

MPC WEEKLY FRIDAY REPORT

DATE: MAY 20, 2022
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 6



P.O. Box 4030, Ontario, CA 91761 • (909) 628-6018
Office@MilkProducers.org • www.MilkProducers.org • Fax (909) 591-7328

MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+\$0.0725	\$2.3800	WEEKLY CHANGE	+\$0.1450	\$2.8500
Barrels	-\$0.0475	\$2.3475	WEEKLY AVERAGE	+\$0.1420	\$2.7960
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		NAT'L PLANTS	
Blocks	+\$0.0790	\$2.3740	DAIRY MARKET NEWS	W/E 05/20/22	\$0.6100
Barrels	+\$0.0365	\$2.4130	NATIONAL PLANTS	W/E 05/14/22	\$0.6808
				LAST WEEK ENDING 05/07/22	
				NAT'L PLANTS	\$1.8247 15,398,671
				NAT'L PLANTS	\$1.8340 15,733,552

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
MAY 20 EST	\$27.05 - \$27.55	\$25.86	\$25.09	\$25.04
LAST WEEK	\$27.05 - \$27.55	\$25.73	\$24.97	\$24.87



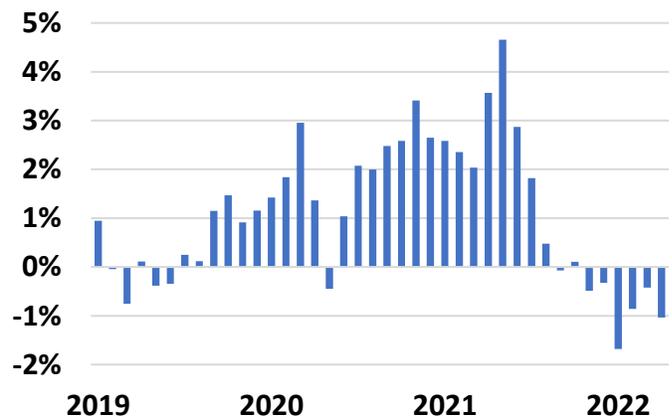
Milk, Dairy and Grain Market Commentary

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

Milk & Dairy Markets

The dairy markets continue to wrestle with the invisible hand, seeking an equilibrium between tight supplies and waning demand. As indications of slower milk output came to the fore, milk futures climbed. Most Class III contracts added between 60¢ and 90¢ this week. The June contract finished at \$24.48 per cwt. Class IV futures posted even stronger gains, and May through August topped the \$25 mark. Dairy producers will cash some record-shattering milk checks next month, as May Class III and IV contracts are both a little above \$25 and the Class I base price is \$25.45.

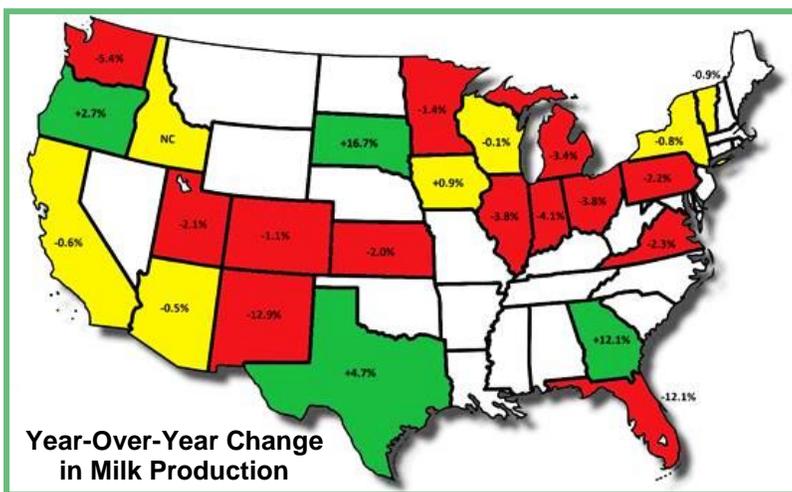
YOY Change in U.S. Milk Production



U.S. milk production slipped to 19.15 billion pounds in April, a 1% decline from last year. This marks the sixth straight month of milk production deficits, tying similar stretches in 2003 and 2009 for the longest losing streak since 2001. Milk yields were steady with a year ago, which is a bit of a

disappointment for dairy producers who work hard to constantly improve their genetics, feed rations, and management practices. April was unusually cool in the northern dairy states and hot in the Southwest, which likely stifled the start of the spring flush. More recently, a series of heat waves is adding to stress on the farm. The weather has trimmed the flush at both ends, and anecdotal reports suggest milk is not as plentiful as might be expected given the calendar.

