

MPC WEEKLY FRIDAY REPORT

DATE: JUNE 17, 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	- \$.1100 \$2.1450	WEEKLY CHANGE	- \$.0350 \$2.9400	WEEK ENDING 06/11/22	
Barrels	-.0850 \$2.1575	WEEKLY AVERAGE	-.0230 \$2.9560	NAT'L PLANTS \$1.8197 19,283,214	
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		LAST WEEK ENDING 06/04/22	
Blocks	-.1025 \$2.1705	DAIRY MARKET NEWS	w/E 06/17/22 \$.5900	NAT'L PLANTS \$1.7904 25,113,560	
Barrels	-.0790 \$2.1795	NATIONAL PLANTS	w/E 06/11/22 \$.6211		

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
JUN 17 EST	\$27.47 - \$27.97	\$26.55	\$24.30	\$25.85
LAST WEEK	\$27.47 - \$27.97	\$26.63	\$24.34	\$25.79

MAY 2022 CA FMMO STATISTICAL UNIFORM PRICE ANNOUNCEMENT

MAY '22 FINAL	CLASS I	CLASS II	CLASS III	CLASS IV	STATISTICAL UNIFORM PRICE (BLENDED PRICE)	NET PRICE AFTER QUOTA ASSESSMENT*
MINIMUM CLASS PRICE	\$27.05 (TULARE) \$27.55 (L.A.)	\$25.87	\$25.21	\$24.99	\$24.93 (TULARE) \$25.43 (L.A.)	\$24.565 (TULARE) \$25.065 (L.A.)
PERCENT POOLED MILK	22.5%	6.2%	15.8%	55.5%	100% (1.78 BILLION LBS. POOLED)	

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



Milk, Dairy and Grain Market Commentary

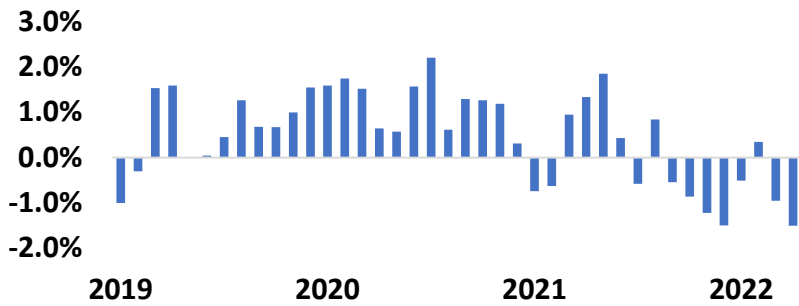
By Sarina Sharp, Daily Dairy Report

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Milk & Dairy Markets

The European dairy industry is shrinking noticeably. Eurostat estimates there were 20.2 million dairy cows in the EU-27 last year, 325,000 fewer than in 2020 and 1.45 million fewer than at the peak in 2015. Amid soaring feed, energy, and labor costs and ever stricter environmental regulations, cow numbers are not likely to rebound anytime soon. Milk production remains in the

Year-Over-Year Change in European Milk Output

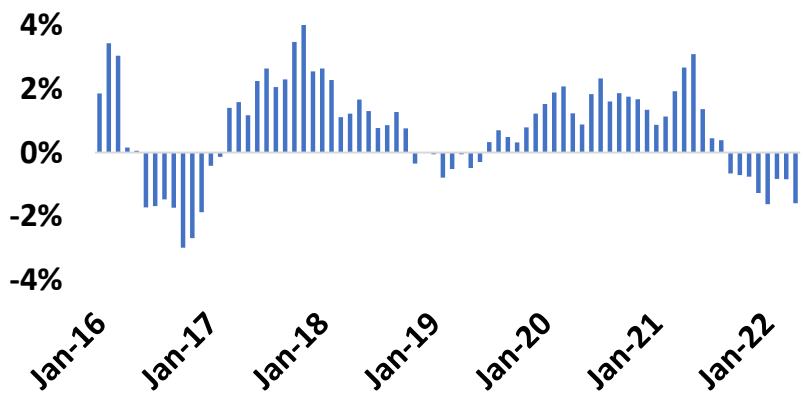


doldrums. In April, milk collections in the EU-27 and the United Kingdom were 1.5% lower than in April 2021. That's the steepest year-over-year deficit since 2016, when the government paid producers to reduce output. Milk production fell short of year-ago levels for all the major dairy nations except one: Polish milk collections grew 1.1%, its smallest increase so far in 2022.

tighter dairy product supplies. And European dairy processors don't expect that to change. USDA's *Dairy Market News* reports, "Manufacturers are hesitant to let extra loads of dairy ingredients go for fear of needing them later in the year to fulfill contract obligations." There is a much smaller surplus available for international buyers. European skim milk powder exports fell 23.3% from year-ago volumes in April. Cheese exports fell 8.9%.

