

# MPC WEEKLY FRIDAY REPORT

DATE: MARCH 4, 2022  
 TO: DIRECTORS & MEMBERS  
 FROM: KEVIN ABERNATHY, GENERAL MANAGER  
 PAGES: 5



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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	+ \$.2050	\$2.1500	WEEKLY CHANGE	+ \$.0975	\$2.6850
Barrels	+ \$.0700	\$1.9700	WEEKLY AVERAGE	+ \$.0420	\$2.6770
<b>WEEKLY AVERAGE CHEDDAR CHEESE</b>		<b>DRY WHEY</b>		<b>WEEK ENDING 02/26/22</b>	
Blocks	+ \$.0799	\$1.9856	DAIRY MARKET NEWS	W/E 03/04/22	\$ .7825
Barrels	+ \$.0110	\$1.9350	NATIONAL PLANTS	W/E 02/26/22	\$ .7950
				<b>LAST WEEK ENDING 02/19/22</b>	
				NAT'L PLANTS	\$1.7673 19,589,083
				NAT'L PLANTS	\$1.7416 21,821,700

## 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 4 EST	\$24.48 - \$24.98	\$24.60	\$22.55	\$24.74
FEB '22 FINAL	\$23.24 - \$23.74	\$23.79	\$20.91	\$24.00



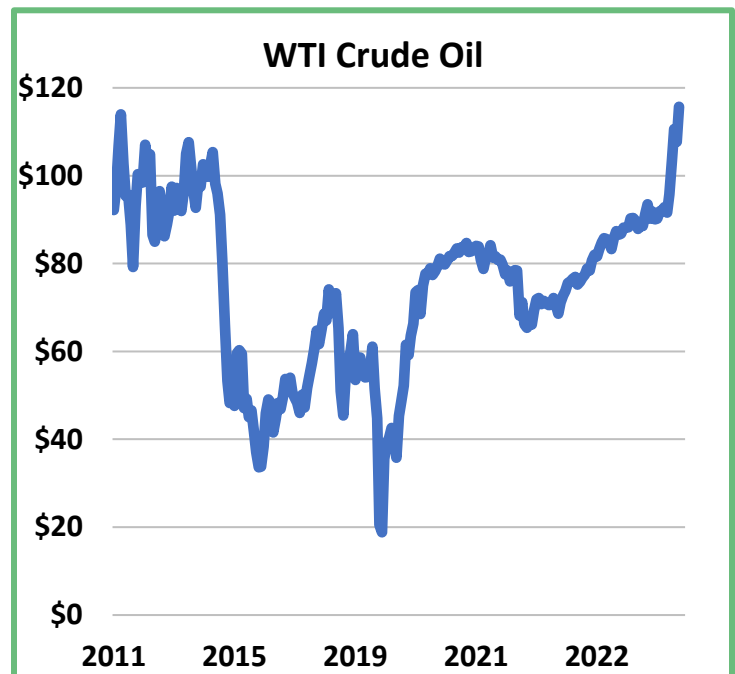
### Milk, Dairy and Grain Market Commentary

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

#### Milk, Dairy & Grain Markets

Russia intensified its brutal attacks in Ukraine, and feed and energy prices soared. Crude oil closed today at \$115.68 per barrel, its highest price since 2008. In just the past week, U.S. crude oil prices leapt 26%. Wheat prices climbed even faster. May winter wheat futures settled today at \$12.09 per bushel, up 41% from last Friday.

Both Russia and Ukraine are major wheat exporters, and Ukraine is a critical corn exporter as well. Today, farmers in the United States are getting ready for spring planting, assessing their seed and fertilizer stores, and checking their equipment. Ukrainian farmers would like to be making the same preparations, but they face immense hurdles. Even in areas untouched by

