

MPC WEEKLY FRIDAY REPORT

DATE: JANUARY 21, 2022
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 5



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$.1125	\$1.8075	WEEKLY CHANGE	+\$.2100	\$2.9350
Barrels	-\$.1475	\$1.8125	WEEKLY AVERAGE	+\$.0814	\$2.8744
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 01/15/22	
Blocks	-\$.1581	\$1.8444	DAIRY MARKET NEWS	W/E 01/21/22	\$.7475
Barrels	-\$.0180	\$1.8725	NATIONAL PLANTS	W/E 01/15/22	\$.7015
				LAST WEEK ENDING 01/08/22	
				NAT'L PLANTS	\$1.6319 13,682,722
				NAT'L PLANTS	\$1.6078 13,682,722

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
JAN 21 EST	\$21.31 - \$21.81	\$22.83	\$20.29	\$22.80
LAST WEEK	\$21.31 - \$21.81	\$22.46	\$20.28	\$22.80

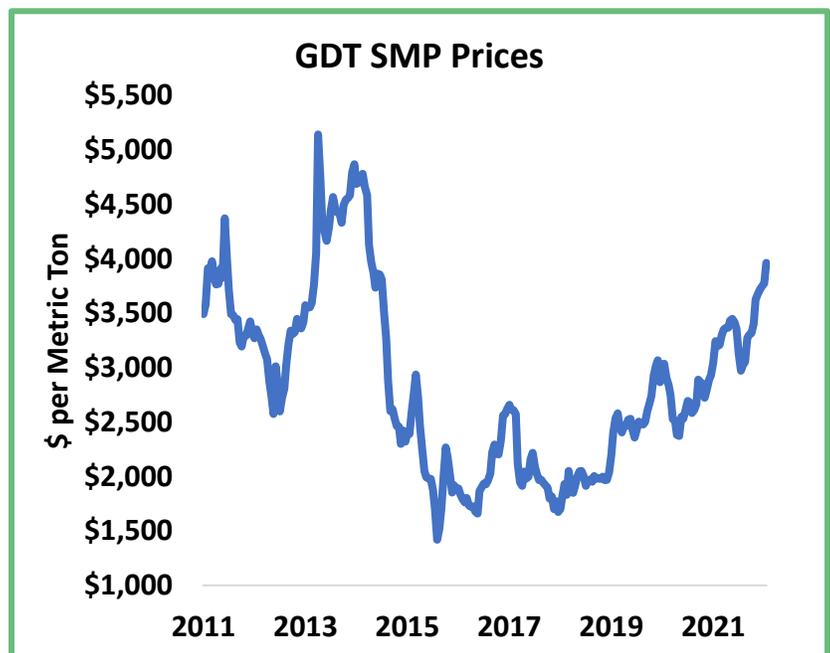


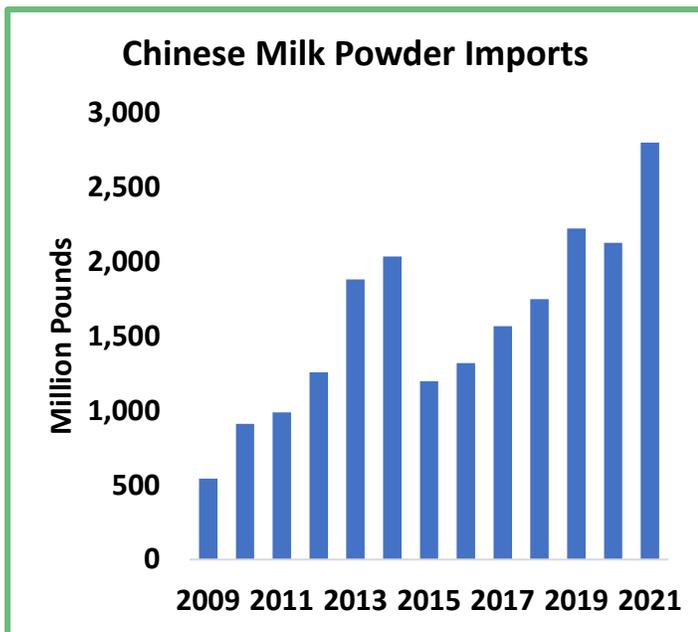
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

From Warsaw to Wellington, and Canberra to Chicago, the dairy markets are forging multi-year highs all around the world. At the Global Dairy Trade (GDT) auction on Tuesday, the GDT Index jumped 4.6% to its highest price since March 2014, led by a 5.6% increase in the price of whole milk powder (WMP). GDT skim milk powder (SMP) and butter values climbed 5% from the previous auction. GDT butter and cheese both scored all-time highs, while SMP climbed to prices not seen in nearly eight years. Adjusted for protein, GDT SMP is equivalent to nonfat dry milk (NDM) at \$1.92 per pound. The strong showing





initially boosted CME spot NDM to \$1.85, but the spot market faded Thursday and closed at \$1.815, unchanged from last Friday.