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YOY Change in Milk Output - Top 5 Exporters

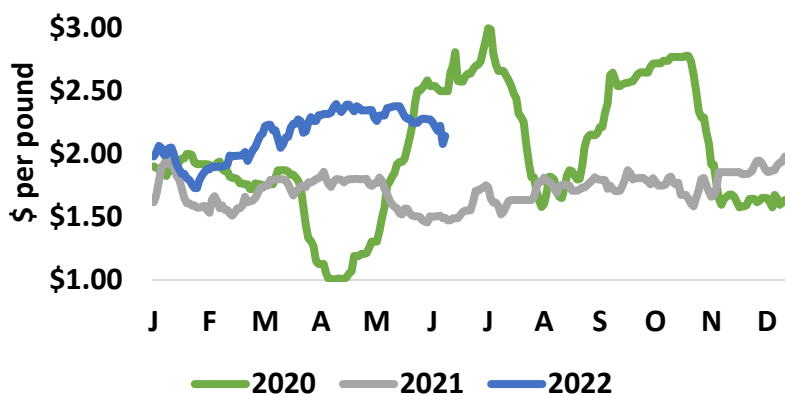


European dairy producers have plenty of company on the road to lower milk output. April collections also fell short of year-ago levels in Australia, New Zealand, and the United States, more than offsetting modest gains in Argentina. That added up to a 1.6% decline in milk production among the world's five largest dairy exporters, the eighth straight monthly deficit. Such sustained setbacks are extremely rare. It's easy to see why milk and dairy product prices have flown so high.

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But perhaps the dairy markets have soared a little too far. Concerns about demand have been simmering near the surface for several months. This week, rising interest rates and a plummeting stock market brought the anxiety up to a full boil. Retail demand for cheese, for example, is "flat to weaker" according to *Dairy Market News*. The trade also expects that a combination of shrinkflation – charging the same price for a smaller package – and substitution will reduce consumption at the margins. At today's prices, restaurants might feature dairy less prominently on the menu, and food processors could swap superior dairy ingredients for cheaper

