

# MPC WEEKLY FRIDAY REPORT

DATE: MARCH 25, 2022  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 6



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## MPC FRIDAY MARKET UPDATE

<b>CHICAGO CHEDDAR CHEESE</b>		<b>CHICAGO AA BUTTER</b>		<b>NON-FAT DRY MILK</b>	
Blocks	+ \$.1450	\$2.2750	WEEKLY CHANGE	+ \$.0700	\$2.7950
Barrels	+ \$.2200	\$2.2500	WEEKLY AVERAGE	+ \$.0690	\$2.7950
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>NAT'L PLANTS</b>	
Blocks	+ \$.1070	\$2.2205	DAIRY MARKET NEWS	W/E 03/25/22	\$ .7400
Barrels	+ \$.1660	\$2.1750	NATIONAL PLANTS	W/E 03/19/22	\$ .7895
				<b>LAST WEEK ENDING 03/12/22</b>	
				NAT'L PLANTS \$1.7942 22,864,610	
				NAT'L PLANTS \$1.7987 21,326,352	

## 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
MAR 25 EST	\$24.48 - \$24.98	\$24.75	\$22.42	\$24.85
LAST WEEK	\$24.48 - \$24.98	\$24.69	\$22.41	\$24.80



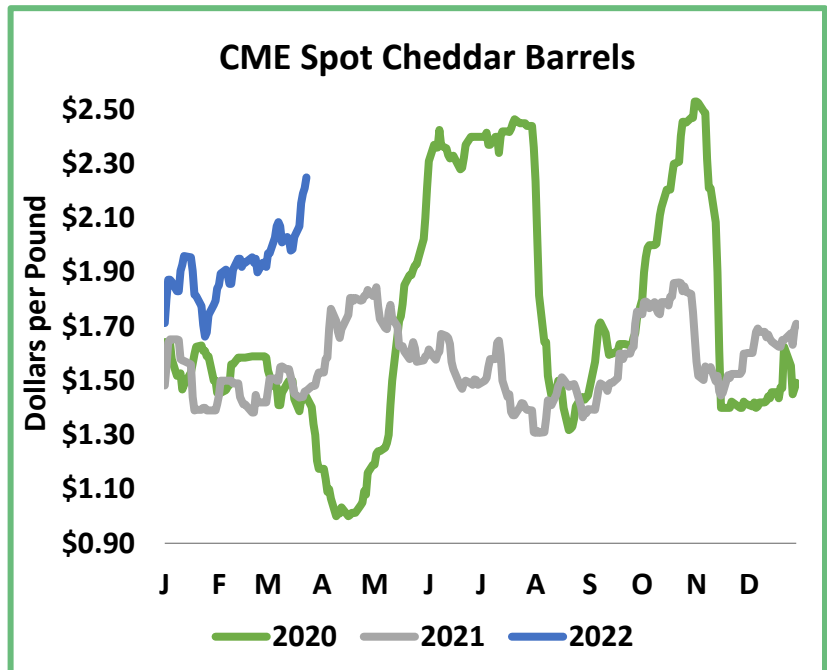
### Milk, Dairy and Grain Market Commentary

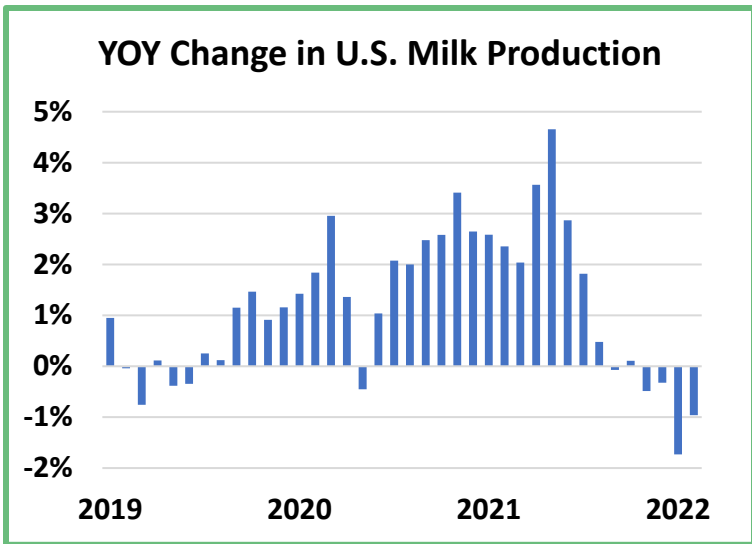
By Sarina Sharp, Daily Dairy Report  
[Sarina@DailyDairyReport.com](mailto:Sarina@DailyDairyReport.com)

