

MPC WEEKLY FRIDAY REPORT

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 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 8



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	-\$.1150	\$1.9950	WEEKLY CHANGE	-\$.0400	\$2.9300
Barrels	-\$.1125	\$2.0700	WEEKLY AVERAGE	-\$.0005	\$2.9470
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 07/09/22	
Blocks	-\$.0148	\$2.0765	DAIRY MARKET NEWS	w/e 07/15/22	\$.5400
Barrels	-\$.0381	\$2.1375	NATIONAL PLANTS	w/e 07/09/22	\$.5264
				NAT'L PLANTS \$1.8423 10,318,218	
				LAST WEEK ENDING 07/02/22	
				NAT'L PLANTS \$1.8161 19,600,745	

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
JUL 15 EST	\$27.47 - \$27.97	\$26.60	\$22.52	\$25.86
LAST WEEK	\$27.47 - \$27.97	\$26.57	\$22.79	\$25.63

JUNE 2022 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

JUNE '22 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$27.47 (TULARE) \$27.97(L.A.)	\$26.65	\$24.33	\$25.83	\$25.09 (TULARE) \$25.59 (L.A.)	\$24.725 (TULARE) \$25.225 (L.A.)
PERCENT POOLED MILK	22.6%	5.9%	67.3%	4.2%	100% (1.65 BILLION LBS. POOLED)	

*QUOTA RATE OF \$0.365/CWT. AS OF JUNE 2020 MILK



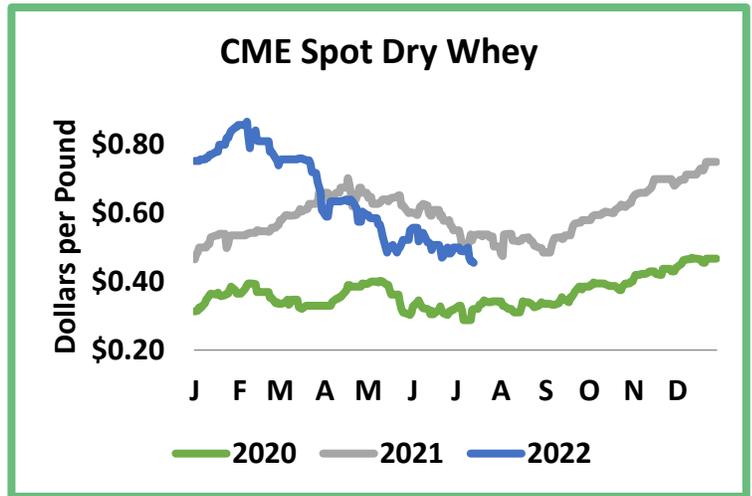
Milk, Dairy and Grain Market Commentary

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

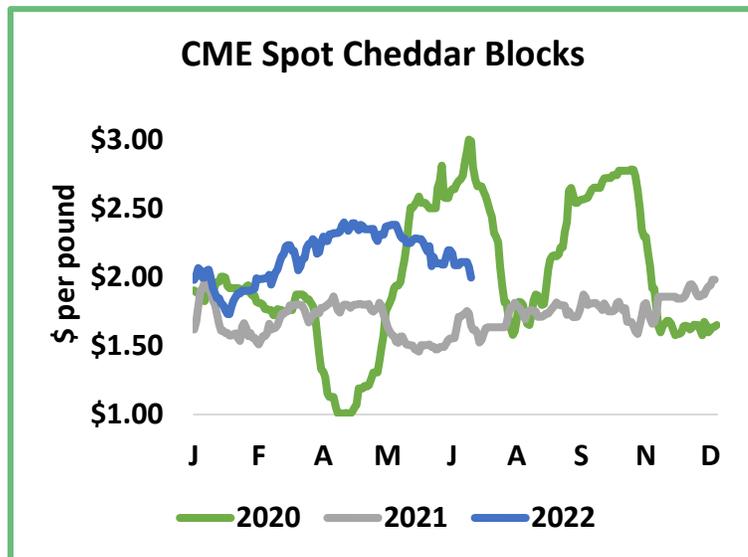
Milk & Dairy Markets

The commodity markets reeled this week, battered by growing anxiety about the global economy. The headlines packed one punch after another. U.S. inflation accelerated to 9.1% last month, reducing Americans' purchasing power at the fastest rate since 1981. China's economy grew just

