

MPC WEEKLY FRIDAY REPORT

DATE: NOVEMBER 19, 2021
 TO: DIRECTORS & MEMBERS
 FROM: KEVIN ABERNATHY, GENERAL MANAGER
 PAGES: 7



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MPC FRIDAY MARKET UPDATE

CHICAGO CHEDDAR CHEESE		CHICAGO AA BUTTER		NON-FAT DRY MILK	
Blocks	+\$.1075	\$1.8575	WEEKLY CHANGE	+\$.0975	\$2.0475
Barrels	+\$.0225	\$1.5200	WEEKLY AVERAGE	+\$.0265	\$1.9890
WEEKLY AVERAGE CHEDDAR CHEESE		DRY WHEY		WEEK ENDING 11/13/21	
Blocks	-\$.0220	\$1.7235	DAIRY MARKET NEWS	W/E 11/19/21	\$.6225
Barrels	-\$.0515	\$1.4795	NATIONAL PLANTS	W/E 11/13/21	\$.5718
				PRIOR WEEK ENDING 11/06/21	
				NAT'L PLANTS	\$1.4873 16,375,037
				NAT'L PLANTS	\$1.4382 17,545,077

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
NOV 19 EST	\$19.58 - \$20.08	\$18.44	\$17.97	\$18.70
LAST WEEK	\$19.58 - \$20.08	\$18.40	\$18.01	\$18.68



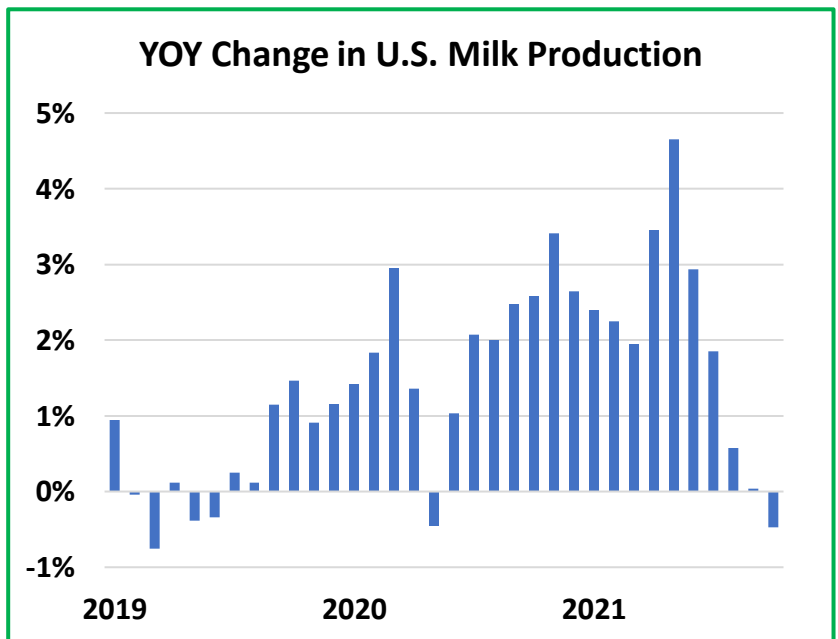
Milk, Dairy and Grain Market Commentary

By Sarina Sharp, Daily Dairy Report
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Milk & Dairy Markets