#### Milk & Dairy Markets

Rising costs and waning milk output pushed the U.S. dairy markets higher once again this week. Cheese led the way. CME spot Cheddar barrels leapt 22¢ to \$2.25 per pound, the highest price – by far – since November 2020. Blocks climbed 14.5¢ to \$2.275, also a 16-month high. Butter rallied 7¢ to \$2.795. The powders slipped. CME spot nonfat dry milk (NDM) fell a fraction of a cent to \$1.8525, a value that is still historically high. Spot whey powder fell 4¢ to 72¢.

Strong cheese and butter prices propelled the futures to new highs. Even after a Friday setback, Class III contracts finished





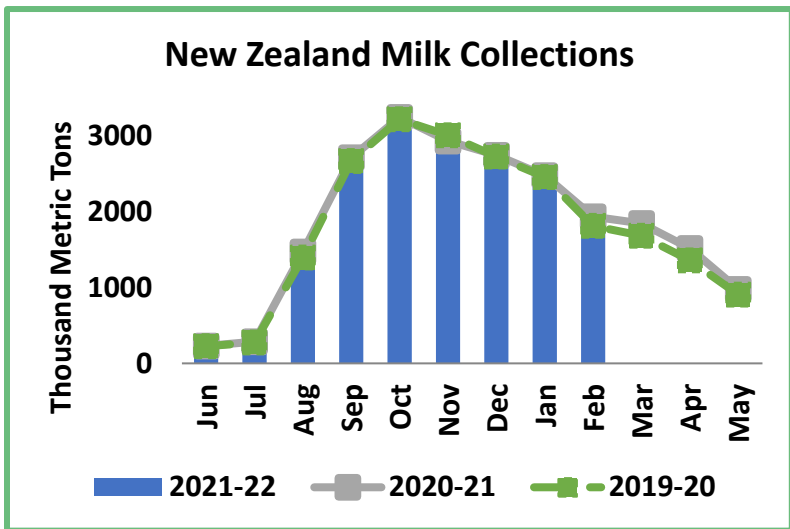
between 14¢ and 94¢ higher than they began the week. May Class III settled at \$25.01 per cwt. The June and July contracts peaked briefly above the \$25 mark as well. Most Class IV contracts added 30 to 50¢ this week. The April through August contracts all stand comfortably above \$25.

U.S. milk output dropped to just over 17.5 billion pounds in February, 1% less than the year before and the fourth straight year-over-year decline. While some individual states posted strong growth, the Northern Plains is the only region that reported higher milk output than last year. The January and

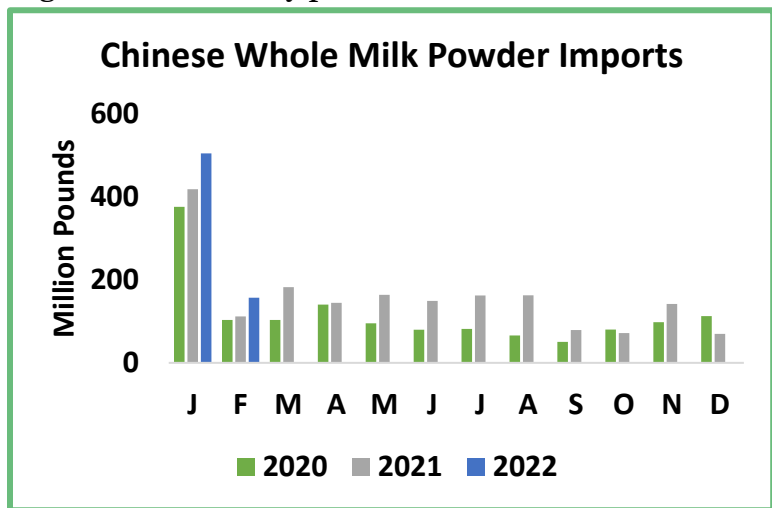
February milk production shortfalls represent the steepest U.S. deficits since 2009.