0.4% in the second quarter, its slowest expansion in more than two years. More recently, rising Covid counts prompted China to reinstate some of the lockdown measures that led to such poor performance last quarter, spooking the markets. The European economy is in even worse shape as the war in Ukraine, the energy crisis, and ever stricter regulations hamstringing industry on the continent. With Europe's economy on the ropes, the euro dropped near parity with the U.S. dollar, at a 20-year low. Crude oil futures fell \$7 per barrel this week as investors retreated to their corners.



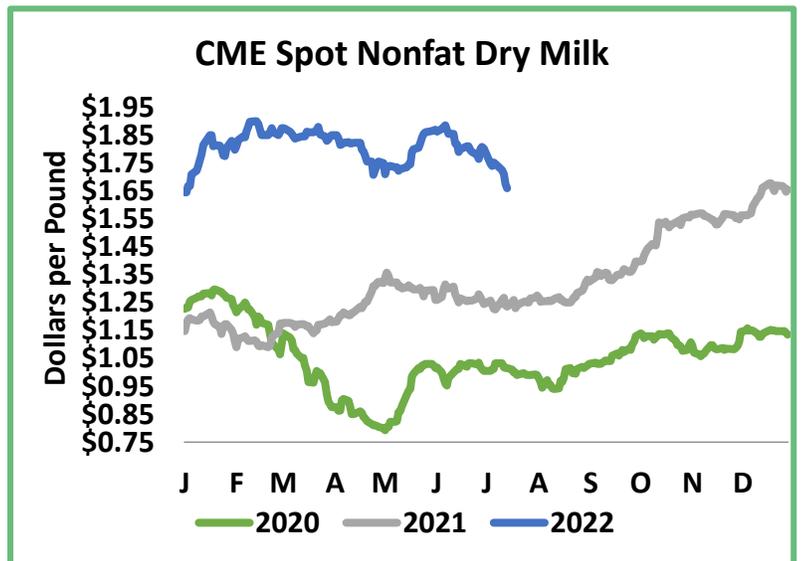
The dairy markets suffered too. CME spot dry whey fell 3.5¢ to 45.5¢ per pound, its lowest price since 2020. For nearly two years, strong demand for high protein whey products and robust exports to China have kept whey stocks in check. But the trade is concerned that the latter is in jeopardy. Chinese whey imports have slowed noticeably, but U.S. whey is competitively priced. U.S. exporters are likely to capture a larger piece of a shrinking pie.



There is still plenty of milk in the cheese states, and production continues apace. With plentiful supply and concerns about demand, CME spot Cheddar barrels plummeted 11.25¢ this week to \$2.07. Blocks fared even worse, falling 11.5¢ to \$1.995, their lowest price since February.

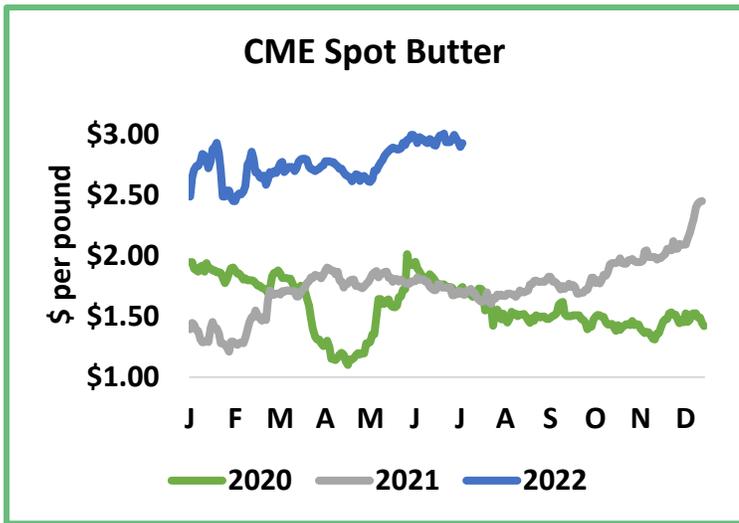
CME spot nonfat dry milk (NDM) fell 8.75¢ this week to \$1.66, the lowest price in more than six months. Summer temperatures have slowed the flow of milk to driers, and supplies are not

burdensome. However, buyers are bearish, and they are waiting for better values before they bid in significant volumes. USDA's *Dairy Market News* describes demand as "lackluster."