According to USDA’s latest assessment, producers did not add any cows in April, but they added 7,000 more cows in March than initially reported. The dairy herd stood at 9.402 million head last month, down 98,000 from April 2021. High feed costs, scarce heifers, and regional supply management programs will likely continue to limit growth in the U.S. milk-cow herd in the months to come.

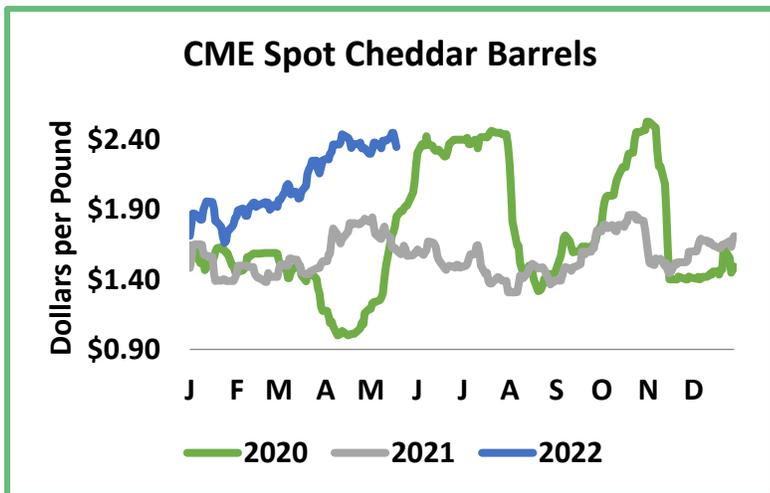


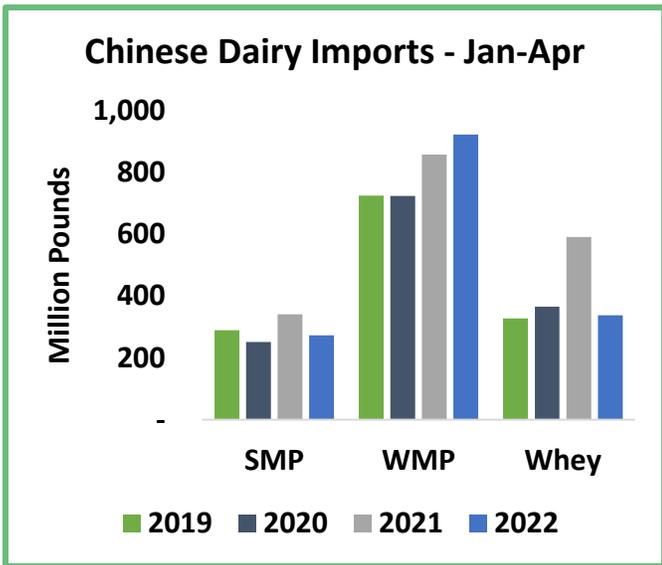
Contraction was widespread. All but five of the 24 major dairy states reported lower milk output in April compared to last year. Dairy producers added cows and upped milk production in Oregon, Georgia, and Texas, but these gains were more than offset by shrinking herds and falling milk output in nearby states. The Northern Plains remains the only area of the country where milk production is on the rise, driven by a 17% increase in South Dakota and a 1% advance in Iowa.

likely boosting cheese inventories, causing the trade to reassess the recent rally. Early in the week CME spot Cheddar barrels climbed to an 18-month high at \$2.45 per pound. But without the government backstopping purchases through an aggressive Food Box program – as they did the last time the market soared to these heights – that price is difficult to sustain. Barrels closed today at \$2.3475, down 4.75¢ for the week. Blocks held firm at \$2.38, up 7.25¢ from last Friday.

CME spot whey also lost ground. On Monday it fell to an eight-month low at 48.5¢. Sub-50¢ whey finally attracted some buyers, and the market closed at 50.75¢, still down 2.5¢ for the week. Strong cheese production has made for plenty of whey, and inventories are growing as exports slow. The combination of red ink for China’s hog industry and Covid-zero lockdowns did not help the whey trade in April, although volumes were higher than the unimpressive shipments from the first quarter. China imported 102 million pounds of dry whey last month, 30% less than in April 2021. Compared to the record-setting first four months of last year, Chinese whey imports have fallen 42%.

