

MPC WEEKLY FRIDAY REPORT

DATE: APRIL 15, 2022
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 6



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+ \$.0525 \$2.3725	WEEKLY CHANGE	-\$.0275 \$2.7550	WEEK ENDING 04/09/22	
Barrels	+ \$.0725 \$2.4400	WEEKLY AVERAGE	+ \$.0174 \$2.7719	NAT'L PLANTS	\$1.8316 18,715,315
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		LAST WEEK ENDING 04/02/22	
Blocks	+ \$.0426 \$2.3356	DAIRY MARKET NEWS	W/E 04/15/22 \$.6450	NAT'L PLANTS	\$1.8225 18,103,454
Barrels	+ \$.0873 \$2.3888	NATIONAL PLANTS	W/E 04/09/22 \$.7684		

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 15 EST	\$25.98 - \$26.48	\$25.74	\$24.33	\$25.25
LAST WEEK	\$25.98 - \$26.48	\$25.76	\$24.18	\$25.32

MARCH 2022 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

MAR '22 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$24.48 (TULARE) \$24.98 (L.A.)	\$24.76	\$22.45	\$24.82	\$22.82 (TULARE) \$23.32 (L.A.)	\$22.455 (TULARE) \$22.955 (L.A.)
PERCENT POOLED MILK	20.9%	5.3%	71%	2.8%	100% (1.96 BILLION LBS. POOLED)	

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

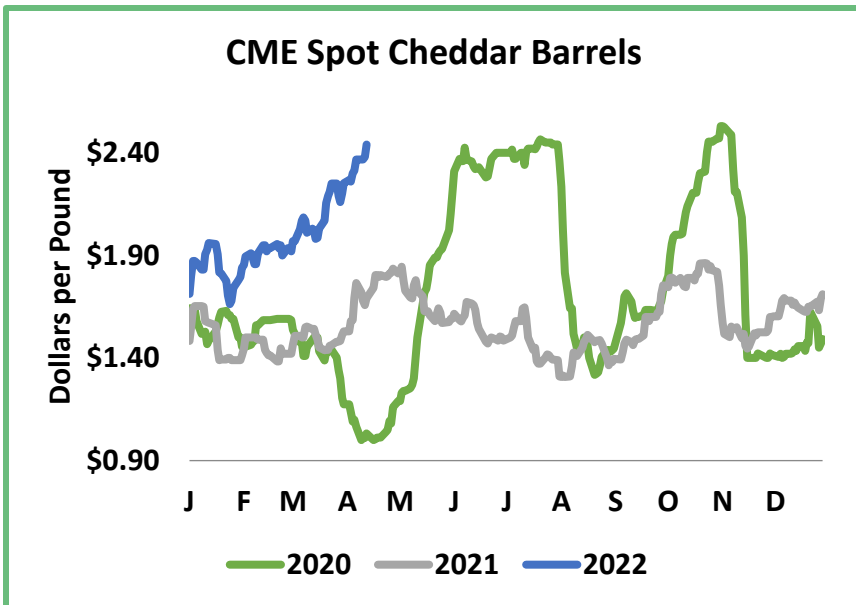


Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

Up and up and up again. CME spot Cheddar barrels gained another 7.25¢ this week and reached \$2.44 per pound. That's the highest price since November 2020, when the government was spending billions to push cheese to consumers through the food box program. In the past 80 days,