CME spot butter jumped back to \$3.00 on Monday but then spent much of the week on its back foot, falling to \$2.90 on Thursday. Butter battled back and closed today at \$2.93, down just 4¢ since last Friday. Butter inventories are tight, but demand is a bit soft.

Milk futures finished deep in the red. July Class III fell 27¢ to \$22.52 per cwt. Most deferred futures fell roughly \$1.50, and the September contract lost \$2.10. Class III milk



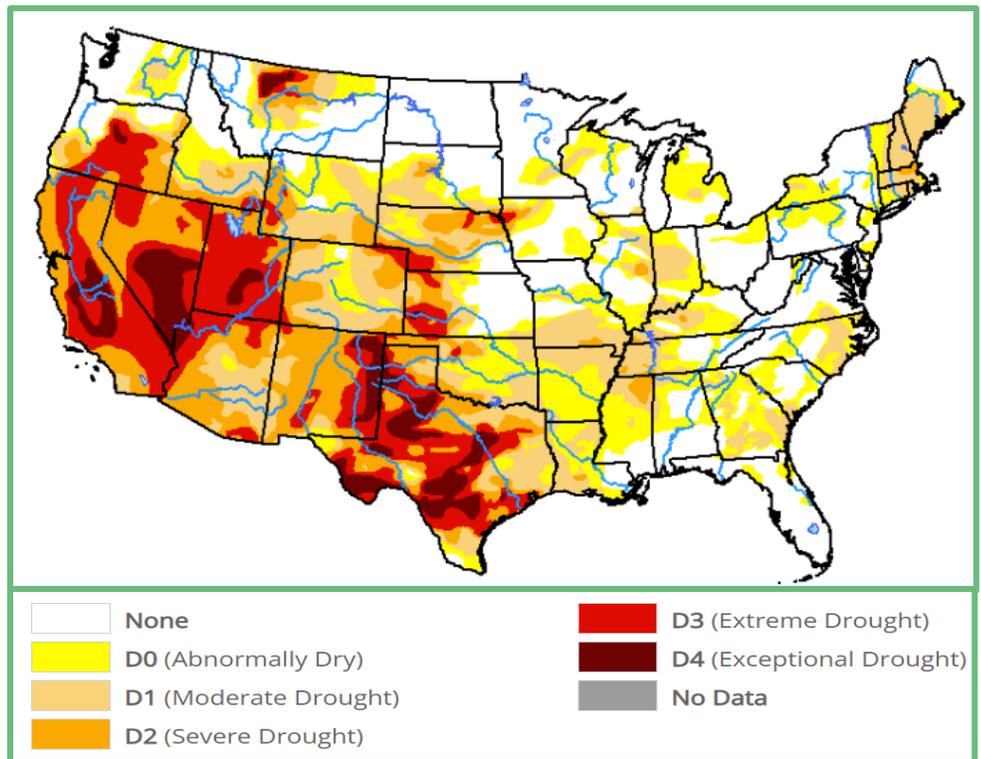
is trading just north of \$20, a far cry from the \$25 the futures briefly promised earlier this summer. July Class IV climbed 23¢ to \$25.86, but the other contracts lost ground. September through December futures closed \$1.21 to \$1.55 lower than last Friday. Fortunately, feed costs have fallen too.