CME Spot Cheddar Blocks

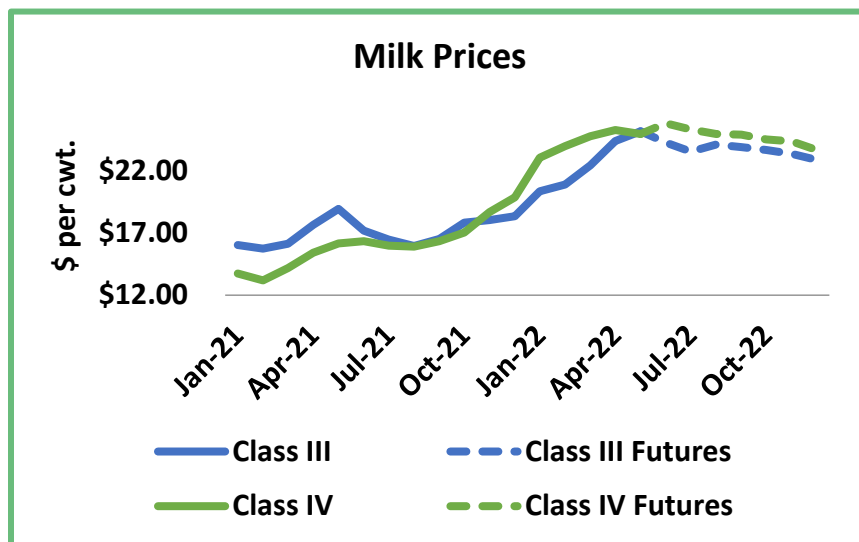
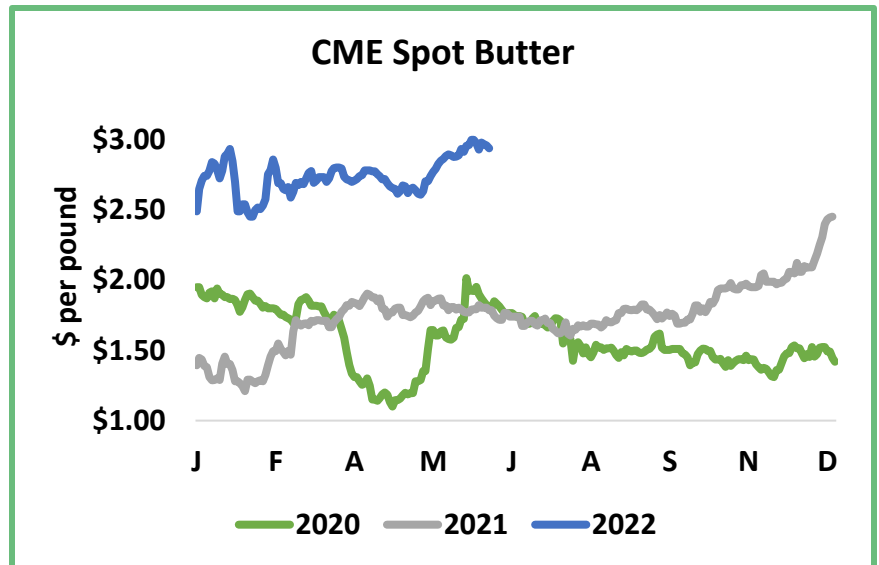


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alternatives. So far, robust exports have more than offset any stumbles in domestic demand, particularly for cheese. But the trade fears that global economic hardship could weigh on exports too, despite tight supplies in Europe and Oceania.

All dairy markets finished in the red this week. CME spot Cheddar blocks plunged to \$2.08 per pound on Thursday, their lowest price since March. But they battled back and closed today at \$2.145, still down 11¢ for the week. Barrels fared slightly better and closed at \$2.1575, down 8.5¢.

CME spot whey powder dipped briefly below the 50¢ mark, but a Friday comeback pushed it to 50.75¢, still 3.5¢ in the red. CME spot nonfat dry milk fell 5.5¢ to \$1.80. Butter slipped 3.5¢ to \$2.94.



The milk markets followed the products lower. Class III futures settled between 52¢ and \$1.06 lower than last Friday. Most contracts are now in the \$23s, with July Class III at \$23.56 per cwt. Class IV futures posted losses of a similar magnitude. The July contract now stands at \$25.50. Although sentiment has soured somewhat, supplies are not likely to overwhelm the market anytime soon. With milk production still in decline, it's unlikely that dairy prices will drop like a rock. This week they resembled a balloon that, after several days of bumping

against the ceiling, is slowly dropping as the helium dissipates.

Grain Markets

The crop is in the ground and planters are parked in the shed once again. The market breathed a sigh of relief early in the week, and crop prices sagged. On Monday, USDA rated 72% of corn and 70% of soybeans in good or excellent condition, highlighting the strong start. But sweltering temperatures and spotty showers have taken a toll. The forecast calls for more hot weather next week and less rain than farmers would like. There's enough moisture in the soil to protect the crop from lasting damage as long as the dry spell doesn't drag on. But for now, less than perfect weather is enough to propel prices up once again. July corn settled today at \$7.845 per bushel, up more than a dime from last week. At \$7.31, December corn finished 10.5¢ higher than last Friday.

A collapse in the crude oil market weighed on vegetable oil prices. Soybean oil dropped and soybeans followed. The July contract closed at \$17.02, down 43.5¢. But soybean meal continued to climb. July soybean meal jumped \$9 to \$438.10 per ton.

How Dairy Farmers Are Reducing Methane And Greenhouse Gas Emissions

Courtesy of USDairy.com

It's quite possible that the BMW speeding by you on California's Interstate 5 is [running on cow power](#). Same for that [heavy duty truck](#) over in the slow lane.

The Port of Los Angeles? Also keeping the cargo moving thanks to moo-inspired hydrogen.

