

MPC WEEKLY FRIDAY REPORT

DATE: AUGUST 5, 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	-\$.0950 \$1.7850	WEEKLY CHANGE	+.0200 \$3.0100	WEEK ENDING 07/30/22	
Barrels	-.0950 \$1.7925	WEEKLY AVERAGE	+.0630 \$3.0280	NAT'L PLANTS \$1.7366 20,274,656	
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		LAST WEEK ENDING 07/23/22	
Blocks	-.0970 \$1.8270	DAIRY MARKET NEWS	W/E 08/05/22 \$.5100	NAT'L PLANTS \$1.7959 19,007,022	
Barrels	-.1045 \$1.8190	NATIONAL PLANTS	W/E 07/30/22 \$.5390		

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
AUG 5 EST	\$26.73 - \$27.23	\$26.76	\$20.02	\$24.70
JUL '22 FINAL	\$27.47 - \$27.97	\$26.66	\$22.52	\$25.79



Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report

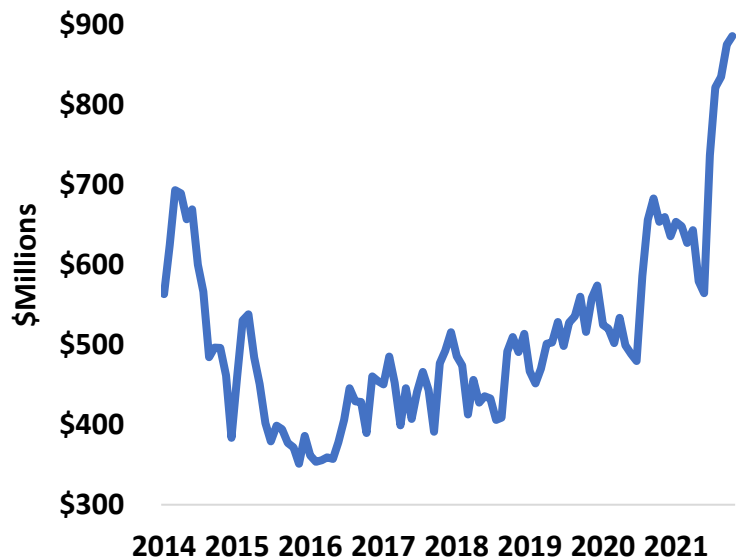
Sarina@DailyDairyReport.com

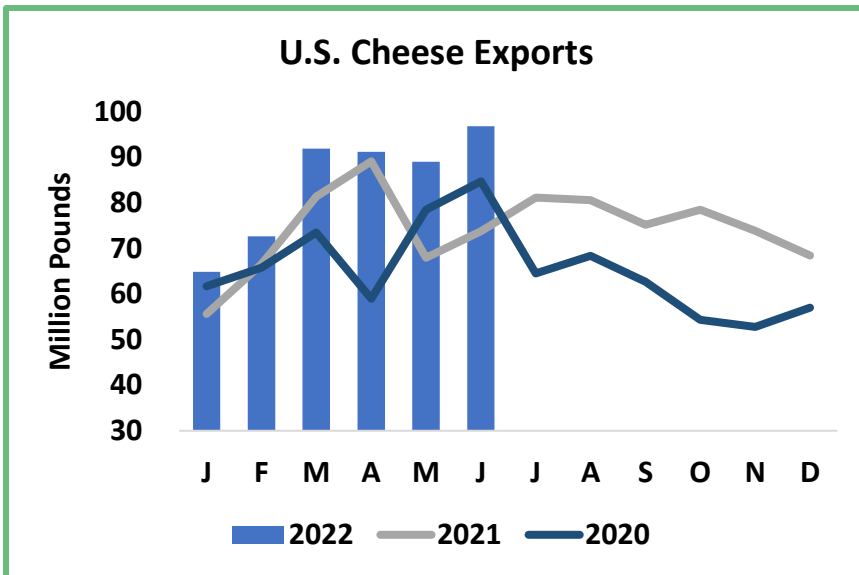
Milk & Dairy Markets

Slowing global milk output is making room for American dairy. The United States sent a record-setting volume of dairy products abroad in May. Then, after adjusting for a shorter month, it bested that record in June. Thanks to lofty dairy product prices, those exports brought home \$886.2 million in June, also an all-time high.