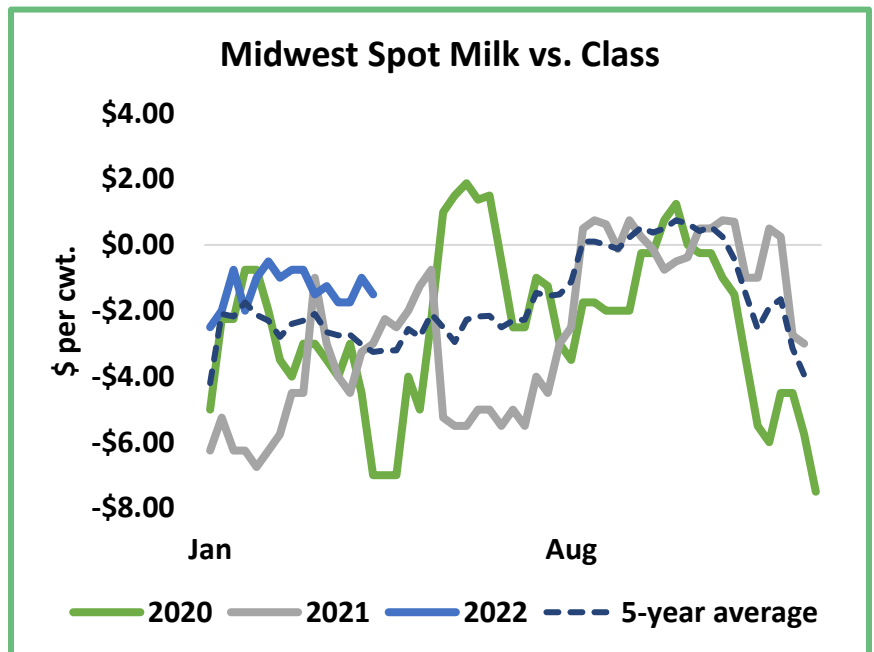


the barrel market has jumped 47%, and blocks have added 37%. Cheddar blocks closed yesterday at \$2.3725, up 5.25¢ in the holiday-shortened week.

Cheese output continues to outpace every other year on record, but, due to persistent supply chain issues, it is lower than it could be. For months, cheese makers and other dairy processors have struggled to find the materials, truck drivers, and staff they need to run at capacity, and there is no relief in sight. In the Midwest, where milk is tight, plant issues are pushing some milk away from cheese plants to driers, and spot milk is selling at a

modest discount. In the Southwest, where the flush is in full swing, unanticipated downtime is straining regional capacity, and some dairy producers have been forced to dump milk.

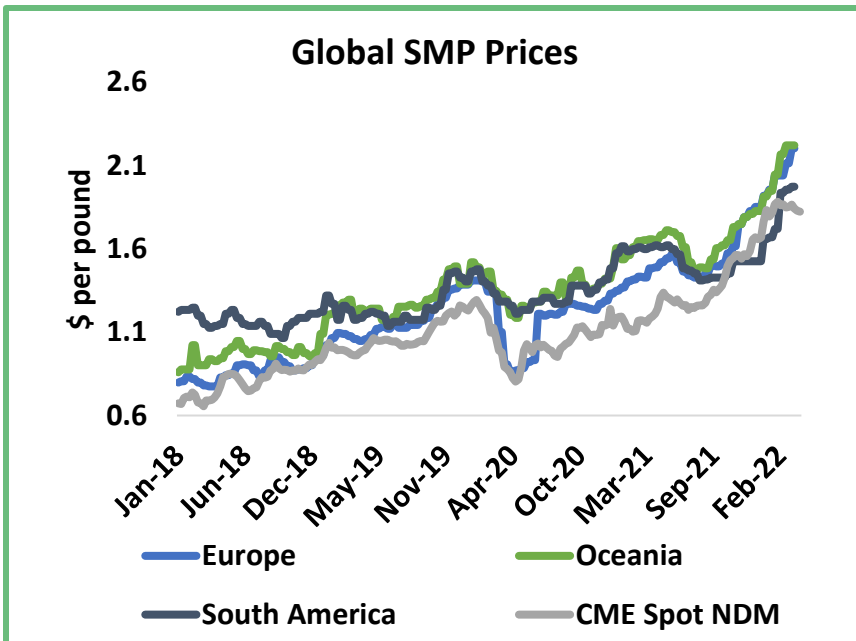
In this environment, cheese output is healthy but not formidable. Meanwhile, demand is robust. USDA’s *Dairy Market News* characterizes domestic cheese demand as “strong” for both retail and food service. Exports are booming, as U.S. cheese is more widely available at better prices than the other dairy hubs can offer. Manufacturers in Europe and Oceania face all the same staffing and trucking headaches that plague the U.S. dairy industry, and they are short of milk besides. That’s making more room for U.S. dairy exports despite port backlogs and a very strong dollar.



Exports are helping to tighten butter supplies as well. But, in the lull between Easter and ice cream season, cream is getting a little cheaper, which may spur slightly higher churn rates. CME spot butter took a small step back this week, falling 2.75¢ to \$2.755.

The powders finished right where they started. CME spot nonfat dry milk (NDM) inched up and then back down to close unchanged at \$1.8225. Spot whey went nowhere at all, holding at 63.5¢ for the sixth consecutive session. Although U.S. NDM is cheaper than foreign skim milk powder, exports have slowed. Buyers in Mexico are hoping for a setback before they step back into the market.