Grain Markets

The grain markets covered a lot of ground this week. September corn ascended to a peak of \$6.67 per bushel on Monday, but on Tuesday it ran straight downhill. Corn spent the rest of the week on the valley floor. The September contract closed today at \$6.0425, down 29¢ this

week. December corn finished at \$6.0375, nearly 20¢ lower than last Friday. Soybean futures plummeted, dragged down by the oil market and slow export sales, which fueled apprehensions about demand. September soybeans closed at \$13.595, down more than \$1.50 in just five trading sessions. Nonetheless, August soybean meal held at \$431 per ton, down just 30¢ from last week.

If the outside markets held less sway, and the feed markets were solely focused on the weather, prices likely would have climbed. Crops are starting to wither in the high-production counties of northwest Iowa and in nearby South Dakota and Minnesota. It's also disappointingly dry in much of Indiana. Conditions are better in most of the central and eastern Corn Belt thanks to heavy rains last week. The forecast calls for more of the same, with rains expected over the weekend in the eastern Corn Belt. The West will remain dry.



USDA updated its crop balance sheets Tuesday, but made no changes to yield estimates. After adjusting planted area to reflect the June 30 Acreage report, the agency showed tighter soybean supplies and more corn than in last month's report.

Russia, Ukraine, Turkey, and the United Nations say they will sign an agreement next week to allow Ukrainian grain to flow through Black Sea ports once again. That's a win for diplomacy, but the execution is still fraught with danger and likely to be slow at best. In order to get grain moving, officials will have to de-mine the deep-water routes, and exporters will have to struggle with damaged

infrastructure at the besieged ports of Mykolaiv and Odessa. Even as the Russians negotiated the terms of the export pact, they launched missiles at those same ports earlier this week.

Meanwhile farming – and everyday life – remains extremely difficult throughout Ukraine. USDA once again trimmed its estimate of Ukrainian wheat production. It's hard to project wartime crop output, let alone exports, with any precision, but USDA's best guess puts Ukrainian corn and wheat production down 30.6 million metric tons from last year, a decline of 41%. We're counting on a big U.S. crop to help make up for the loss, so the grain markets will remain extremely sensitive to the whims of the weather until harvest arrives.



23 State Dairy Associations Get Together in Chicago

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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Dairy farmer trade associations exist in most dairy states. Some, like Milk Producers Council, are funded completely by the dues of their members; others are affiliated with state advertising checkoff entities. But all of them work on issues that face the dairy farming community. MPC is an active member of the Western States



Dairy Producers Trade Association, which is an organization made up of producer trade associations from Washington, Oregon, Idaho, New Mexico, Utah, Texas, Arizona, and MPC representing California. The Western States group has a couple of in-person meetings per year and has twice monthly calls where we keep each other informed on all of the issues facing our producers.

This past week, National Milk Producers Federation (NMPF) sponsored a two-day, in-person gathering of producer trade associations from around the country. There were 23 states represented. The first agenda item was for all of the organizations to give reports on the issues they are dealing with in their individual regions. It was very interesting to both hear the common themes as well as learn of some unique challenges faced by our dairy producer colleagues. Some states have lots of independent producers, some states have very few buyers. Some states are welcoming more expansion of production and some areas are suffering from drought and lack of water and feed. Most areas are wrestling with labor shortages and increasing regulation. And of course, milk pricing and Federal Milk Marketing Orders are always areas of concern.

The second session on Monday was a panel discussion on farm labor and wages. This panel included representatives from Idaho, Arizona and New York and included NMPF staff who work on policy and political issues. Getting a workable ag immigration bill through the Senate was discussed. It's still a long shot, but there's some hope for progress later in 2022 after the election.

The third session was an update from NMPF on regulatory issues they are working on including: dairy labeling, the emergence of synthetic dairy products, FDA's multi-drug surveillance program, the

upcoming PMO conference, nutritional policy advocacy, Dietary Guidelines for Americans process, Water of the U.S. rule making and PFAS regulation. There were also updates on trade issues: Mexico, Canada, Indo-Pacific, not likely any new government trade deals. They mentioned actions taken regarding the infant formula shortage and the fact that there is a World Dairy Summit coming to Chicago in October of 2023 that the U.S. is hosting.