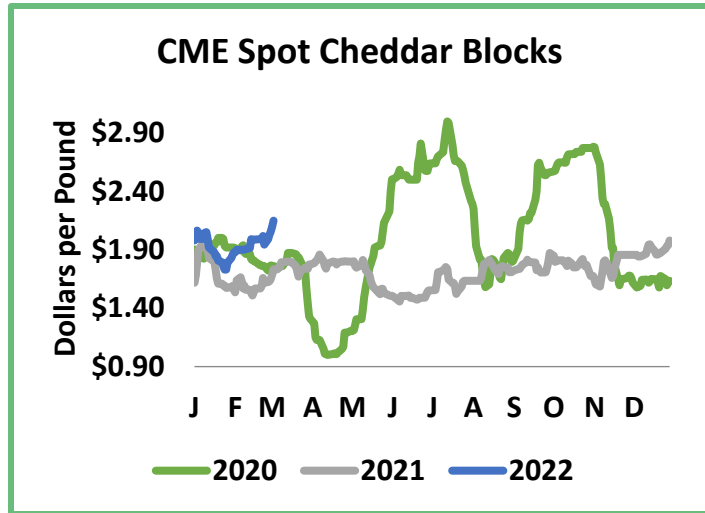


violence, farmers will likely struggle to access inputs. Ukraine relies on the ports in the war-torn south for many supplies, and much of the nation's fertilizer comes from Russia. Every day that the war drags on increases the likelihood that Ukraine's corn, wheat, and sunflower crops will fall well short of potential this year, and the world needs every bushel. Concerns about export disruptions and the potential for a much smaller Ukrainian harvest this fall pushed May corn futures to \$7.5425 per bushel,

up nearly a dollar from last Friday, a 15% increase. Nearby soybean and soybean meal futures rallied 4% this week. May soybean meal closed at \$460.40 per ton.

High feed costs and pricey energy will quickly add up on the farm. In the past, dairy producers would have filled their barns to capacity to make more \$22 or \$23 milk. But they will probably think twice before adding a cow that will eat \$7.50 corn. Feed and energy costs are even higher in Europe, which will further deter growth on the continent.

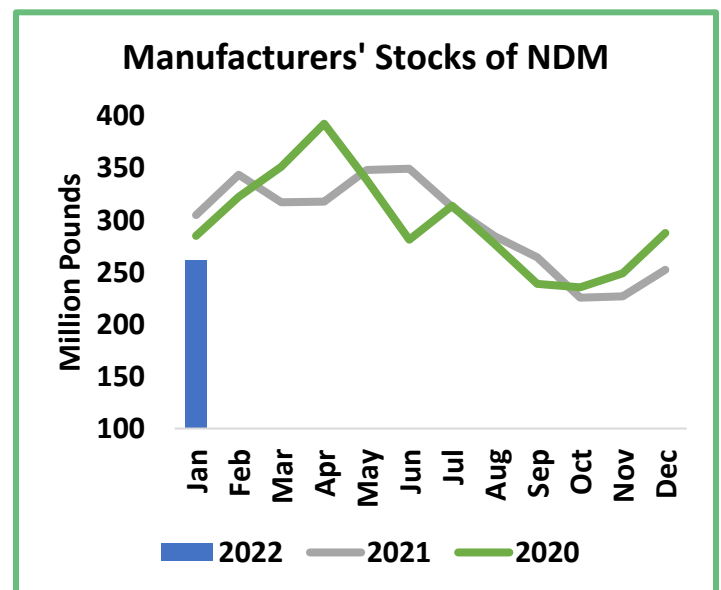
With the exception of whey, the dairy markets moved sharply higher this week, led by a 20.5¢



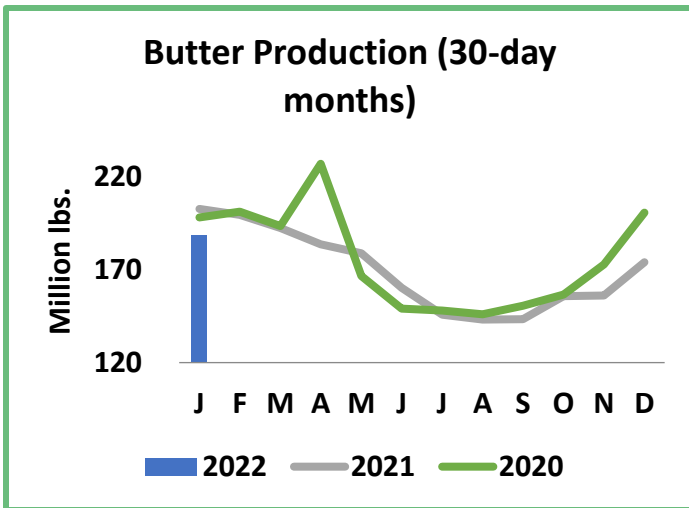
jump in CME spot Cheddar blocks. At \$2.15 per pound, blocks stand at their highest price since November 2020, when the government was buying huge volumes of cheese for the food box program. Barrels rallied 7¢ this week to \$1.97, also the highest price since 2020. Even at these values, U.S. cheese looks like a bargain compared to foreign product. At the Global Dairy Trade (GDT) auction on Tuesday, Cheddar scored a new all-time high at the equivalent of \$2.90 per pound. Exports of relatively affordable U.S. cheese are booming. But output is robust as well. U.S. cheese production reached 1.17 billion pounds in January, up 2.8% from a year ago. Cheddar production fell 2.7% year-over-year but remained historically large.