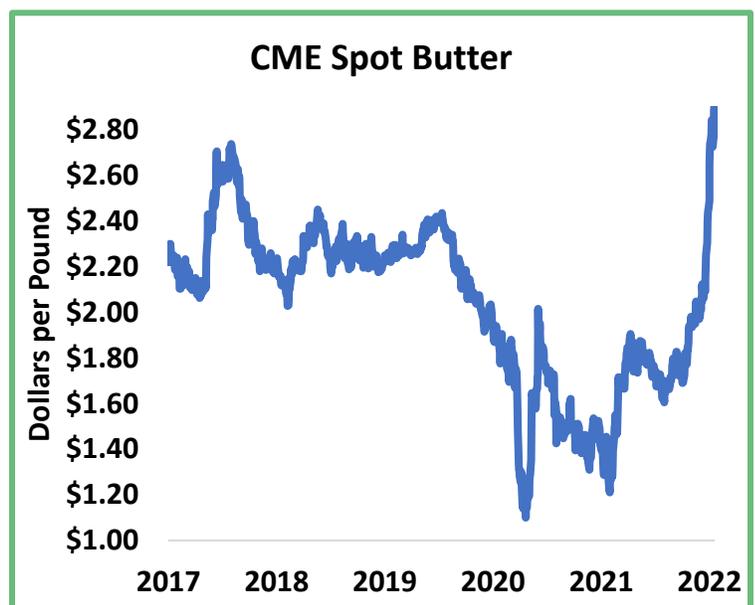
Lower milk output in the U.S., Europe, and Oceania slowed milk powder production, and strong global demand trimmed stocks. China’s appetite for foreign milk powder seemed insatiable throughout much of last year, but the December data hint that China may finally have enough powder on hand to pause its purchases. China brought in 44.4 million pounds of SMP and 69.9 million pounds of WMP last month, down 22% and 38%, respectively, from December 2020. Despite lighter December arrivals, Chinese milk powder imports reached astounding totals in 2021. The world’s largest dairy importer bought 27% more SMP in 2021 than the prior year, and 24% more

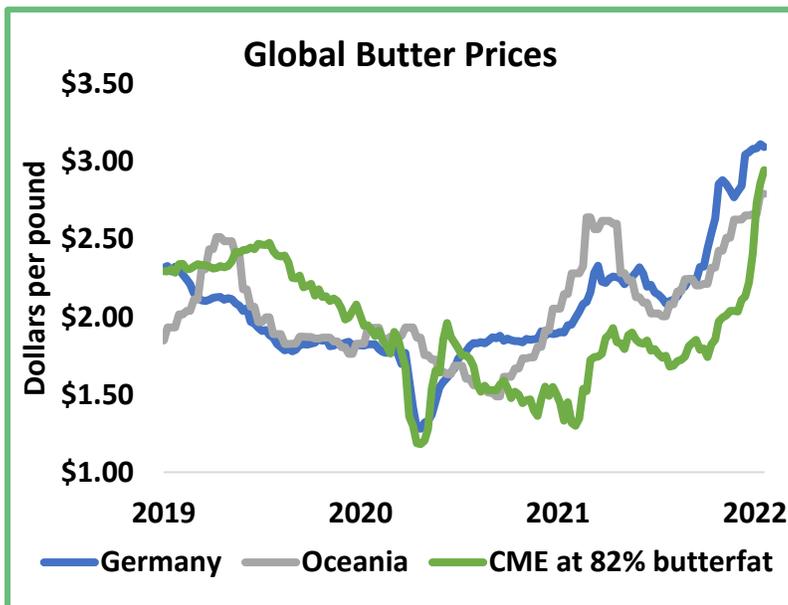
than the previous record set in 2019. Chinese WMP imports were 34% greater than 2020 volumes and topped the 2014 record by 22%.

Similarly, Chinese whey powder imports reached all-time highs last year, but December shipments faltered. At just 87 million pounds, they were down 32% from a year ago and the lowest monthly tally in nearly two years. The *Daily Dairy Report* explained, “The simultaneous slowdown in imports of storable dairy commodities hints that Chinese merchants might have bought ahead for much of the year due to concerns about shipping delays, and that on-hand inventories are now high enough to forestall any shortages.” This suggests that China could slow imports, especially at today’s prices. However, Chinese consumers are still hungry for dairy, and once merchants draw down milk powder and whey stocks, they will likely return to the market. In the meantime, China’s absence could make room for dairy buyers in other nations who were sidelined by China’s aggressive buying last year.