The afternoon of Monday was spent getting a milk pricing update from NMPF and then a review of the work of NMPF's FMMO task force. This task force and its various subcommittees has had dozens of meetings as it reviews the various facets of the milk pricing formulas. The Class I formula and the Class I differentials are all subjects of studies and discussions. The task force has made some recommendations and is seeking input on parts of the Class III and IV formulas. These include make allowances and yields as well as milk composition changes that could impact announced prices. It was good to get updated on the progress of the task force. NMPF intends to finalize recommendations in October.

Tuesday morning started with a presentation of Environmental Policy and Sustainability Initiatives. Panel members included a producer, a DMI representative, a Nestle representative and a Nature Conservancy representative. The discussion was robust. Lots of concerns and ideas. Later in the morning there was a session on Dairy Policy Engagement strategies. This session too contained a lot of great information on engagement with the public as well as policy makers and regulators.

The afternoon of Tuesday was a meeting of the Western States group. Here too there was meaningful discussion about issues facing the West with water supply impacting Arizona, California, New Mexico and Utah and other difficult issues facing the other states.

This opportunity to interact, listen and learn as well as develop relationships was extremely worthwhile. Many thanks to National Milk Producers Federation for organizing the meeting and essentially underwriting it. NMPF invested significant resources in getting us all together, but it was very worthwhile. You can access the slides from the entire event [here](#).

Bar 20 Dairy and CalBio's Bloom Fuel Cell Project Receives National Awards

Courtesy of [Dairy Cares](#)

The Bar 20 Dairy, of Kerman, Calif., has been recognized by both the American Biogas Council (ABC) and the Innovation Center for U.S. Dairy for their Dairy Biogas Bloom Fuel Cell project with California Bioenergy LLC (CalBio). ABC awarded the project the *Biogas Project of the Year* and the Innovation Center for U.S. Dairy recognized Bar 20 with their *Outstanding Dairy Farm Sustainability* award.

A first of its kind project, the Bar 20 and CalBio project uses dairy biogas to generate electricity from Bloom Energy fuel cells. The renewable electricity is then used to power an onsite microgrid and fleet of BMW electric vehicles. The groundbreaking project brings together Silicon Valley and the Central Valley to mitigate greenhouse gas emissions, while fueling the future.

The fuel cells have the added benefit of powering a feed mixing system on the dairy, which replaces diesel and reduces smog-forming emissions by 90%.



“The Bar 20 Dairy Biogas Bloom Fuel Cell Project, with support and leadership from the Shehadey family and their Bar 20 Dairy operation, integrated Bloom Energy’s ultra clean and quiet, high efficiency non-combustion fuel cell technology with CalBio’s specialized digester and fuel treatment system. We look forward to replicating this innovative on-site power system on other dairies seeking more reliable and less expensive electricity,” CalBio CEO N. Ross Buckenham said.

The Innovation Center for U.S. Dairy recognized Bar 20 for their electricity

efficiency including use of LED light bulbs, which reduced electricity demand by 75%. Their energy efficiency efforts are complemented by two solar array installations. These measures, along with the digester project, result in carbon emission reductions equivalent to providing clean power to more than 17,000 electric vehicles per year.

The Innovation Center for U.S. Dairy® is a forum that brings together the dairy community to address the changing needs and expectations of consumers through a framework of shared best practices and accountability. Initiated in 2008 by dairy farmers through the dairy checkoff, we collaborate on efforts that are important both to us and our valued customers in areas like animal care, food safety, nutrition and health, the environment and community contributions. Through the Innovation Center, the U.S. dairy community demonstrates its commitment to continuous improvement from farm to table, striving to ensure a socially responsible and economically viable dairy community.

The American Biogas Council is a national trade association representing the biogas industry in the U.S. Members include more than 300 companies in all parts of the biogas supply chain that are dedicated to maximizing the production and use of biogas from organic waste.

NMPF Update: Infant Formula, New Food Safety Agency, WIC Food Packages

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

To start off this week’s update, I want to thank the dairy leaders from the state dairy associations who joined me and the NMPF staff in Chicago this week for a highly successful summit meeting.