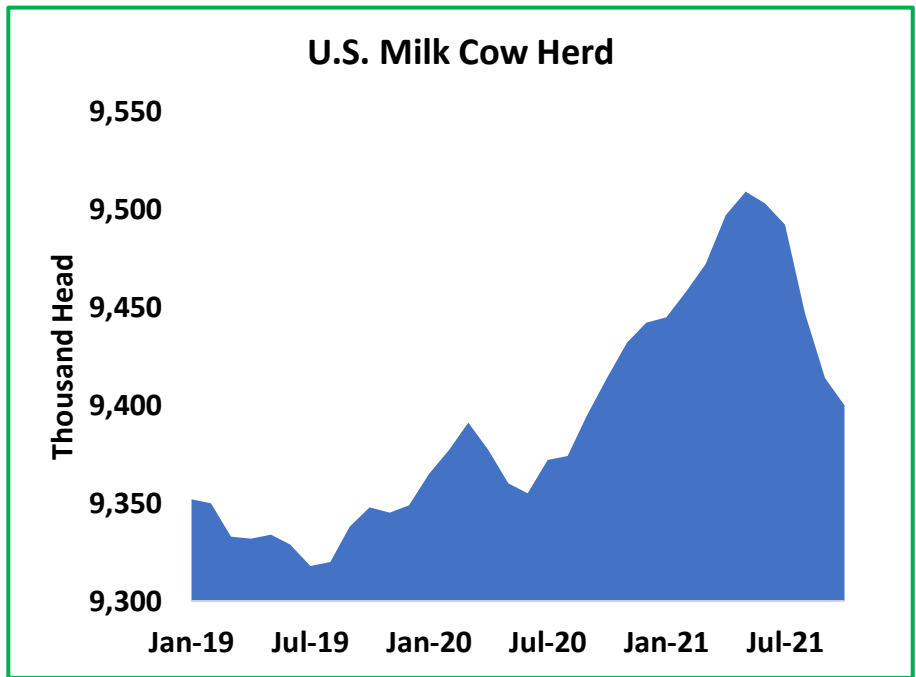
Milk output is down and prices are up. According to USDA's Milk Production report, U.S. milk production dropped to 18.5 billion pounds in October, down 0.5% from October 2020. That's the steepest year-over-year decline in milk output since March 2019. The agency also reported that September milk collections were steady with last year. The new estimate is 0.2% lower than USDA's initial take.

At long last, U.S. dairy producers are milking fewer cows than they were a year ago. USDA dropped its estimate of the September milk-cow herd by 8,000 head from last month's report, which already

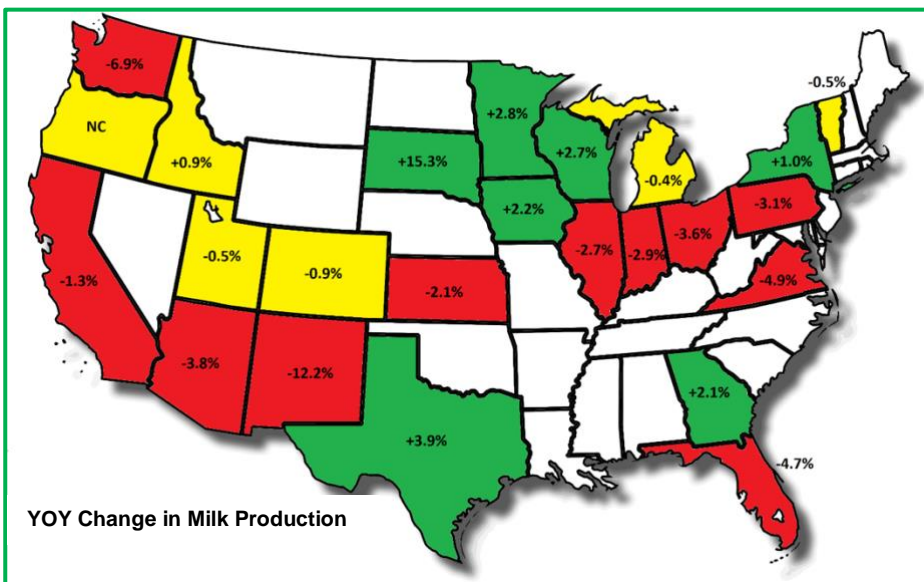


showed a sizeable decline. And producers trimmed the herd by another 14,000 head in October, according to USDA's preliminary estimates. The US. dairy herd now stands at 9.4 million head, down 14,000 from October 2020 and down 107,000 from the peak in May.