Chinese imports of consumer-facing dairy products remained strong. China imported more butter and cheese in December than it did the year before. Chinese imports of ultra-high temperature fresh milk fell short of prior-year volumes, but they were the largest monthly total since June. On an annual basis, all three categories shattered previous records. There is no sign that Chinese consumers plan to eat less dairy, so Chinese cheese, butter, and milk imports will likely stay high. However, China’s birth rate has plummeted to a 72-year low, and the stagnating population may result in slower growth going forward.

Like the milk powder market, butter is sprinting past historic milestones, exploring ground it has not trod in many years. CME spot butter leapt 21¢ in just four trading sessions this week and closed today at \$2.935, the highest price since 2015. Spot butter is nearly 50¢ higher than it

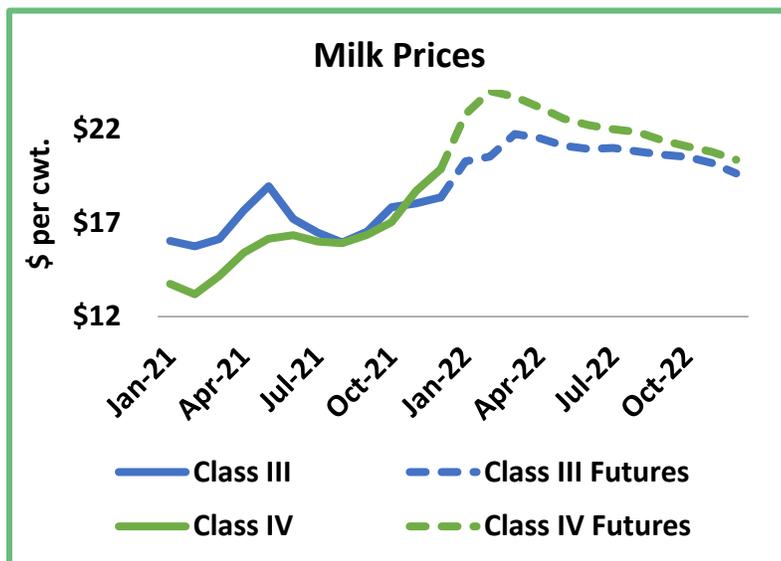




was when the year began. For months, high cream multiples and a shortage of trucks and drivers has slowed the flow of cream to the churn, and it shows. These prices were high enough to coax some butter to Chicago, but not enough to stop the rally. Traders exchanged 32 loads of butter this week, including 18 today. At today's values, U.S. butter is more expensive than product from Oceania, but still cheaper than European butter. If Oceania has butterfat to spare, it may start to move toward the United States or crowd out U.S. exports. But that process will take several months. In the meantime, butter is scarce and likely to remain so.

There is plenty of cheese, and prices are under pressure. CME spot Cheddar blocks fell 11.25¢ to \$1.8075. Barrels dropped 14.75¢ to \$1.8125. Grocers are moving plenty of cheese, but sales to foodservice are hit or miss. Waves of Covid infections have swamped restauranteurs, who can't count on their staff or their patrons to show up.

The whey market continues to climb. Exercise fiends and health-conscious consumers are lapping up high-protein products regardless of price. Lower-protein whey powders are moving to end users seeking an alternative to pricey NDM. Demand is strong and stocks are tight. Spot whey rallied another 3¢ this week to 80¢, another record high.



The fading cheese market weighed heavily on Class III prices. The February contract plunged \$1.54 to a still-high \$20.54 per cwt. March through December lost an average of 45¢, and most contracts held above \$21.

Nearby Class IV futures continued to climb, and the February contract rallied 55¢ to \$24.04. The market assumes that high milk prices will quickly remedy the milk production deficit, and there was a bit of red ink for deferred contracts. Still, the futures forecast historically high prices through the end of the year.

Grain Markets

Rains arrived in Argentina. Crops there perked up, and the soybean meal market fell accordingly. March soybean meal settled at \$392.70 per ton, down nearly \$13 from last Friday. However, it's still hot and dry in southern Brazil, and concerns about the Brazilian crop kept a firm bid under the corn and soy markets. Higher interest rates and a stock market selloff pushed investors from Wall Street to LaSalle Street, as they sought to capitalize on the commodity market boom. March corn pushed convincingly over \$6 this week and closed at \$6.1625 per bushel, up 20¢. March soybeans closed at \$14.1425, up 44.5¢.