High milk prices prompted dairy producers to add a few cows. After contracting for eight months, the U.S. dairy herd grew by 3,000 head in February and reached 9.37 million. That is still 96,000 head smaller than it was in February 2021. \$25 milk will surely incentivize dairy producers to step up milk output as much as possible. But high feed prices and low heifer inventories will likely forestall runaway growth.

Milk production continues to decline overseas as well. New Zealand milk output was shockingly low in February, down 8.2% from a year ago. Kiwi milk solids collections are down 4% for the season to date. New Zealand’s milk cooperatives keep raising pay prices to encourage greater milk output, but the weather has worked against them in the



2021-22 season. And it’s too late to significantly add to the dairy herd for the upcoming season, which begins in June. Dairy producers bred their cows five or six months ago, when the pay-price forecast was 13% lower than it is today. High feed costs suggest that Kiwi dairy producers won’t use a lot of supplemental feeds to boost milk yields, but better weather could at least help New Zealand’s 2022-23 milk output to recover to prior-year volumes.

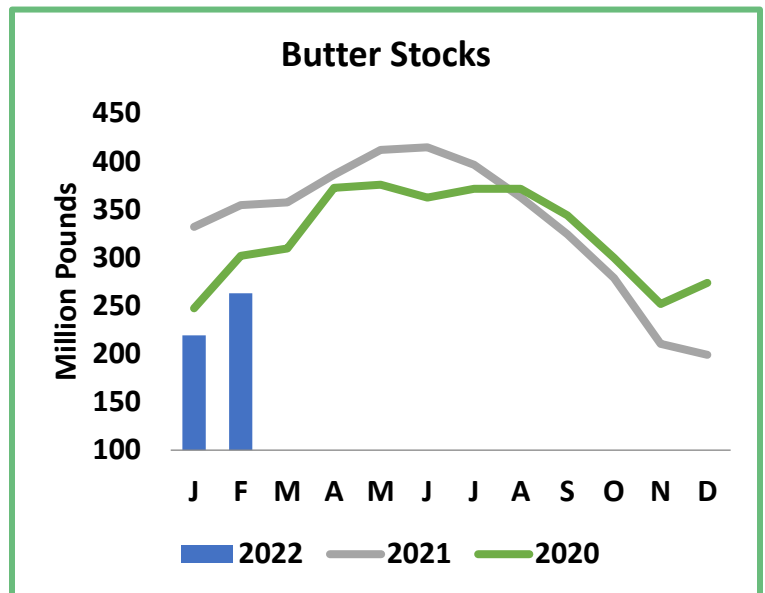


Lower milk output among the world’s major exporters is the primary driver behind today’s unprecedented milk and dairy product prices. But demand matters too. Falling sales of whey products have spurred a modest selloff in what was once one of the strongest dairy markets. Chinese whey powder imports

plummeted in January and February, as lower profit margins for pork producers left China’s pork industry with less appetite to pay up for feed whey.

On the other hand, Chinese imports of consumer-facing goods like ultra-high temperature (UHT) fresh milk, cheese, and butter remain healthy, although they fell short of the record-smashing volumes set in January and February 2021. Chinese skim milk powder (SMP) imports in January and February fell 12.6% below prior-year levels, but they were still historically high. More importantly, China continues to import more whole milk powder (WMP) than ever before. Typically, Chinese WMP imports are three to four times as large as Chinese SMP imports, and Chinese milk powder imports dwarf its purchases of other dairy products. China’s appetite for foreign WMP is helping to keep a firm bid under the milk powder markets and assuage fears about a sudden decline in Chinese demand.

U.S. dairy products are priced to move, and exports remain strong despite the ongoing struggles in the global supply chain. Robust cheese exports incentivized processors to make more cheese for foreign buyers and less commodity Cheddar. That likely contributed to modest month-to-month declines in U.S. stocks of American cheeses in both January and February. However, inventories of all varieties of cheese grew seasonally to just shy of 1.47 billion pounds, up 2.3% from the already large stockpile on hand in February 2021. Butter inventories grew at a lively clip in February, but, at 263 million pounds, they are 26% below year-ago levels.