Sky-high Class III prices in part of 2019 and most of 2020 fueled expansion in the cheese states. Combined milk production in Iowa, Minnesota, South Dakota, and Wisconsin topped 4.3 billion pounds last month, up 145 million pounds from October 2020, an increase of 3.5%. Over the past year, dairy producers in these four states have added 57,000 cows, while the dairy herd in the other 46 states has shrunk by 71,000 head. Growth in the cheese states finally seems to be petering out. Dairy producers there added just 1,000 head in September and did not expand in October.



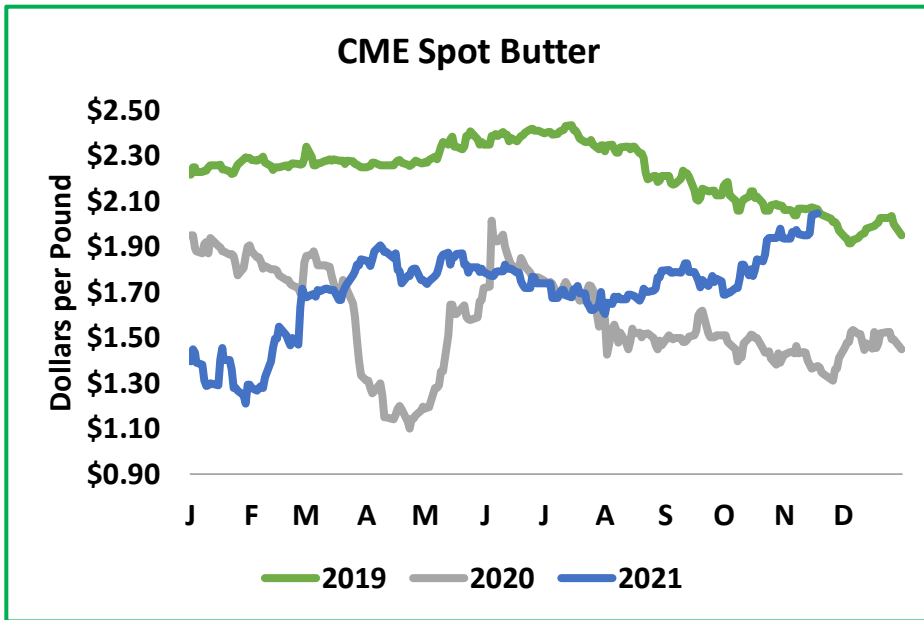
Outside the Upper Midwest, both milk production and cow numbers are in decline. Texas, Georgia, New York, and Idaho did make more milk last month than they did in October 2020, but that is growth of a different sort, as cows have simply moved across state lines, with little impact on regional production.



The market clearly assumes that less milk will mean less dairy products of all varieties. Prices jumped across the board in Chicago. CME spot butter leapt 9.75¢ this week to a two-year high of \$2.0475 per pound. Spot nonfat dry milk (NDM) rebounded to \$1.555, up a half-cent. Spot dry whey rallied even before the bullish Milk Production report. It reached 70¢ on Wednesday and held there. That's up 3¢ on the week and within a whisker of the highest price in whey's nearly four years on the spot market. Spot

Cheddar blocks climbed 10.75¢ to \$1.8575. Barrels advanced 2.25¢ to \$1.52.

The bulls are also bellowing in foreign markets too. Prices were higher for all categories once again at the Global Dairy Trade (GDT) auction. Cheddar rose 2.2% to its highest price since it debuted at the auction in 2011. Skim milk powder (SMP) rallied 1.4% to a fresh seven-year high. Benchmark dairy product indices in Europe were steady to higher. However, when converted from euros to dollars,