In recent weeks, the weather has improved but milk remains a little tighter than expected, so there is not a lot of cheap milk sloshing around, which would ordinarily motivate cheesemakers to run hard as the flush builds. Processors tell USDA's *Dairy Market News* that labor issues are not quite as bad as they were in January, but they are still restricting output at the margins.

Manufacturers continued to direct more of the whey stream to high-protein concentrates and isolates in January. Output of commodity whey powder fell 6.2% from last year. Dry whey stocks slipped to 55.5 million pounds, down 16.8% from a year ago and the lowest January stocks figure since 2012. Tight stocks propelled the whey market higher in February, but buyers lost their enthusiasm once prices topped 80¢. CME spot whey closed today at 75.75¢ per pound, down 2.25¢ from last Friday.



Milk powder prices moved sharply higher at the GDT and in Chicago. GDT skim milk powder (SMP) rallied 4.7% to a fresh seven-year high. SMP at the GDT is roughly equivalent to nonfat dry milk



(NDM) at \$2.17 per pound, making U.S. NDM look eminently affordable. CME spot NDM gained 1.25¢ this week to \$1.8725.

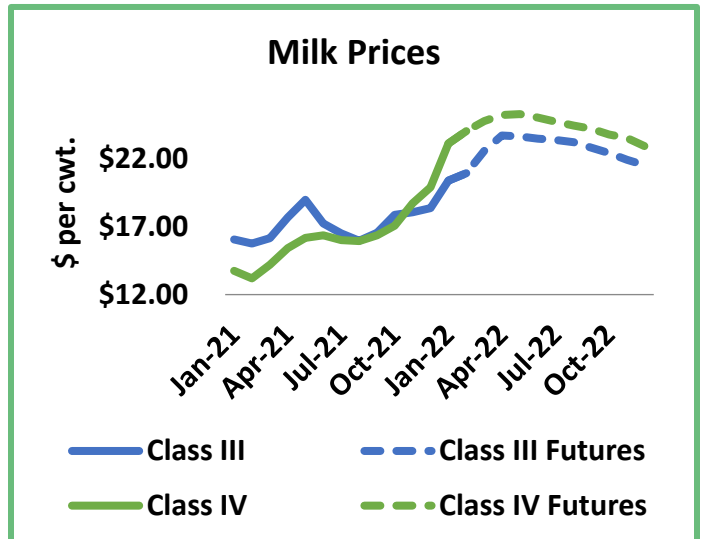
Manufacturers dried 214 million pounds of NDM/SMP in January, 8.5% less than a year ago. Stocks climbed seasonally. But, at 261.3 million pounds, they were 14.3% lower than in January 2021 and noticeably light for this time of year.

Butter bounced back this week, climbing 9.75¢ to \$2.685. Butter churns made 195.2 million pounds of product in January, down 6.9% from a year ago and the lowest January volume since 2018.

Manufacturers of cottage cheese, cream cheese, and sour cream bid up the cream price in January, which caused churns to run slower. U.S. butter output has fallen short of year-ago levels for eight straight months.

Dairy producers in Class IV milksheds finally cashed a big milk check last month, and their next check will be even better. USDA announced the February Class III price at \$20.91 per cwt., up 53¢ from January and \$5.16 more than February 2021. At \$24, the February Class IV price is 91¢ higher than January and an astounding \$10.81 higher than February 2021.