Cheese was a significant driver of the strong export performance, with both volume and prices reaching higher than ever before. Exporters shipped 96.8 million pounds of cheese outside our borders in June. In the first half of the year, net exports lapped up more than 4%

Monthly U.S. Dairy Exports



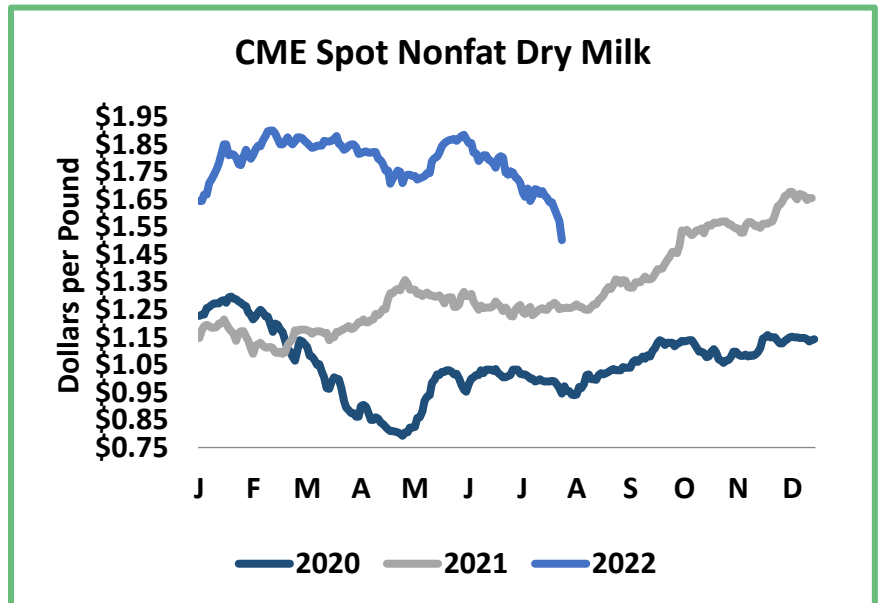


of U.S. cheese production. U.S. butter and milkfat exports also impressed in June, and dry whey exports climbed back over year-ago levels. Shipments of whey protein concentrates were up 48% from June 2021, marking the highest June volume ever and the third-highest total for any month. However, nonfat dry milk (NDM) exports lagged. They fell 15% from last year's extremely high mark.

Lively trade is keeping U.S. dairy product inventories in check for now, but the forward-looking futures markets reflect anxiety that U.S. dairy

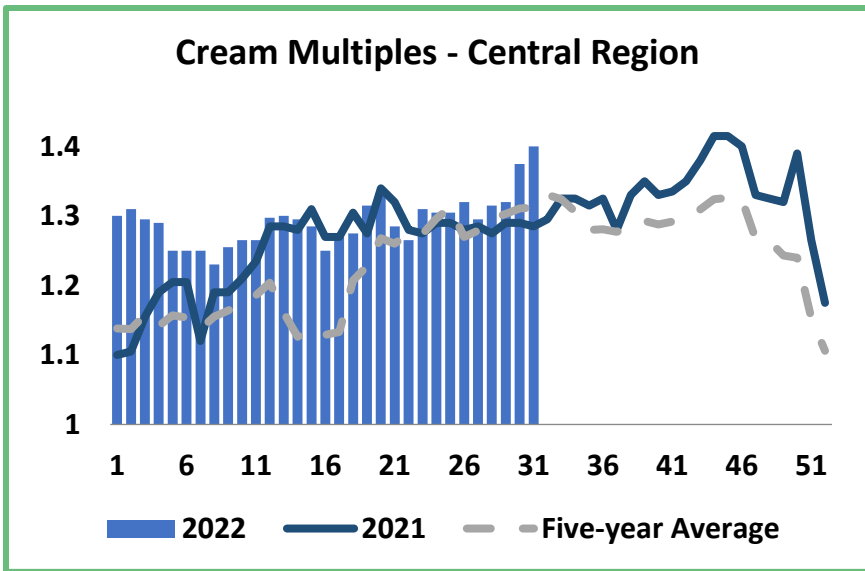
output will overwhelm demand. Amid slowing orders from bottlers and rising components, even modest growth in U.S. milk output can keep processors busy. With just 0.3% more milk in June than the year before, manufacturers made 2.3% more butter, 2.7% more cheese, and 5.6% more whey powder than in June 2021. Combined production of NDM and skim milk powder (SMP) fell 10.4% from the hefty volume dried in June 2021, but it was still the second-highest June milk powder output in U.S. history.