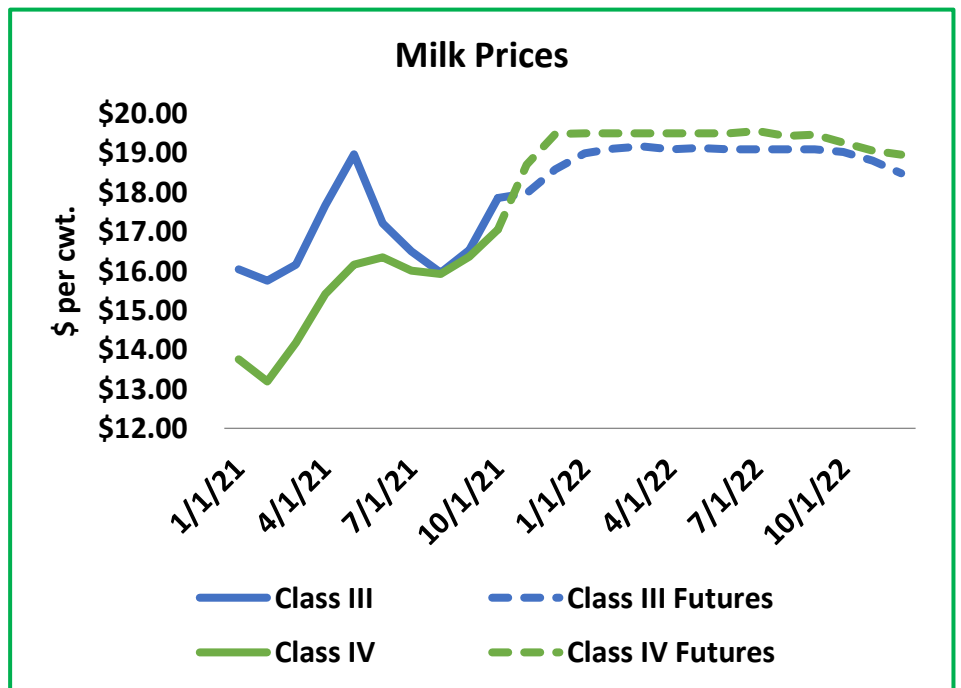


European dairy prices actually moved lower this week, as the strong U.S. dollar made foreign products more competitive.

In both Europe and the United States, milk output is slowing, but cheese output is not. U.S. milk production grew just 0.8% from a year ago in the third quarter, while cheese production jumped 3.8%. Cheese plants are pulling milk away from Class IV manufacturers. In the third quarter, butter output fell 2.8% year over year, and combined production of NDM and SMP plummeted 11.3%. In the Mideast,

milk powder output has reportedly slowed further in October and November. Lower output and robust global demand have helped to lift the milk powder market for months, and prices are likely to stay firm. The fundamentals for butter are similar. Slow production and strong domestic orders have enlivened this once sluggish market.

The improved outlook has lifted Class IV futures above their Class III counterparts for every contract on the board. But this week, Class III gained more ground. December Class III settled at \$18.57 per cwt., up 95¢ from last Friday. January Class III rallied 81¢ to \$18.98, and most other 2022 contracts climbed above \$19. Most Class IV contracts gained about 40¢ and hover around \$19.50.



Grain Markets

The corn market tested new highs but failed to hold there. December corn settled today at a still-lofty \$5.7075 per bushel, down 6.5¢ for the week. Soybean meal values pushed sharply higher once again. The January contract closed at \$364.60, up \$7.80 from last Friday.

Both corn and soybean meal prices are likely to stay high unless demand slows, and that will depend on exports. Closer to home, ethanol makers are using all the corn they can, thanks to lucrative margins. Hog growers are upping the share of soybean meal in the ration, because imports of feed additives like lysine have slowed. Forage is scarce and pricey, especially in the West. Dairy producers are spending more every day to keep their cows fed.



MPC Attends the Western States Dairy Producers Association Meeting

By Geoff Vanden Heuvel, Director of Regulatory and Economic Affairs
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A note from MPC General Manager Kevin Abernathy

Geoff does an excellent job in the article below capturing the key takeaways and issues discussed during this week's dairy meetings in Las Vegas. I want to take a moment to thank you, our members, for providing Geoff and me the tools and resources to engage with our dairy counterparts in the western states and industry policy professionals from across the nation.