Although milk values are lofty, feed and energy costs are high enough to deter growth in milk production and they may be contributing to further declines. With that in mind, the milk markets moved sharply higher this week. 2022 Class III contracts added 99¢, on average, and the April through August contracts now stand well north of \$23 per cwt. Class IV futures gained an average of 71¢ this week. April, May, and June Class IV milk topped \$25.



**California Dairy Quality Assurance Program Update:  
Tricolored Blackbirds, Nutrient Budgeting, AMMP Survey**  
*Courtesy of the [California Dairy Quality Assurance Program](#)*



Here are highlights from the most recent California Dairy Quality Assurance Program (CDQAP) newsletter. Read the entire update [here](#).

**Be on the Lookout**

Nesting season for the threatened tricolored blackbird is about 60 days, starting as early as February. As wetlands have continued to disappear, dairy forage fields have become a favorite nesting place for the species. *Continue reading [here](#).*

## Don't Forget the Water

By Deann Meyer, Ph.D., Livestock Waste Management Specialist, UC Davis, Dept. of Animal Science

So far, 2022 is DRY. In addition to other things, that means the nutrients in your lagoon may be more concentrated. Be sure to add fresh water as you apply liquid manure so nutrients are applied at appropriate rates. Keep in mind, if crop yields are off at harvest, you'll want to check crop nitrate concentrations and talk with your nutritionist. *Continue reading [here](#).*

## Producer Survey Mailed: Please Return!

Help us help you. Dairy producers should receive a survey this week on the Alternative Manure Management Program (AMMP). More AMMP funds will be available in 2022, and additional funding is anticipated for future years. Information gathered in the survey will be provided to CDFA to help improve future program delivery. Participation is voluntary and your information will remain confidential.

## Register Now: Golden State Dairy Management Conference March 23

Courtesy of the [Golden State Dairy Management Conference](#)

The Golden State Dairy Management Conference is back in person March 23, 2022 in Modesto. Expert speakers and researchers will cover a variety of topics, ranging from nutrition and calf management to agronomy and automatic milking systems. See the complete agenda [here](#).

Register by March 14 to receive the early bird rate of \$50. Registration goes up to \$100 after March 14. The conference starts at 9 a.m. with the last session wrapping up at 12:40 p.m. followed by lunch.



## Watch Now: The Next Generation of California Dairy Farmers

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

This April 12-14, join dairy farmers, industry leaders, world-renowned researchers, policymakers, global food and nutrition professionals, and many other expert speakers for the virtual California Dairy Sustainability Summit.



Hear what our next generation of dairy farmers have to say about the future, the things they value and sustainability in this [video](#).

To see the growing list of speakers, agenda, and sign-up details, visit [here](#).





## NMPF Update: Canadian USMCA Dairy Proposal

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

### NMPF Rejects Canadian USMCA Dairy Proposal

National Milk and USDEC have [emphatically rejected](#) Canada's proposal to rectify its effort to limit the value of tariff rate quotas for U.S. dairy imports.



Under the terms of the U.S.-Mexico-Canada agreement, Canada is supposed to allow increased imports of U.S. products, and a dispute settlement panel this winter found that Canada is failing to comply with that obligation. That panel's finding means Canada has to alter its proposed operation of the import quotas – otherwise, the U.S. can impose retaliatory tariffs against Canada.

This week, Canada made public the proposed solution it has offered to the U.S. government, but unfortunately the limited changes Canada is suggesting will not provide the U.S. the dairy access envisioned under the trade agreement. The proposal would still allow major Canadian dairy processors to maintain control over the ability to use the quotas, making it virtually impossible for American exporters to benefit from sales opportunities in Canada.

As we noted yesterday, we are urging the Biden Administration to demand that Canada go back to the drawing board and genuinely deliver on providing the U.S. dairy industry the full benefit of USMCA.

Late this afternoon leaders of our trade policy team – Jaime Castaneda and Shawna Morris – and I had a videoconference meeting with U.S. government officials to discuss the matter. NMPF and USDEC will continue to work with the Biden administration and Congress to ensure that the dispute settlement process provides the type of strong precedent needed for future USMCA disagreements.