Chinese milk powder imports fell short of year-ago volumes as well. China imported 53.7 million pounds of skim milk powder (SMP) in April, 32% less than the prior year. Chinese whole milk powder



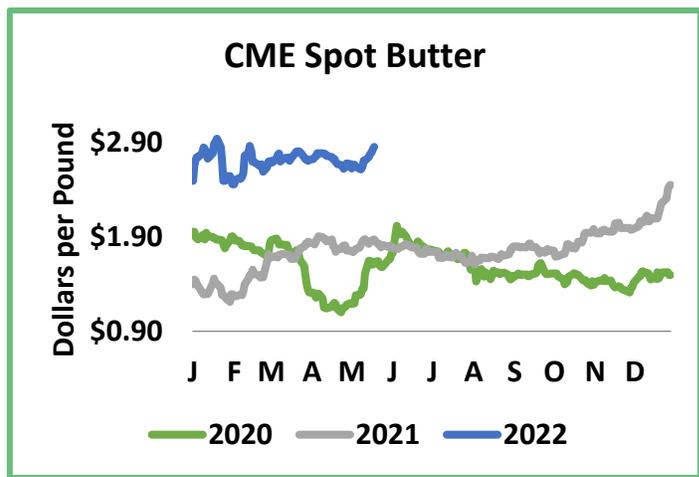


(WMP) imports slipped 8.4% to 133 million pounds. For the year to date, Chinese SMP imports are down 20%, but WMP imports are record large, up 8% from a year ago.

The headlines from Tuesday’s Global Dairy Trade (GDT) auction were bearish once again. The GDT Index fell 2.9%, its fifth straight decline. The exchange reported a 4.9% drop in the WMP price index, driven by steep declines in the price of instantized WMP. But regular WMP prices moved 0.5% higher. The other dairy products at the GDT were barely changed from the early May auction. Stripping out the impact of instantized WMP, the details look a lot friendlier than the first glance.

In Chicago, the milk powder market moved decisively higher. CME spot NDM jumped 7¢ this week to \$1.80. The underwhelming spring flush and ongoing labor issues have slowed the flow of milk through driers in some regions. Inventories are far from burdensome despite the season. In fact USDA’s *Dairy Market News* describes NDM supplies as “limited” and notes that the domestic market is “anything but bearish.” However, export orders are a bit light.

After several weeks in decline the butter markets leapt enthusiastically upward. CME spot butter closed today at \$2.85, up 14.5¢. High prices continue to deter demand at the margins, but the market is concerned about supply as well. Inventories are a bit snug heading into the summer – when churn rates slow to a crawl – and the fall, when bakers buy a lot of butter.



Grain Markets

The feed markets climbed to great heights and then fell back, led by wheat. Chicago wheat futures touched \$12.84 per bushel on Tuesday, a price exceeded in only five previous trading sessions. After much speculation that they would do so, India officially banned wheat exports, robbing the global markets of some much-needed grain. But wheat prices could not withstand the atmospheric pressure. They fell back to \$11.6875 today, down slightly from last week’s settlement.

Corn futures followed wheat up and then back down. July corn futures closed today at \$7.7875 per bushel, down 2.5¢ from last Friday. The small setback from very high prices highlights that feed supplies are extremely tight, and there is no sign of relief in the near term. December corn futures dropped 16.75¢ to \$7.32. Planting progress remains well behind the historic average, but farmers have made a big push in much of the Corn Belt in the past two weeks. The weather has been less cooperative in parts of the Dakotas and Minnesota, where fields are still soggy. But the forecast looks better.

Soybean futures continued to climb. July soybeans reached \$17.0525, up nearly 60¢. With soybean oil on its heels, soybean meal did a bit more of the lifting. July soybean meal jumped more than \$20 to \$429.90 per ton. Feed costs continue to take a huge bite out of dairy producers’ incomes.

New Book Chronicles Recent Attempt to Solve California's Water Crisis

Written by [Edward Ring](#), Senior Fellow with the [California Policy Center](#)

Published at [California Globe](#)

Note from Geoff Vanden Heuvel, Directory of Regulatory & Economic Affairs

Last year, I was a [co-sponsor](#) of a proposed ballot initiative called "[More Water Now.](#)" It was designed to solve California's water supply challenges by constitutionally allocating 2% of the state's general fund revenues each year to rebuilding and expanding California's water system by five million acre feet.