After reflecting on the trip – and after nearly two years without in-person meetings – I was reminded just how important the role face-to-face collaboration plays in advocating for, advancing the positions of, our dairy families. MPC's investment and participation in these organizations and activities cannot be overstated: It helps staff stay on top of emerging issues, creates working coalitions built on trust – and perhaps most importantly – we're able to bring a California voice and perspective to policy positions the national dairy industry is trying to advance.

As cliché as it sounds, you have to be at the table to have your voice heard, and being at the table means being willing to work with others. Thank you for allowing us to represent your interests at the table. There's more work to do and we're excited to build on the progress MPC and our partners have made.

Board members Daryl Koops and Michael Oosten, along with Kevin Abernathy, and yours truly, represented Milk Producers Council at the Western States meeting in Las Vegas this week. It had been some time since the producer trade associations representing Washington, Oregon, Utah, Idaho, Arizona, New Mexico, Texas and California had gotten together in person. We do have twice monthly zoom calls to keep up with what is going on, but spending some time together was great.

The meeting coincided with the big dairy industry gathering of National Milk Producers Federation and the various national dairy organizations. This proximity enabled the Western States group to receive presentations and reports from experts working on a whole range of issues facing the industry.

The issue of sustainability is a hot topic right now. Juan Tricarico, from Dairy Management Inc. (DMI), spent some time educating us on the basics of greenhouse gas (GHG) emissions. The dairy industry emits three different GHGs, all of which combine to intensify the warming of the planet. Those three are carbon dioxide (CO₂), nitrous oxide (N₂O) and methane (CH₄).

These three gases have very different properties. Carbon dioxide has the lowest warming impact per unit of the three, but once released to atmosphere it can last for hundreds of years, even up to 1,000 years, before naturally breaking down. Nitrous oxide has 300 times the warming impact compared to CO₂ and lasts hundreds of years. Methane has 30 times the warming impact of CO₂ but lasts only 10 years before nature breaks it down and eliminates its warming impact.

What this points out is that time is an important factor to consider in addressing climate change. Since methane is naturally destroyed in the atmosphere in 10 years, projects that reduce methane below the baseline have a cooling impact on the planet. What we learned from the presentation is that the scientific community is seriously considering this time related issue of GHG emissions right now. The

goal has been described as “achieve carbon neutral or better”, but a better way to describe the goal would be “achieve Greenhouse Gas (GHG) neutrality”. The huge benefit of reducing methane can move the planet toward “achieving GHG neutrality” and the dairy industry has some of the most cost-effective methane reduction projects in the world.

We also received presentations on the current state of immigration policy. The Farm Workforce Modernization Act had passed the U.S. House of Representatives earlier this year and is awaiting action in the U.S. Senate. Very partisan debates over the social infrastructure bill in the Senate have prevented progress on the immigration bill. The Democrats have made several tries to include immigration provisions in the “Build Back Better” budget reconciliation package, but the Senate parliamentarian has ruled that those provisions would not be allowed in a budget bill.

There is great concern by dairy producers that if those very narrow immigration provisions passed in the budget bill, they will do nothing to address the ongoing need for additional immigrant labor to work on our farms. If the immigration provisions are not addressed in the budget bill, then after the budget reconciliation bill is dealt with, there is still significant bipartisan support in the Senate to address the Farm Workforce Modernization Act.

Dr. Scott Brown, a well-known University of Missouri dairy economist, came by and shared some interesting observations. He made the point that the dairy industry has been and is evolving and changing significantly. Changing consumer demands and comparative production costs have been major factors that far outweigh government dairy safety net policy changes in terms of influence. However, “Building a domestic dairy policy that addresses all of the issues that unfolded with the pandemic is impossible.”