The high cheese price propelled Class III futures to new closing highs. The May and June contracts climbed more than 60¢ and settled well north of \$25 per cwt. If they close here, they will exceed their Class IV counterparts for the first time since October. Down the board, Class IV contracts are still



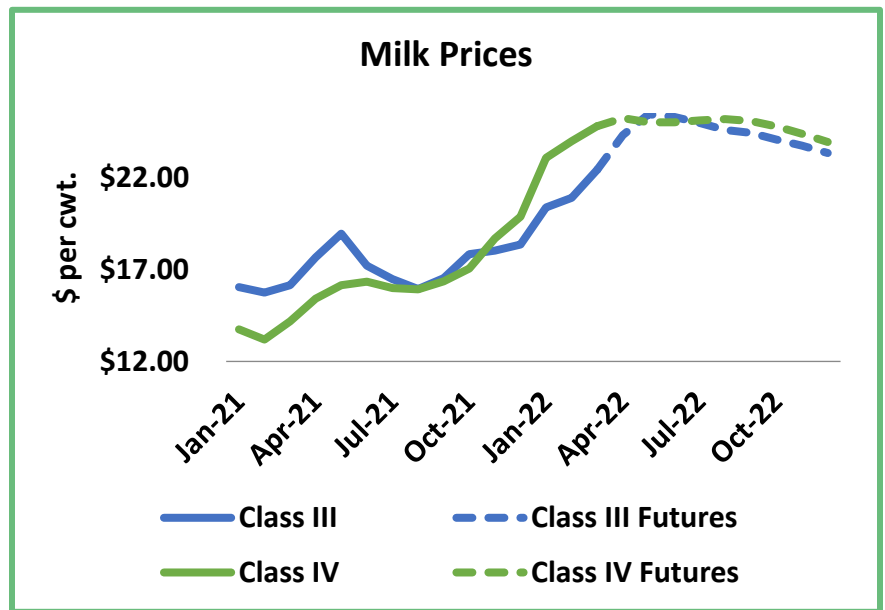
higher. However, the gap narrowed, as Class IV put in a mixed performance this week. With Class III and IV running neck and neck, there is little risk of depooling or big surprises from producer price differentials. And dairy producers who sell Class I milk will enjoy the highest possible price, the average of two buoyant milk classes and a 74¢ bonus.

Prices are likely to remain high as long as global milk output is in decline. USDA’s *Dairy Market News* described the situation in Europe, offering a summary that will surely feel familiar to American dairy producers. “Farmers would like to take advantage of strong

milk and dairy prices, but the increased costs of feed, labor, replacement heifers, and other farm inputs make expansion difficult.”

Grain Markets

The corn market has set one milestone after another. This week, every corn contract on the board established new life-of-contract highs. The most-actively traded July contract reached \$7.86 per bushel, its highest price since September 2012. It settled at \$7.8375, up 23¢ for the week. December corn futures, which will determine the price of fall silage, climbed nearly 20¢ to \$7.3525. Although the market has climbed higher than this in the heat of the summer, corn prices have never run this hot in the spring. The soy complex cooled off a bit this week. July soybeans fell 2.75¢ to \$16.6525. Soybean meal lost \$6.90 and closed at a still-pricey \$455.70 per ton.



With low global wheat stocks, the war in Ukraine, and record-high fertilizer prices, there is good reason for crop values to stay high. But as corn approaches \$8, the bears might rouse themselves from a long hibernation. They will point to a significant increase in Indian wheat exports and plentiful rice, which will help to feed a hungry world. Additionally, Brazil’s second corn crop is off to a good start, and U.S. farmers will surely do all they can to grow a bumper harvest this year, despite the high cost of inputs. The market is already lamenting the slow start to corn planting this spring, but there is a lot of time to go. The forecast calls for above-normal precipitation in the last week of April. The bulls will complain about another slowdown in sowing, but the bears will rightly celebrate a bout of rain where it is sorely needed. Spring is finally here, and the weather will determine the direction of the crop markets from now until harvest.



Drilling Down: What the Governor's Drought Executive Order Means for New Well Construction

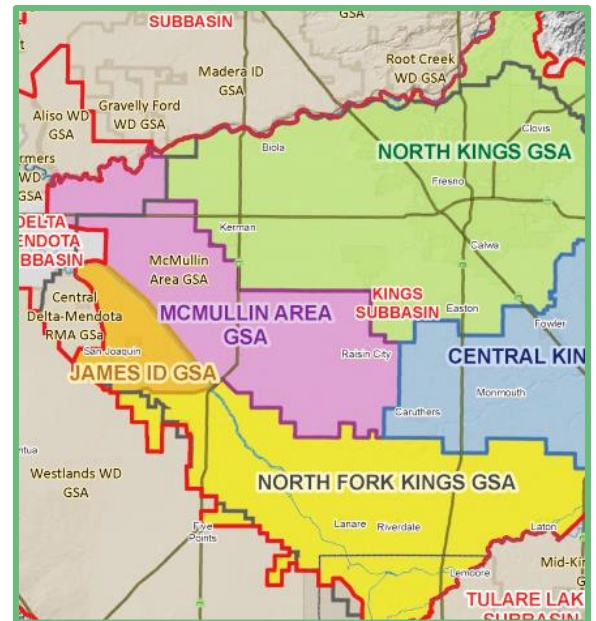
By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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Last week, we sent an e-blast to our members of an [article published on Water Wrights](#) providing a great overview of Governor Newsom's Executive Order N-7-22 and the concerns it unleashed in the agricultural community. Among the many proclamations in the Order is a section pertaining to how new groundwater wells, and alterations of existing wells, are permitted.

