's top-two election system, appear on the November ballot as Newsom's official challenger.

Most likely that dubious honor will go to Republican state Sen. Brian Dahle, since he's the only one of the 25 to be known outside their small circles of friends and supporters. Unless he makes some monumental blunder, Democrat Newsom will coast to re-election in November.

California hasn't had a real two-party contest for governor since 2010, when Republican businesswoman Meg Whitman spent nearly $150 million in a vain campaign against former Gov. Jerry Brown.

Were California to have a real duel for the governorship, we might have a real debate about the state's most pressing issues, including the nation's highest poverty, its worst homelessness crisis, an immense shortage of housing, mediocre — at best — public schools and looming shortfalls in water and electric energy supplies.

None of them is new. All have evolved over decades of inaction or counterproductive policymaking but the latter two — water and power — are biting particularly hard just as Californians decide who will occupy political positions for years to come.

Continue reading here.

NMPF Update: Free Trade Agreements, Biden Expands Farm Inputs Initiative

By Jim Mulhern, President & CEO
National Milk Producers Federation

GOP Senators Call for Pursuit of Free Trade Agreements

A large group of Senate Republicans called on the Biden Administration this week to prioritize expanded market access and new trade deals as part of the Administration's trade agenda.

The joint letter to U.S. Trade Representative Katherine Tai and Agriculture Secretary Tom Vilsack, which was crafted with feedback from NMPF, comes at a time when many agricultural organizations are concerned that the White House has demonstrated virtually no interest in negotiating new trade agreements – a devastating prospect for the farm community.

The letter, led by Sens. John Thune (R-SD) as well as Sens. Mike Crapo (R-ID) and John Boozman (R-AR), the Ranking Members of the Finance and Agriculture Committees, respectively, criticizes what it calls the Administration's "lack of ambitious market-opening initiatives, [which] not only disadvantages U.S. workers, farmers, ranchers, and businesses today, it jeopardizes America's competitiveness, resilience, and security in the long-term."

NMPF, the U.S. Dairy Export Council and other farm groups have raised similar concerns. Like this Senate coalition and other members in both parties, we have pointed out that the Biden Administration could aid increased international trade by adding market access provisions to its wide-ranging Indo-Pacific Economic Framework (IPEF), which is the primary current trade policy focus of the Administration.

Following the Trump Administration's withdrawal from the Trans-Pacific Partnership FTA it has now been many years since the U.S. signed a new FTA.

White House Expands Farm Inputs Initiative

President Biden visited farm country this week to unveil several new initiatives to help farmers deal with skyrocketing production costs. Biden's visit to Illinois came after Congress rejected the Administration's $500 million plan to increase crop production via new federal subsidies. Following that setback, the White House announced an additional $250 million to help boost U.S. production of fertilizer, doubling an initial commitment of the same amount revealed two months ago.

Back in March, Secretary of Agriculture Tom Vilsack announced the initial $250 million for the fertilizer grant program to be paid from Commodity Credit Corporation funds. Vilsack said USDA expects to announce final grant program details in the summer of 2022 and will award initial grants by year's end.

Biden this week also said the USDA will increase the number of counties eligible for double cropping insurance, bringing the total number of counties where this practice qualifies for crop insurance to nearly 2,000, and it will boost the use of precision agriculture to reduce demand for fertilizer and other farm inputs.