

MPC WEEKLY FRIDAY REPORT

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 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	+ \$.0250	\$2.3200	WEEKLY CHANGE	+ \$.0725	\$2.7825
Barrels	+ \$.1150	\$2.3675	WEEKLY AVERAGE	+ \$.0390	\$2.7545
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 04/02/22	
Blocks	+ \$.0620	\$2.2930	DAIRY MARKET NEWS	W/E 04/08/22	\$.6625
Barrels	+ \$.0905	\$2.3015	NATIONAL PLANTS	W/E 04/02/22	\$.7846
				NAT'L PLANTS \$1.8225 18,103,454	
				LAST WEEK ENDING 03/26/22	
				NAT'L PLANTS \$1.8075 19,487,230	

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
APRIL 8 EST	\$25.98 - \$26.48	\$25.76	\$24.18	\$25.32
LAST WEEK	\$25.98 - \$26.48	\$25.57	\$23.69	\$25.10



Milk, Dairy and Grain Market Commentary

By Monica Ganley, Quarterra

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Milk & Dairy Markets

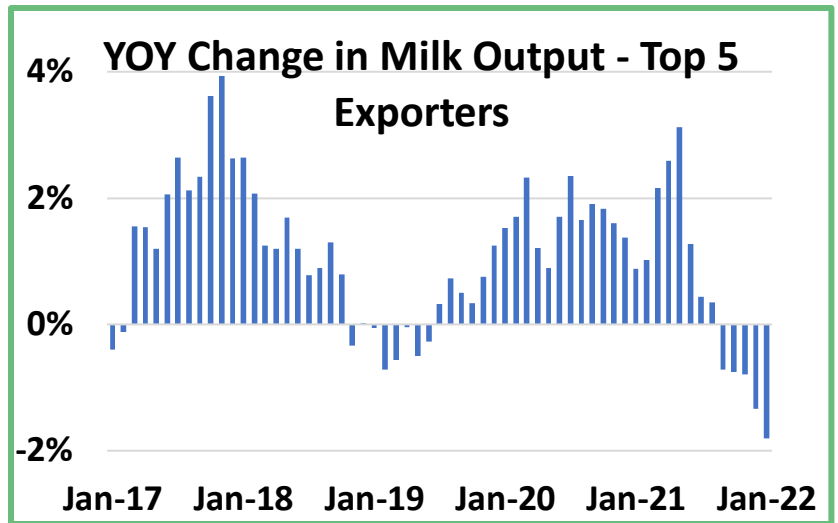
With the Easter holiday around the corner and students enjoying vacations, spring appears to have sprung. Milk production is increasing seasonally as the days lengthen and temperatures warm. In Southern regions of the country market participants report that volumes are nearing seasonal peak levels. However, in the Midwest and Northeast, the peak is likely a few weeks out, as pockets of inclement weather, including isolated snowstorms are extending winter's grasp.

Even as milk production expands seasonally, volumes are tending to run at or below prior year levels. This supports the notion that even though milk prices remain historically strong, the increased pressure caused by rising operating costs has been sufficient that producers continue to have margin concerns. Milk futures prices remain elevated with Friday's settlements showing Class III contracts through OCT22 at or above \$24/cwt while Class IV contracts for the nearby six months all settled above \$25/cwt.

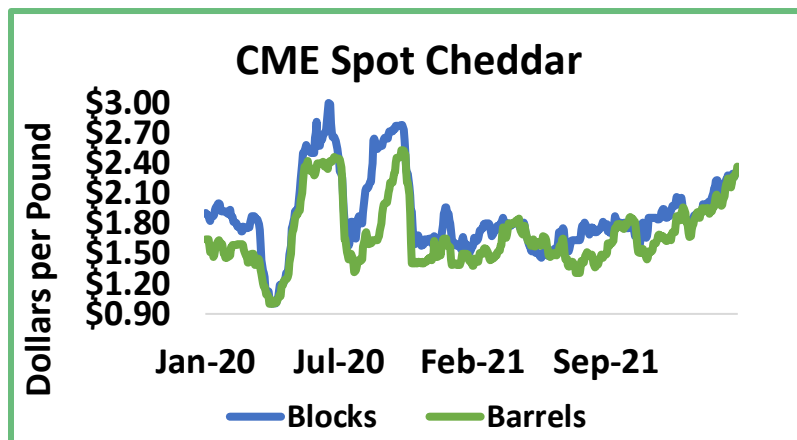
Slower milk production in the United States is compounding global milk supply concerns. Volumes are slipping in Europe and Oceania and while South America has so far been able to maintain output growth, increased margin pressure there is also likely to weigh on milk production in the coming months. In January, milk production among the world's top five dairy exporters – the United States,

the European Union, New Zealand, Australia, and Argentina – was down 1.8% compared to the same month last year.