Dr. Brown showed a chart that compared total cash receipts for milk in 2020 compared to 2019. This chart showed that in total, the cash receipts for milk were about equal, \$40.5 billion in 2019 to \$40.6 billion in 2020, with \$3 billion additional dollars from CFAP in 2020. These payments were capped based on the size of the dairy. He acknowledged that while the total dollars in 2020 were higher, the impact of massively higher cheese prices in 2020, created significant disparities in price between what individual dairymen received for their milk. He closed with the following summary points:

- Payment limits have existed for decades in direct payment type programs.
- As a percentage of all farmers leaving the industry- small farmers are the majority.
- Federal dairy policy will continue to evolve.
- Federal dairy policy will continue to grapple with an adequate safety net without incentivizing too much milk production.
- There will need to be focus on the unintended consequences of new policies.

In the reports from the various western states, Dairy Producers of New Mexico shared with the group an analysis they have done of what the payment caps in all the various government programs have meant to their producers over the past 25 years. It is a staggering amount of money that on a per cwt. basis went to small farms but did not go to the New Mexico dairies because they are large and therefore capped out. This is a common theme from all the western states. As future farm bills get written, size bias in dairy policy will become an even greater issue of focus.

There were lots of side conversations that can occur only when the group gets together. There is a lot happening in the industry and being a part of Western States is a great opportunity for Milk Producers Council to both contribute to the conversation and learn from others. We really are better together.

NRCS California Announces Johnnie Siliznoff as the new Assistant State Conservationist for Field Operations

Courtesy of the Natural Resources Conservation Service (NRCS)

A note from MPC General Manager Kevin Abernathy

We received great news this week that an important partner for dairy families received a well-deserved appointment as the new NRCS Assistant State Conservationist for Field Operations in Fresno. Johnnie Siliznoff most recently served as the acting district conservationist in Fresno, and is someone that I have worked with for decades on projects that provide direct on-farm assistance to producers. I personally want to congratulate Johnnie and let our producers know that we have a trusted, qualified and results-driven individual in this critical NRCS position. Congratulations, Johnnie!

The Natural Resources Conservation Service (NRCS) announced the appointment Johnnie Siliznoff as the new Assistant State Conservationist for Field Operations (ASTC-FO) in Fresno, California, a senior leadership position within NRCS California and will oversee the administration of offices and field operations in the Fresno area.

Siliznoff will work with NRCS employees and partners to provide leadership in coordinating, directing, and evaluating conservation programs in the 2018 Farm Bill. These include the Environmental Quality Incentives Program (EQIP); Conservation Stewardship Program (CSP); Regional Conservation Partnership Program (RCPP); Conservation Innovation Grants (CIG); Agricultural Land Easements (ALE), which covers both farmland and wetland protection easements; and Conservation Technical Assistance (CTA), which is technical expertise and planning assistance provided to private land users to help address conservation opportunities and concerns and make sound natural resource management decisions.



Johnnie Siliznoff is currently the acting district conservationist in Fresno and was previously the district conservationist in Madera. He has served as the Central Valley Air Quality Specialist and has extensive experience serving in several technical and leadership positions in California the West National Technology Support Center, and National Headquarters. Siliznoff is a graduate of California State University-Fresno with a degree in Agriculture Science and has a California Pest Control Advisors license

Read more about Siliznoff's appointment [here](#).

NMPF President's Update

By Jim Mulhern, President & Chief Executive Officer, National Milk Producers Federation

NMPF Reviews 2021 Economic, Policy Achievements During Annual Meeting – Thanks to everyone who joined us for the 2021 NMPF annual meeting that we held this week in Las Vegas in conjunction with Dairy Management Inc. After a hiatus from in-person meetings during the past 20 months, it was great to see our members once again gather together to review what we've accomplished this year and last, and what we still need to do on behalf of the dairy producer community in the months ahead. You can watch Randy Mooney's Chairman's address [here](#), as well as my President's update [here](#).