The dairy industry has long made its mark fueling humans with nutrient-dense [milk](#) and other dairy foods. Many of the nation's nearly 29,000 dairy farm families have also evolved their dairies in a decades-long commitment to planetary health, and they, along with scientists and technology experts, continue to unlock a cow's potential to combat global warming.

Across the United States and the rest of the world, there is a renewed emphasis on reducing methane, a greenhouse gas that contributes to our current climate crisis. Nick Gardner, senior vice president of sustainability and multilateral affairs for the [U.S. Dairy Export Council](#), said while much of the global focus over the years had been on carbon dioxide, cutting methane emissions gained significant attention last November following the announcement of the [Global Methane Pledge](#) at the United Nations global climate summit, commonly referred to as COP26.

The U.S. and European Union have been joined in the pledge by more than 100 countries that together are responsible for nearly 50% of global human-caused methane emissions. These countries have committed to collectively reduce methane emissions by at least 30% below 2020 levels by 2030, seeking to reduce global warming by 0.2 degrees Celsius by 2050.

Although fossil fuels and waste disposal comprise major sources of methane emissions, agriculture, and specifically livestock operations such as dairy, are in the crosshairs of this global methane-reduction effort. But technologies and resources have created possibilities that are causing people to see dairies not as an environmental threat but as an [environmental solution](#).

One of those is the production of renewable natural gas (RNG), which is of growing interest to American consumers, including many who want every fill-up to come with a story of sustainability. Producing milk comes with the potential to produce [methane-rich biogas](#), which occurs when cow manure decomposes. Recovering the methane creates a source of renewable energy for electricity, heating or clean, carbon-negative transportation fuel.



A truck at a Shell fueling station in Carson, California, where heavy-duty trucking customers can fill up on the compressed renewable natural gas. Photo credit: USDairy.com

What Is Methane? How Do Cows Emit Methane?

Methane is emitted at dairy farms one of two ways. Enteric methane comes directly from the mouths of dairy animals. It is produced in the cow's rumen through the digestion process. Think of it as a hearty burp after a good meal. **Continue reading [here](#).**

NMPF Update: Ocean Shipping Bill Signed; Dairy Policy Hearing Next Week

*By Jim Mulhern, President & CEO
National Milk Producers Federation*



House Passes Ocean Shipping Bill, Biden Signs into Law

The House of Representatives voted 369-42 to approve legislation on Monday that will help untangle the snarled supply chain, particularly our overseas dairy exports. The House ultimately approved the Senate's version of the Ocean Shipping Reform Act (OSRA), sending the legislation to the White House, where I attended [a ceremony yesterday](#) as President Joe Biden signed the measure into law.

NMPF and the U.S. Dairy Export Council have been leading proponents in the agriculture community for this legislation. We worked closely with other agriculture groups to build strong Congressional and Biden Administration support. Last week, NMPF joined a coalition of over 90 ag and business trade associations [on a letter](#) to congressional leadership, urging swift passage of the OSRA legislation.

NMPF and USDEC had preferred the initial House version of OSRA over the Senate's draft because it was more prescriptive in its treatment of ocean carriers that have refused to transport dairy and other ag commodities to Asia. The House bill would have explicitly prohibited carriers from unreasonably denying cargo exports, and instructed the Federal Maritime Commission on how to define unreasonableness. The now-passed Senate version is not as strong, leaving to the FMC the job of issuing a rulemaking to establish the terms governing carriers and how to address the empty container problem.

I talked with FMC Chairman Dan Maffei yesterday at the White House bill signing ceremony and urged prompt action by the FMC to implement the new law. He thanked us for our efforts to advance the legislation and said he feels the legislation gives them the authority they need to crack down on many of the ocean carrier problems that have hampered our exports. We will continue to engage with the FMC to ensure quick implementation of the new provisions.

House to Hold Dairy Policy Hearing Next Week

As the spadework continues on developing the next farm bill, the House Agriculture Committee announced it will hold a hearing on dairy provisions for what will become the 2023 farm bill at 10 a.m. EDT [next Wednesday](#). Pennsylvania dairy farmer Lolly Leshner, a DFA member and also one of our Dairy Voice Network spokespersons, will address the committee on the importance of an effective safety net. Lolly spoke to that issue [in the video](#) we created last winter on the value of the Dairy Margin Coverage program.