Despite shrinking global milk supplies, the Global Dairy Trade index fell by 1% on Tuesday, pulled down by price declines for anhydrous milkfat and whole milk powder. This represented the second consecutive auction that the index had declined. While the slowdown suggests that global demand may be starting to show some resistance against higher prices, anecdotal evidence indicates that global demand remains healthy.



Closer to home, the CME spot market had mixed performance over the course of the week. Cheddar blocks gave up 3.25¢ on Monday before finding some upward momentum on Wednesday and Friday,



ultimately finishing the week at \$2.32/lb., an increase of 2.5¢ compared to last Friday’s close. Meanwhile, with the exception of a .75¢ decline on Tuesday, Cheddar barrels bounded upward over the week, adding 11.5¢ to bring the price to \$2.3675/lb. and inverting the block-barrel spread by the largest amount since mid-January.

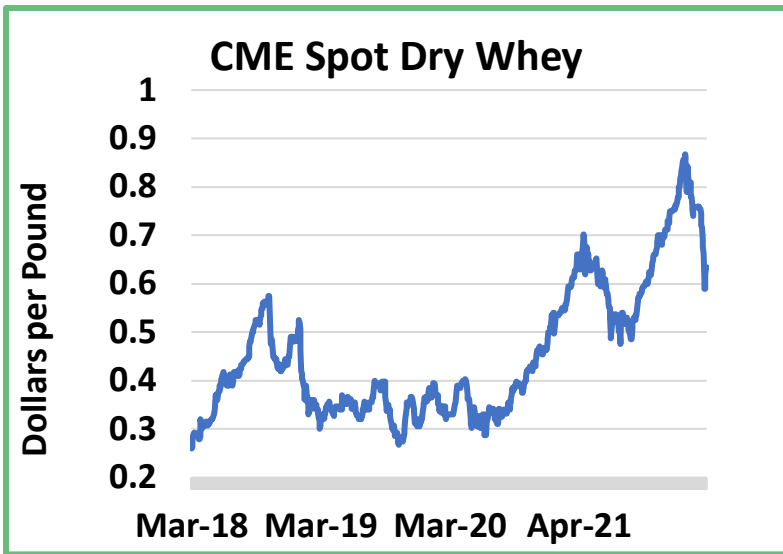
Demand for cheese has been strong from both domestic and international sources, which is working to keep pressure on prices.

Cheese exports remain robust with the 72.6 million pounds of cheese exported in February setting a record for the month. With expanding milk supplies, spot milk loads are readily available but cheesemakers report that persistent staffing issues are preventing them from processing as much milk as they would like.

On the other side of the Class III complex, the spot dry whey market continued to slide on Monday, falling to 59¢/lb., the first time since October 2021 that the price has slipped below 60¢. The dip was short-lived, however. By Wednesday and Thursday, the market was moving back up, ultimately ending the week at 63.5¢/lb., an increase of 2.5¢ compared to last Friday with 8 loads changing hands over the course of the week.

Lighter international interest has taken some of the pressure off dry whey markets. At 102.4 million pounds, February’s whey





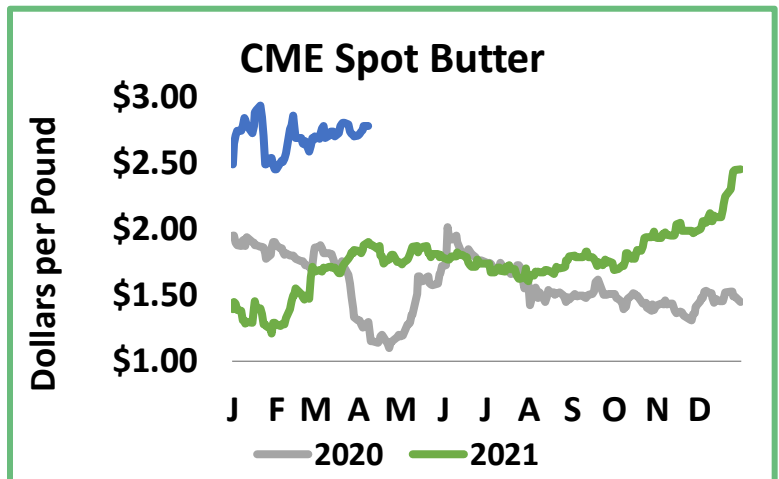
exports were down 4.2% year over year, due especially to lighter demand from China. Meanwhile, robust cheese production has resulted in a plentiful raw whey stream available for processing. Higher protein products continue to experience strong demand and have demonstrated resilience, even at elevated price levels.