**Grain Markets**

The feed markets climbed once again this week as the brutal war in Europe’s bread basket entered its second month. With Russia and Ukraine at a stalemate, the prospect of a drawn-out fight grows increasingly likely. Despite daunting obstacles, Ukrainian farmers have sown the first 150,000 hectares of spring crops. But Ukraine’s agricultural minister told Reuters that spring sowing could drop by more than half this year, to around 7 million hectares, or 17.3 million acres. If his estimate is correct, farmers may leave around 8 million hectares, or 19.7 million acres, unplanted, an area equal to the farmland of Nebraska or Minnesota. The Kyiv Independent reported that Russian forces are “chaotically” mining Ukrainian territory to deter farmers, and that they “deliberately destroy agricultural machinery... to undermine Ukraine’s sowing campaign.” Farmers who can access their fields and have the diesel to get crops in the ground are likely to focus on small grains with short growing seasons that require few inputs. They will sacrifice bumper corn yields to ensure a quicker boost to the national food supply. The world has relied on Ukrainian grain exports in the past, but it isn’t counting on any this year. Perhaps the trade is too pessimistic. Ukraine’s government has suspended exports of most small grains and meat, but it gave the green light to corn and sunflower oil exports because stocks are “very high.”

Closer to home, U.S. farmers are getting ready to roll. High grain prices might encourage an increase to corn acres, but pricey – and scarce – inputs argues for a shift to soybeans. USDA will publish its much-anticipated Prospective Plantings Report next week. Prices continued to climb ahead of the report. May corn closed today at \$7.54 per bushel, up another 12.25¢. Beans closed at \$17.1025, up 42.25¢. Soybean meal added more than \$10 and reached \$487.90 per ton.

## Registration Open for March 29 CARB Workshop on Methane, Dairies and Livestock, and Renewable Natural Gas in California

Courtesy of [California Air Resources Board](#)

Note from **Kevin Abernathy, MPC General Manager**.

If any MPC member plans to attend next week's workshop and participate in the public comment period, please feel free to contact me at [Kevin@MilkProducers.org](mailto:Kevin@MilkProducers.org). MPC and Dairy Cares staff can assist you in preparing your comments.

An [agenda](#) for the [previously announced](#) Workshop on Methane, Dairies and Livestock, and Renewable Natural Gas in California is now available on the California Air Resources Board's [Short-Lived Climate Pollutants Meetings and Workshops](#) website. As previously noted, this workshop will include topic-specific panels with presentations from a broad spectrum of stakeholders and experts. The objective of the workshop is an enhanced understanding of California mandates for reductions in methane emissions, trends in the dairy and livestock industry, California programs that reduce dairy methane, environmental regulation affecting dairy operations including concerns raised about potential impacts associated with environmental policies and programs, and to hear stakeholder perspectives.

**Register for the webinar [here](#)**

This public meeting will be available via webinar only. Webinar participants will be able to ask questions or provide comments during the webinar. You will need to register in advance. After registering, you will receive a confirmation email with information about how to access the webinar by computer or by telephone. This workshop may be recorded, and presentations will be posted online after the workshop.

## NRCS Financial Assistance Workshops in Tulare & Kern Counties on March 28

Courtesy of [NRCS-California](#)



USDA's Natural Resources Conservation Service (NRCS) extended the deadline to apply for approximately \$8.6 million in funding available through the Conservation Stewardship Program (CSP). Financial assistance workshops related to CSP will be held on **March 28 in Tulare and Kern counties**; see details at left.

While applications are accepted throughout the year, interested producers should act quickly to submit their application to their local NRCS office. Applications must be received no later than **April 15, 2022**, to be considered for 2022 funding.

Through CSP, producers earn payments for actively managing, maintaining, and expanding conservation activities integrated within their agricultural operations. CSP enhancements like cover crops, grazing management, ecologically based pest management and buffer strips help producers improve soil health while protecting water quality.

Producers interested in CSP are recommended to contact their [local USDA service center](#) or visit [www.nrcs.usda.gov/GetStarted](http://www.nrcs.usda.gov/GetStarted).