Dairy product inventories are not burdensome, at least not yet. But U.S. milk production is not expected to drop back below year-ago levels, and dairy product output is likely to remain high. Meanwhile, uncertainty about the economy and trade continues to simmer in the background. The U.S. dairy industry needs demand to hold firm, or products will start to pile up.



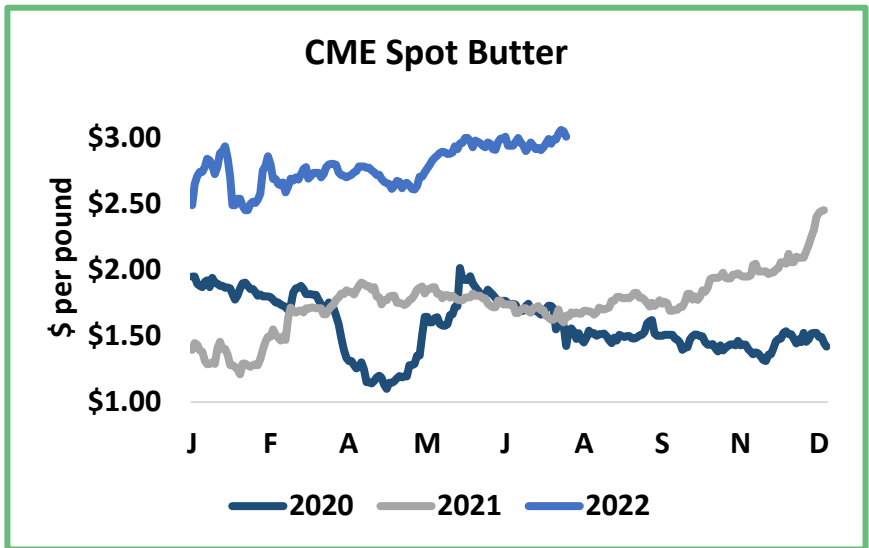
With that in mind, milk and most dairy product prices took a big step back. CME spot Cheddar blocks and barrels both dropped 9.5¢ this week to their lowest prices since January. That put blocks at \$1.785 per pound and barrels at \$1.7925. CME spot dry whey slipped another penny to 43.5¢, a fresh 20-month low. Class III futures suffered double-digit losses, led by a \$1.01 (triple-digit) shellacking for the September contract. August, September, and October Class III all spent some time south of \$20, but only the September contract finished there, at \$19.30 per cwt.

A poor showing at the Global Dairy Trade (GDT) auction and concerns about Chinese demand weighed heavily on milk powder prices. GDT SMP plummeted 5.3% to the rough equivalent of NDM at \$1.71. Whole milk powder prices fell 6.1%. In Chicago, CME spot NDM plunged 13.75¢ to a 10-month low at \$1.5025.



But butter held firm. Lower butter output early in the year and resilient demand has pushed retailers to scramble for product ahead of the fall baking season. Butter production is typically low during the summer, and sky-high cream prices have made it clear that this year will be no exception. USDA’s *Dairy Market News* sums up the issues neatly: “Cream supplies are tight, multiples have risen, and some manufacturers are still trying to find the workers needed to fill up their production schedules.” Those who need butter for later this year are paying up to make

sure they have it. On Wednesday, CME spot butter traded at \$3.06 per pound, its highest price in nearly seven years. It closed today at \$3.01, up 2¢ from last Friday. But the futures market showed some doubts that prices have staying power. Despite the gains in the spot market, September through November butter futures finished the week lower than where they began.



Spot butter helped to lessen losses in August Class IV futures, but the other contracts moved decisively downward. September Class IV dropped 33¢ to \$23.37 and the October contract fell 95¢ to \$21.60.

Grain Markets

On Monday, the bulk carrier *Razoni* left Odesa, Ukraine, laden with 26,000 metric tons of corn. A tugboat led the *Razoni* through the heavily-mined waters of the Black Sea. The ship then sailed through the Bosphorus Strait, passed inspections from Turkish, Russian, and United Nations officials in Istanbul, traversed the Dardanelles, and is now crossing the Aegean Sea on its way to Tripoli, Lebanon. Since the *Razoni*’s safe passage through the dangerous Black Sea corridor, two more ships have departed with some of the 20 million metric tons (~800 million bushels) of grain previously stuck at Ukraine’s ports. More will follow. The resumption of Ukraine’s seaborne exports will provide grain to a hungry world and empty silos needed to store recently harvested wheat and fast-maturing corn and barley crops.