Nonfat dry milk (NDM) also saw exports falter compared to the prior year. U.S. exporters shipped 139.7 million pounds of NDM in February, a decline of 11.5% compared to last year's February record. While demand from China remained strong, lower demand from other key destinations

such as Mexico, Indonesia, and Vietnam pulled the figure downward. Logistical and staffing issues are weighing on NDM production even as milk volumes rise seasonally.

Activity at the CME was mixed for NDM over the week with losses early in the week only partially compensated by gains later on. After starting the week unchanged on Monday, the spot NDM market gave up 3.5¢ on Tuesday and Wednesday, falling as low as \$1.815 at the end of Wednesday's session. Modest gains on Thursday and Friday were unable to overcome the loss and the market closed Friday's session at \$1.8225/lb., down 2.75¢ compared to last Friday.

The spring holiday season has ushered in strong demand for butter from both retail and foodservice channels. Furthermore, with summer in their sights, ice cream makers have also started to step up their cream demands. As a result of stronger demand, cream availability has tightened but market participants report that spot loads are still available for those who want them. The strong demand helped to put upward pressure on the spot butter price at the CME this week which added 7.25¢ over the week to end Friday's session at \$2.7825/lb.



Grain Markets

The ongoing conflict between Russia and Ukraine continues to wreak havoc on grain markets. In today's World Agricultural Supply and Demand Estimates report, the USDA further reduced expectations for Ukrainian grain exports, spurring crop futures prices upward. At the conclusion of Friday's trade, every corn contract until JUL23 settled above \$7 per bushel. For soybeans, the MAY22, JLY22, and AUG22 each finished above \$16 per bushel.

At home USDA left the U.S. corn and soybean balance sheets mostly unchanged but the swirling uncertainty led the agency to lift its average farm corn price by 15¢ to \$5.80 per bushel.



New Report & Calculator Quantifies Water Consumption on California Dairy Farms

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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A very important paper was released this week outlining a dairy facility's water consumption. This is a particularly important paper because most Groundwater Sustainability Agencies that are implementing groundwater allocations to landowners are using satellite evapotranspiration (ET) information to calculate groundwater consumption. The footprint of a dairy facility – the corrals, milking barns, feed area, etc. – do give off an ET signature, but water on a dairy facility is recycled several times and there is water in the feed that is brought on to the dairy facility as well as milk that is shipped off of the facility.

The paper produced by the 4Creeks Engineering firm details the water flow onto and off of a dairy facility and concludes that actual groundwater consumption by the acres associated with the footprint of the dairy is about 6 inches per year. **You can access the study [here](#) and download the calculator (Microsoft Excel spreadsheet) [here](#)**, which will allow you to adjust cow numbers and acres to find the number that fits your operation.



A USDA-NRCS funded study is being launched to validate these numbers. Several dairy facilities will be part of this study which will precisely meter and measure all water coming onto the facility and leaving the facility. In the meantime, the 4Creeks paper will serve as a valuable resource for GSAs in determining how to allocate the water footprint to a dairy facility.

CDQAP Update: Unexpected Mortality Planning, Environmental Stewardship Evaluation, AMMP Resources

Courtesy of the [California Dairy Quality Assurance Program](#)

Planning for Unexpected Mortalities

By Dr. Michael Payne, UC Davis, School of Veterinary Medicine; Director, CDQAP



Whether due to catastrophic disease, loss of rendering service, or natural disaster, periodically livestock and poultry producers face the tragedy of unexpected mortalities. How to deal with those carcasses, in a way which prevents disease transmission and protects the environment, was the subject of a unique three-day training in Tulare March 15th through the 17th. *Continue reading [here](#).*

Be Ready When It's Your Turn: CDQAP Environmental Stewardship Evaluation

By Deanne Meyer, Ph.D., Livestock Waste Management Specialist, UC Davis, Dept. of Animal Science, UC ANR

Do you need to recertify in CDQAP? Are you interested in becoming a certified dairy? Part of CDQAP certification is an on-farm evaluation. Call early and get ready for your on-farm evaluation. *Continue reading [here](#).*

AMMP Resources Available

By Deanne Meyer, Ph.D.