Cyberattacks an Imminent Threat to Dairy Farms, Processors

Courtesy of [National Milk Producers Federation](#)

In response to recent malicious cyber disruptions, including a [cyberattack](#) on one of Wisconsin's largest milk processors, the Cybersecurity and Infrastructure Security Agency (CISA) has updated its [guidance](#) for businesses to protect against critical cybersecurity threats.

Cybersecurity threats in agriculture can affect all levels of the supply chain, from farm to retail, and they pose a significant threat to national security. Immediate action and continued vigilance are necessary to reduce the risk of a damaging cyber intrusion, detect a potential cyberattack, ensure dairy farmers and cooperatives are prepared to respond should an intrusion occur and maximize resilience to a cyber incident.

Clay Detlefsen, NMPF senior vice president of regulatory affairs, serves as chairman of the Food and Agriculture Sector Coordinating Council (SCC). The council is the primary private policy coordination and planning entity collaborating with FDA, USDA, the Department of Homeland Security and the Food and Agriculture Government Coordinating Council, among others, to address a range of critical infrastructure security and resilience activities. Detlefsen advises the U.S government on the unique cybersecurity considerations and implications for agricultural producers and processors. These efforts have resulted in the prioritization of cybersecurity in CISA's [Food and Agriculture Sector-Specific Plan](#) and a focus on food and agriculture-related cybersecurity concerns in council meetings and webinars.

More information about cybersecurity

- Let's Talk Dairy Podcast: [Address the Cybersecurity Threat](#)
- University of Minnesota: [The Cyber Risk to Food Processing and Manufacturing](#)
- Farm Journal: [Prioritizing Cybersecurity on Farms](#)
- Growing Produce: [Six Ways to Build a Cybersecurity Plan for Your Farm](#)



Save the Date: April 12-14 | California Dairy Sustainability Summit

By Kevin Abernathy, General Manager

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This April 12-14, join dairy farmers, industry leaders, world-renowned researchers, policymakers, global food and nutrition professionals, and many other expert speakers for the virtual California Dairy Sustainability Summit. MPC is proud to once again be an event partner of the Summit and we will have more details about registration options in upcoming *Friday Reports*. Learn more about the Summit at CADairySummit.com.



NMPF Update: Climate Funding, DMC Enrollment, USDA Payments

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



Administration Seeks to Preserve Climate Funding as Build Back Better Package Languishes

The months-long impasse over the fate of the \$1.75 trillion social spending bill dubbed *Build Back Better* is prompting lawmakers and the White House to reassess what actually can win a majority of votes in the Senate.

Recognizing this political reality, President Biden this week suggested he would break his climate and social spending bill into pieces to improve the chances of passage of at least certain elements of the broader package.

NMPF has been supportive of additional funding for climate-smart agriculture programs, including voluntary incentives for greenhouse gas mitigation practices on farms. The *Build Back Better* package contained more than \$500 billion for energy and environmental issues, including a \$27 billion boost for climate smart agriculture programs, and advancing legislation specific to this area is likely to be a logical next legislative step. Sen. Joe Manchin (D-WV), who still is the key 50th vote on any such measure, has indicated he wants negotiations to start over from the ground up, which could push to later in the spring the development of a politically viable bill.

Four Weeks Remain to Enroll in DMC in 2022

Dairy farmers not already committed to the Dairy Margin Coverage program in 2022 have another four weeks left to enroll for this calendar year. The sign-up period for the 2022 DMC program is open until Friday, Feb. 18. Last year, the program paid enrollees approximately \$1.9 billion, averaging more than \$60,000 per operation. The USDA's [DMC website](#) has more information on program benefits, including improvements National Milk was able to make in the past year, such as the enhanced value of alfalfa in the feed formula, and the ability of many farms to update their production histories.

PMVAP Payments on the Way to Farmers

NMPF has prepared [a summary](#) of what farmers can expect, and when, as the USDA rolls out the Pandemic Market Volatility Assistance Program (PMVAP) program in the coming weeks. During a meeting last week, AMS Dairy Division Administrator Dana Coale confirmed that the first of dozens of agreements between USDA and Class I handlers has been implemented as of mid-January, with many more to come.

Our summary describes how USDA will provide up to \$350 million in assistance to dairy farmers to partially reimburse them for unanticipated losses created during the COVID-19 pandemic when dairy food box purchases, weighted heavily toward cheese, created the unintended consequence of significant financial underperformance in Class I markets. Once a handler receives its PMVAP payment from USDA, they have 30 days to disburse the monies to producers.