The primary author of the initiative was [Ed Ring, co-founder of the California Policy Center](#). Ed is currently authoring a book about what he learned in the process of trying to qualify the More Water Now ballot initiative. The book is titled *The Abundance Choice* and Ed is releasing it in chapters online at the [California Globe](#). You can read the opening chapter [here](#).

The fifth chapter is titled "California's Fractured Farmers," which is excerpted below. You can read that chapter in its entirety [here](#) and find links to the previous chapters at the end. The remaining 10 chapters will be released over the next few weeks. If you're really interested in topic, I recommend starting with the [first chapter](#).



The Abundance Choice, Part 5: California's Fractured Farmers

"We cannot support your initiative if you include the Delta Tunnel as an eligible project. And to be clear, we also cannot support your initiative if you do not include the Delta Tunnel as an eligible project."

This statement, which I heard with my own ears sometime in early September of 2021, was made by someone painfully aware of the paradox it expressed. It epitomizes how California's farmers confront the existential threat of not enough water to irrigate their crops. They are bitterly divided over what solutions to support. If your farm is located north of the Sacramento Delta, you don't want Southern Californians to build a giant straw that will suck the North Central Valley dry. And if your farm is south of the Delta, escalating restrictions on pumping water into southbound aqueducts from fragile Delta ecosystems makes a tunnel an elegant solution.

Disagreement over how to transport water through, around, or under the Delta is just one of many causes of gridlock in California over water policy, but the scale of the project and the impact it would have makes it central to discussions over state water priorities. Taking an unequivocal stand on the Delta Tunnel, for or against it, will immediately either alienate or attract about half of California's farming community, along with every water agency, urban or rural, northern or southern, that is affected by it.

Not only are farmers in the Sacramento Valley to the north generally set against constructing the tunnel, while farmers in the San Joaquin Valley to the south generally support construction, there are also the farmers *within* the Delta, a vast area of reclaimed land, much of it lying slightly [below sea level](#) and protected by [over a thousand miles of levees](#). These farmers, for the most part, oppose the Delta Tunnel because a tunnel will divert water north of the Delta, possibly leading to less water being available to irrigate their fields. In this they share the concerns of Sacramento Valley farmers, but they also have an equally urgent concern regarding levee maintenance. **Continue reading [here](#).**



Early Bird Registration Rate Ends Tonight for California Creamery Operators Association Meeting

Kevin Abernathy, General manager

Kevin@MilkProducers.org

The California Creamery Operators Association (CCOA) is *Moving Forward and Going Global* at its 122nd Annual Meeting on June 27-28, 2022 at Harrah's, South Lake Tahoe. [Take advantage of early bird rates, ending at midnight tonight.](#)

Attendees will enjoy informative panels on freight challenges, port logistics, water scarcity, and dairy's climate journey. Network and reconnect with industry colleagues at the 41st Annual Matchak/Fear CCOA Golf Invitational, a relaxing Lake Tahoe cruise or one of multiple receptions.

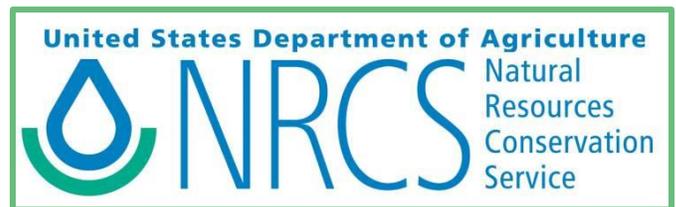
Current CCOA members receive discounted registration rates. More information can be found on the CCOA [website](#). MPC is a CCOA member and bronze sponsor of this year's Annual Meeting.



Attention So Cal Dairy Farmers: NRCS EQIP Webinar June 7

Courtesy of [USDA Natural Resources Conservation Service](#) & [Farm Service Agency](#)

The USDA Natural Resources Conservation Service & Farm Service Agency will be conducting a short webinar about the Environmental Quality Incentives Program (EQIP) on **June 7 at 10 a.m.**



This webinar is focused for farmers in Los Angeles, San Bernardino, Orange, Riverside, San Diego and Imperial Counties.