As any farmer knows, counties are responsible for permitting groundwater wells, but the new Order now requires counties to obtain written verification from the local Groundwater Sustainability Agency (GSA) related to three aspects of a new or altered well:

1. Is it consistent with the GSA's plan for achieving a sustainability goal for the basin?
2. Is it "not likely to interfere with the production and functioning of existing nearby wells?"
3. Is it "not likely to cause subsidence that would adversely impact or damage nearby infrastructure?"

Questions two and three are tough for GSAs to quantifiably answer, and as you can imagine, they are doing their best to develop a process to comply with this new requirement. Yesterday, Matthew Hurley, General Manager of the [McMullin Area GSA](#), released a memo to local landowners and stakeholders. Below are some excerpts from the memo that probably apply to all farmers, regardless of which GSA they are located. Read the entire memo [here](#).



3. These new requirements are in addition to the requirements of Fresno County as they presently exist. This will be a new step in the process. In order to fully assess the new application, the GSA may need to ask for additional supportive information that will assist in making the necessary preliminary findings required. Depending upon the conditions present at each proposed new well site, the gathering of this information may take additional time. Bottom line: The process may take longer than it has previously.

4. McMullin Area GSA is committed to doing everything we can to expedite the process. We anticipate, and thank you ahead of time for it, your cooperation in overcoming this new requirement. Each application will be different. Please bear with us. We are on your side.

5. In the meantime, please do everything that you can to provide maintenance, swaging, rehabilitation, cleaning, scrubbing or other life extending actions to your existing wells so that they may remain in service for as long as is physically and practically possible. They will be your continued lifeline and should be treated accordingly for the duration of the possible slowdown in your ability to replace them.

Thank the Lord for the Recent Rain – and Pray for More
By Geoff Vanden Hewel, Director of Regulatory and Economic Affairs
Geoff@MilkProducers.org

If you live in northern California, you've recently enjoyed some welcomed cooler and wetter weather here in April. And the good news is it appears more is on the way over the next week.

According to this [article by Daniel Swain](#), the wettest spots in northern California may see more than five inches when it's all said and done. While not enough to put an end to the long-term drought, this late season rain and snow can help put moisture back in the ground and fill up reservoirs (whether we can actually hold on to it and use it is another question; read my April 1 "Crisis in California Water" story [here](#)).

During this Easter season, I'm recalled to the book of Zechariah 10:1: "Ask rain from the Lord in the season of the spring rain, from the Lord who makes the storm clouds, and he will give them showers of rain, to everyone the vegetation in the field." So, we pray for rain and trust in the provision of God.



Daniel Swain @Weather_West · Apr 13, 2022
Replying to @Weather_West
Precipitation across California, from about the SF Bay Area northward, could be near to somewhat *above* average for a 2-week period centered on mid-April. #CAwx #CAwater

ECMWF EPS Total Precipitation Percent of Normal [%] | Ensemble Mean
Init: 00Z13APR2022 -- (360) hr --> Valid Thu 00Z28APR2022

This service is based on data and products of the European Centre for Medium-range Weather Forecasts (ECMWF) weathermodels.com

NMPF Update: FDA Preparing to Update Guidance for Plant Food Labeling
By Jim Mulhern, President & CEO
[National Milk Producers Federation](#)



FDA Preparing to Update Guidance for Plant Food Labeling

As we've shared with our members in recent months, the FDA is finally moving ahead with a guidance document that will lay out the agency's process and considerations for how it will regulate the labeling of plant-based milk imitators. That guidance is currently under review at the White House's Office of Management and Budget, which must vet regulations before agencies such as the FDA can issue them publicly for comment.

From what we understand of the draft FDA proposal it is not going to reinforce the current standards of identity that define milk as an animal-sourced substance, nor that butter's composition is defined by a long-standing act of Congress. In response, we are discussing with congressional supporters of existing FDA standards possible steps to alter the agency's expected course toward watering down the current, but long unenforced, milk and dairy definitions.

HAPPY EASTER

**THE MPC BOARD OF DIRECTORS & STAFF
WISH YOU AND YOUR FAMILY A BLESSED EASTER!**