The [AMMP application window](#) is open! Up to \$750,000 per application awarded, can be used to fund implementation of an alternative manure management practice. Manure collection and or separation categories include pasture-based management, alternative treatment or storage (including compost bedded pack barns), solid separation with subsequent management of solids and conversion of flush to scrape with subsequent management of solids. *Continue reading [here](#).*



Next Week! 50+ Speakers to Highlight Dairy's Leadership in Advancing Sustainable Food Systems

Courtesy of [Dairy Cares](#)

California Dairy Sustainability Summit explores new ways for dairy farmers to:

- Promote environmental sustainability
- Develop new business opportunities
- Improve operational efficiency
- Reduce emissions and conserve water
- Set high standards for animal health
- Reduce on-farm costs



The virtual California Dairy Sustainability Summit takes place on April 12-14.

California's family dairy farms are powering cars, trucks, ports, and houses with clean energy, while reducing climate emissions. They are also adopting practices to help improve air quality and enhance the conservation of resources. This progress is being made possible through world-leading collaboration and investment from across the public and private sectors. From a broader perspective, dairy communities here and throughout the globe are stepping up and partnering to reduce climate emissions, improve access to nutritious milk and dairy foods, and help advance sustainable food systems.

To further encourage dairy's sustainability efforts, local, state, federal, and international stakeholders will convene online on April 12-14 for the third [California](#)

[Dairy Sustainability Summit](#). Event hosts look forward to welcoming 50+ expert speakers for live, interactive discussions that will help connect and educate dairy farmers, policymakers, technology providers, food and beverage companies, industry leaders, researchers, and others.

High-caliber speakers from across California and abroad will contribute to valuable conversations. Virtual attendees can look forward to the following:

Day One: Global, Supply Chain, Scientific, and Policy Perspectives

- The event will kick off with a discussion among state, federal, and international leaders, highlighting partnerships and efforts that are working to significantly reduce climate emissions and promote the health of people and planet.
- Food and beverage leaders from Starbucks and Nestlé will join the CEO of California's largest dairy cooperative, California Dairies, Inc., to discuss how they are working together to support dairy farmers and improve sustainability throughout the supply chain.
- Experts in animal health and emissions will shine light on pathways for the dairy and livestock sectors to achieve climate neutrality.
- State and federal policymakers will discuss incentive-based strategies for promoting adoption of planet-smart dairy farm practices.

Day Two: Honing in on Challenges and Opportunities

- Leaders from dairy cooperatives and processors will share how they are supporting family dairy farmers, while working toward their own ambitious sustainability goals.
- Nutrition experts will highlight efforts to advance collaboration, coordination, and contribution within the dairy sector to ensure that both plant and animal source foods remain essential to healthy, sustainable food systems.
- A dairy farmer, environmental leader, and industry expert will discuss progress in environmental sustainability that is currently being achieved by dairy farm families.
- A former dairy farmer, economist, and civil engineer will talk about California's significant water scarcity challenge, potential implications, and strategies for navigating the road ahead.
- A wide array of experts will discuss current efforts to explore opportunities to maximize manure's role in building healthy soils and protecting our air, water, and climate.

California Dairy Sustainability Summit
Virtual Event
April 12-14, 2022
50+ Speakers

cadairysummit.com

Day 3: Latest Technologies, Strategies, and Research

- Technology providers will showcase innovative projects that are reducing methane and improving water quality on California dairies—from worms to algae to fuel cells, and more.
- A world-renowned researcher and leaders from four feed additive companies will talk about progress, barriers and opportunities toward reducing enteric methane emissions from dairy cattle.
- California dairy producers and processors will be recognized for sustainability achievements on the farm, in the plant, and throughout the community.
- Dairy farmers and a leading expert will discuss achievements to date and ongoing progress in reducing dairy's environmental footprint through breeding strategies.
- Researchers will answer questions about some of their most-recent projects to explore new technologies and strategies related to California dairy sustainability.

Something for All

The third California Dairy Sustainability Summit offers the most robust agenda yet. Attendees will discover new ideas and opportunities to explore within their own farms, companies, research institutions, or government agencies. Through important conversations, the Summit will further align partners from across public and private sectors, promoting the continued advancement of healthy people, healthy communities, and a healthy planet. Download the full agenda [here](#).

Register today at CADairySummit.com to learn more about the policies, strategies and technologies that are shaping dairy's planet-smart future.