With Ukraine back in the game, U.S. grain prices slipped. December corn closed today at \$6.10 per bushel, down a dime from last Friday. Beans fell too, despite pockets of hot, dry weather this month, the most crucial time for soybean development. November soybeans dropped nearly 60¢ to \$14.0875. Soybean meal prices swung violently back and forth but closed a little lower. September soybean meal settled at \$437.50, down \$2.90 for the week.

CDQAP Update: New Water Quality Regulations Coming; Fallowed Fields & Nutrient Management

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



The California Dairy Quality Assurance Program (CDQAP) recently released its latest update, which can be read [here](#).

Start Preparing Now for Coming Changes in Central Valley Dairy Water Quality Regulations

By J.P. Cativiela, Regulatory Director, Dairy Cares and Administrator, CVDRMP, and Denise Mullinax, Executive Director, CDRF and Assistant Director, CDQAP

Central Valley dairy owners are well aware that they operate under extensive regulations to protect water quality. The Regional Board adopted the Dairy General Order in 2007. Further revised in 2013, the order sets rules about manure storage, management and application to cropland, as well as requiring groundwater monitoring, soil and plant tissue testing, submittal of annual reports, and more.

Important changes are coming to the dairy order. The State Board State Board announced last year that it had begun a process to revise the dairy order. More recently, the State Board said it expects to release a public draft of its directive later this year, opening a public review process.

Continue reading [here](#).

Fallowing Fields? Now What?

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

Days are already getting shorter. Harvest will soon arrive. Next is planting winter forage.

Our current lack of water has many dairy producers calculating water allocations for the next crop year. For some producers water allocations will include fallowing some fields in winter to save water for the next corn crop.



Let's consider fallowing an 80-acre field for wheat or triticale. Typical yields from these fields remove 150 to 175 lbs of nitrogen per acre. That translates to 210 to 245 lbs of nitrogen applied per acre when you consider nitrogen application at 1.4 x nitrogen removal. A corn crop removes 200 to 225 lbs of nitrogen per acre. Nitrogen application rates range from 280 to 315 lbs per acre.

Continue reading [here](#).

NMPF Update: Ag Labor Legislation, Senate Climate Bill

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

NMPF, Farm Groups Urge Senate Action on Ag Labor Legislation

With Congress moving into its summer recess, NMPF members, state dairy organizations and a coalition of almost 450 farm groups made another appeal this week to the Senate to pass farm workforce legislation. Dozens of dairy industry groups made a strong collective presence on the letter to all 100 Senate members.

“The Senate must act now to provide stability for our existing workers and make key reforms to the H-2A program, the visa program farmers use to hire legal workers to supplement their U.S. workforce,” the Ag Workforce Coalition noted [in our letter](#) to the Senate leadership and individual members. “The domestic workforce shortage remains one of the greatest challenges impacting our farmers today. We must address this workforce crisis threatening farms across the United States so our producers can continue to feed, clothe, and fuel our nation.”

The letter notes the urgency of passing ag labor reform by placing it within the current realities of the war in Ukraine, inflation and rising food prices, and worker shortages. The letter also thanks Senator Bennet (D-CO) and Senator Crapo (R-ID) for their bipartisan leadership on this issue.

As a reminder, the House passed the Farm Workforce Modernization Act more than a year ago, but despite months of behind-the-scenes negotiations, the momentum behind a similar bill in the Senate has stalled.

NMPF Endorses Ag Provisions in Senate Climate Bill

As discussions on Capitol Hill continued this week about the fate of the landmark Inflation Reduction Act, NMPF wrote to Senate leaders in support of the conservation program funding in the package. We backed the allocation of \$20 billion in funding for climate-smart agricultural practices that will yield meaningful environmental benefits. The largest share of this funding, roughly \$8.45 billion, is going to the Environmental Quality Incentives Program. This includes doubling funding for the Conservation Innovation Trials created in the last farm bill from \$25 million to \$50 million annually.

The measure also includes about \$6.75 billion for the Regional Conservation Partnership Program, \$3.25 billion for the Conservation Stewardship Program, and \$1.4 billion for the Agricultural Conservation Easement Program. The funding for all four programs is spread out over fiscal years 2023-26.

Now that key Democratic Senator Kyrsten Sinema (AZ) has announced she endorses the legislation – with some changes to its carried interest and corporate tax provisions – it appears the bill has the 50 votes needed to pass. The Senate parliamentarian still must approve the overall bill with these latest changes. Assuming that happens, Senate Majority Leader Chuck Schumer said last night that floor action on the bill will begin on Saturday.