[This news release](#) highlights many of the noteworthy developments this week, including the election of new Board officers Simon Vander Woude of California Dairies, Inc. as First Vice Chair; Cricket Jacquier of Agri-Mark as Second Vice Chair; and Jay Bryant of Maryland & Virginia Milk Producers as Secretary. They join Randy Mooney, who was reelected Chair of the organization, and Dave Scheevel of Foremost Farms, who was reelected as Treasurer.

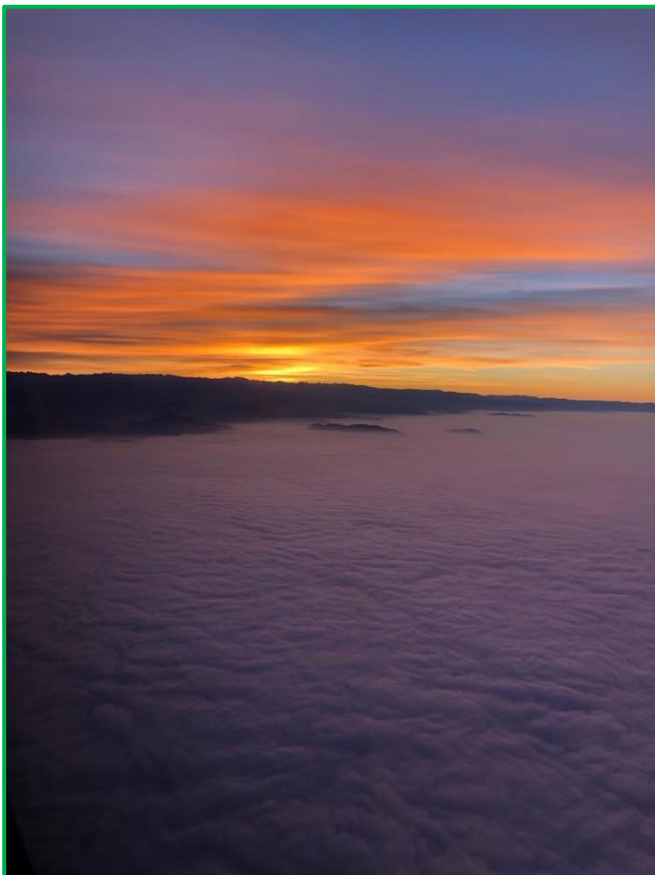
We also presented our first-ever FARM Program awards, and awarded the Chairman's trophy to Agri-Mark for winning our cheese contest with its extra-sharp cheddar from Middlebury, Vermont, as well as our Chairman's Reserve award to AMPI for its Pasteurized Process American and Monterey Jack Cheese with Red Bell and Jalapeno Peppers made in my hometown of Portage, Wisconsin. [This site](#) lists all of our awards and recognitions from the meeting. Please remember to complete the survey so that we can improve our future meetings [by clicking here](#). I'd also like to ask for your support of our NMPF scholarship raffle by [purchasing tickets here](#).

Volunteer to Help the 'More Water Now' Ballot Initiative Today!



The petition process to qualify the [More Water Now](#) initiative for the November 2022 ballot is officially underway. **Signatures from 1.5 million registered voters must be gathered by April 15, 2022**, just five short months from now. This initiative provides an opportunity to make a substantial – and long overdue – investment in California's water supply infrastructure, with funding put in place until five million acre-feet of new water is developed.

Learn more about volunteering at MoreWaterNow.Com/Volunteer.



As Thanksgiving approaches, we are grateful for the moisture here in California in recent weeks.

While recovery from the drought is a ways off, any moisture is a welcome sight to producers everywhere.

*Pictured here is Tule Fog rising above the San Joaquin Valley as we were flying out of Fresno for the Western States Conference in Las Vegas.
– Geoff Vanden Heuvel*

Happy Thanksgiving 

The next MPC Friday Report will be published on December 3, 2021