EQIP provides financial and technical assistance to agricultural producers and non-industrial forest managers to address natural resource concerns and deliver environmental benefits, such as improved water and air quality, conserved ground and surface water, increased soil health and reduced soil erosion and sedimentation, improved or created wildlife habitat, and mitigation against drought and increasing weather volatility.

To register please contact Brooke.Raffaele@usda.gov or 530-219-7747.

UC Cooperative Extension Update: Dry Matter Results, Nutrient Calculation, Manure Composting, Colostrum & Microbiome

Courtesy of [University of California Cooperative Extension](#)

The UC Cooperative Extension released its latest California Dairy Newsletter, which can be read [here](#). Here's a preview of this what's included in the May edition.

Troubleshooting Dry Matter Results

Jennifer Heguy, UCCE Stanislaus, Merced & San Joaquin

Nicholas Clark, UCCE Kings, Tulare & Fresno

Sometimes, a dry matter (DM) result just doesn't make sense. What you see in the standing crop, at the silage structure or in a previous DM determination and the results don't match up. This can happen with samples measured on-farm as well as those sent to a commercial lab. Invest time and troubleshoot to ensure you have good data. **Continue reading [here](#).**



Photo: Jennifer Heguy

How to Calculate the Nutrients from Manure Applied to Fields

Deanne Meyer, UC Davis & UC ANR

Nicholas Clark, UCCE Kings, Tulare & Fresno

Jennifer Heguy, UCCE Stanislaus, San Joaquin & Merced

Fertilizer prices are HIGH and rising.

The good news is that manure is a readily available source of nutrients. If you're ready to use manure as a fertilizer, you need to consider a couple points. Knowing how many pounds of nutrients are applied to fields is an important part of crop nutrient budgets. Moisture content is variable which makes determining nutrient application rates challenging. **Continue reading [here](#).**



Photo: Nick Clark

Dairy Manure Compost – A New Enterprise

Sat Darshan Khalsa, UC Davis



Photo: Sat Khalsa

The California dairy industry is in a strong position to consider developing manure compost to meet a growing demand for organic matter amendments. Many cropping systems, in particular orchard crops like almonds, are primed to experience a growing demand for organic matter amendments in the coming years. This demand is fueled by very frequent shortages of irrigation water and the rising cost of fertilizer, particularly nitrogen (N) and potassium (K). Organic matter amendments, like those products derived from dairy manure, have been shown to increase soil water holding capacity and provide valuable N and K nutrients in orchards. In a statewide survey of almond growers conducted in 2015, the number one rated most accessible form of organic matter was dairy manure. **Continue reading [here](#).**

Colostrum and Microbiom – Connecting the Dots

Betsy Karle, UCCE Northern Sacramento Valley

Every dairy producer knows the importance of colostrum to the future success of dairy calves. While we know a lot about quality, quantity and benchmarks for success (see [Vol 13 Issue 2](#) of this newsletter for more info), we still have a lot to learn about how colostrum management affects the microbial community that colonizes the calf's gastrointestinal (GI) tract after birth. **Continue reading [here](#).**

NMPF Update: U.S. Cool to “Revised” Canada Dairy Access Offer

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



The U.S. government, at the [urging of NMPF](#) and other dairy organizations, [panned Canada's latest](#) effort this week to comply with its market access commitments under the U.S.-Mexico-Canada Agreement. Earlier this spring, Canada offered cosmetic alterations to its tariff rate quota system for importing U.S. dairy goods – in a way that would offer no realistic improvement for U.S. exporters. The revised plan posted this week was little more than additional cosmetics.

In light of that disappointing proposal, NMPF and the U.S. Dairy Export Council told the Biden Administration to stand firm in rejecting Canada's bogus attempt at compliance and press for stronger measures. This week we urged the USTR to impose retaliatory tariffs on Canada's exports, which the government has yet to decide on implementing.

U.S. Trade Representative Katherine Tai indicated that the top U.S. priority “remains ensuring that U.S. workers, producers, farmers, and exporters benefit from the market access they were promised under the United States-Mexico-Canada Agreement. We will evaluate all options, and work with stakeholders and members of Congress, as we determine our next steps in the coming days.” NMPF and USDEC will continue to work with allies in Congress to pressure the Administration to resolve this situation in a way that benefits our dairy community.