The conference generated robust dialogue on a range of issues of interest to dairy farmers from coast to coast, including topics such as farm labor, environmental regulation, and sustainability. We had an in-depth discussion on Federal Milk Marketing Order modernization and NMPF’s member-driven process to examine the need for changes in the pricing system.

I appreciate the participation of the 45 representatives from 22 states who attended and look forward to further discussions and our continued collaboration in the future.

NMPF Supports, House Passes, Bill to Temporarily Waive Infant Formula Tariffs to Meet U.S. Needs

NMPF [is supporting](#) a new bill introduced yesterday and passed overwhelmingly today in the House of Representatives that would temporarily allow for additional imports of infant formula to alleviate the shortages resulting from domestic production problems. We worked closely with Congressional leaders to carefully target the scope and duration of the proposed legislation.

The “Formula Act,” H.R. 8351, would waive U.S. tariffs on certain infant formula imports until December 31, 2022, to ensure that the domestic market has the necessary supplies to meet the needs of infants. The bill was approved today in the House on a vote of 421-2. It now goes to the Senate where quick action is also expected.

In offering our support for this measure we made clear to Congressional leaders that the long-term solution to the crisis is boosting domestic production, not imports. I delivered the same message to Sameera Fazili, the Deputy Director of the White House National Economic Council, during a meeting yesterday where I offered conditional support for the temporary import measure as domestic production begins to catch up once again with demand.

The extended closure of the Abbott formula plant in Sturgis, Michigan – compounded by additional problems once it did re-open – have created a significant supply-demand imbalance that has led to bare grocery store shelves, a situation made worse by panic-buying of formula. The Abbott facility has recently resumed production.

In a Zoom meeting this morning with the leadership of the U.S. Food and Drug Administration – including Commissioner Robert Califf, Deputy Commissioner for Foods Frank Yiannis, and Center for Food Safety and Applied Nutrition Director Susan Mayne – Dr. Califf indicated they believe the infant formula market is starting to “get back into a state of equilibrium.”

FDA has been providing certain infant formula importers “enforcement discretion” which has had the effect of waiving certain FDA rules and regulations (not food safety-related) to enable short-term market access. I advised the FDA leadership that we support their efforts in this regard until the domestic market balance is restored but emphasized that this is time-limited and should not be extended.

Key Democrats Introduce Legislation to Create New Food Safety Agency

The ongoing challenge in assuring a safe food supply – as evidenced by the FDA’s mishandling of the infant formula situation – has prompted key congressional Democrats to offer legislation that would create a new federal food safety agency.

The Food Safety Administration Act, introduced Wednesday by Senate Democratic Whip Dick Durbin (D-IL) and House Appropriations Committee Chairwoman Rosa DeLauro (D-CT), would move FDA’s Center for Food Safety and Applied Nutrition, Center for Veterinary Medicine, and Office of Regulatory Affairs to a brand-new Food Safety Administration.

The new, independent food safety agency would remain under the governance umbrella of the Department of Health and Human Services. The bill is unlikely to pass, just as previous attempts to combine the FDA’s food safety authority with that of USDA’s Food Safety Inspection Service have faltered. But the bill serves as a signal that FDA’s lack of focus on food safety and regulation is troubling to key Democratic leaders.

Keep Current Dairy Provisions in WIC Food Packages, NMPF Urges USDA

NMPF and IDFA held a joint Zoom meeting today with Stacy Dean, Deputy Undersecretary for USDA Food and Nutrition Services to discuss the upcoming proposed rule for changes to the WIC program (Special Supplemental Nutrition Program for Women, Infant and Children). The proposed rule is expected to be based on recommendations made to USDA in 2017 by the National Academies of Sciences Engineering and Medicine (NASEM).

I emphasized the nutritional importance of dairy in the diet – especially those of the WIC target population – and urge USDA not to follow the NASEM recommendations to reduce the amount of dairy offered in the WIC packages. NMPF and IDFA also encouraged USDA to increase flexibility regarding dairy options including allowing for the substitution and redemption of different yogurt container sizes and cottage cheese.

NMPF supports the 2017 NASEM recommendation of the continued exclusion of non-soy alternatives, as they don't offer the same nutritional value as dairy products.