**Addressing Water Scarcity:  
Featured Panel at California Dairy Sustainability Summit**

Courtesy of the [California Dairy Sustainability Summit](#)

Facing drought conditions, implementation of the Sustainable Groundwater Management Act (SGMA), and decreased surface water availability – water scarcity is a serious concern for California dairy farmers. Water conservation has been a long-time focus for California dairy families, **who have reduced the amount of water used to produce each gallon of milk by 89% over the past 50-plus years.** This panel will further explain the significance of today’s water challenges to the ongoing sustainability of the state’s dairy industry.



**Dr. Michael McCollough**

Professor of Agribusiness  
Cal Poly, San Luis Obispo

With expertise in California agricultural production and the regulatory environment, Dr. McCollough will discuss the potential economic implications of SGMA implementation for California’s dairy and beef sectors.



**David De Groot**

Principal Civil Engineer  
4Creeks, Inc.

Drawing on hands-on experience on California dairies, David De Groot will discuss groundwater usage as it relates to SGMA implementation and potential strategies for increased conservation.



**Geoffrey Vanden Heuvel**

**(Moderator)**  
Director of Regulatory &  
Economic Affairs  
Milk Producers Council

After a 39-year career as a California dairy farmer, Geoffrey Vanden Heuvel has become the dairy industry’s eyes, ears and advocate as local groups have been implementing SGMA throughout the state. He will guide a well-informed discussion to best understand California dairy’s developing water scarcity challenges.



**April 12-14, 2022  
Virtual Event**

**REGISTER HERE**

# NMPF Update: Ocean Shipping Legislation, Russian Cyberattacks, Dairy Consumption in Schools

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

## Senate Committee Advances Ocean Shipping Legislation

The Senate Commerce Committee approved the Ocean Shipping Reform Act (OSRA) this week, fueling momentum behind congressional efforts to untangle port logistics and improve the supply chain facilitating ag export capabilities. NMPF and USDEC [have worked](#) closely with the bill's authors, Sens. Amy Klobuchar (D-MN) and John Thune (R-SD), to build broad bipartisan support for the measure, setting the stage for the full Senate to act on the legislation. In all likelihood, the OSRA will be merged into a larger competitiveness measure under consideration by both the Senate and the House.



## Russian Cyberattacks Still Concerning to Biden Administration

As the conflict in Ukraine stretches into a second month, the Biden Administration continues to sound the alarm that Russia will retaliate against Western targets through cyberattacks. This week, the White House released [a statement](#) indicating that although there is no specific, imminent threat to organizations in the U.S., there is evidence that Russia continues to surveil potential cyber targets, including Western businesses. Please be sure your computer virus and malware prevention systems are up to date and on guard against increased hacking activity. The Department of Homeland Security's Cybersecurity and Infrastructure Security Agency (CISA) continues to update [this website](#) with more information on preventing a cybersecurity breach.

## NMPF, IDFA Support Flexibility to Boost Dairy Consumption in Schools

NMPF and the International Dairy Foods Association (IDFA) submitted [joint comments](#) yesterday to USDA's Food and Nutrition Service urging the agency to update school meal nutrition standards so that they align with recommendations from the current Dietary Guidelines for Americans (DGA), thereby expanding milk options available to students. We specifically urge USDA to continue to allow schools to serve low-fat flavored milk and to set sodium standards that permit the use of nutrient-rich cheese in school meal products.

The 2020 Dietary Guidelines Advisory Committee report found that nearly four out of five 9- to 13-year-olds are not meeting the recommended intake of dairy foods and thus do not receive key nutrients including potassium, calcium, and vitamin D. In our comments, we noted falling participation rates in school breakfast and lunch programs – which were an issue prior to the COVID-19 pandemic and are likely to continue even now – are a growing concern for overall nutrition security among students.

USDA this spring announced transitional school meal nutrition standards for the next two school years that will allow schools to continue to serve low-fat flavored milk consistent with DGA recommendations and pause overly stringent sodium reduction targets that threaten the ability of school meals professionals to serve nutrient-rich cheeses. USDA intends to craft more permanent standards for school year 2024-25 and beyond that pave the way for healthy and nutritious school meals.

